

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015

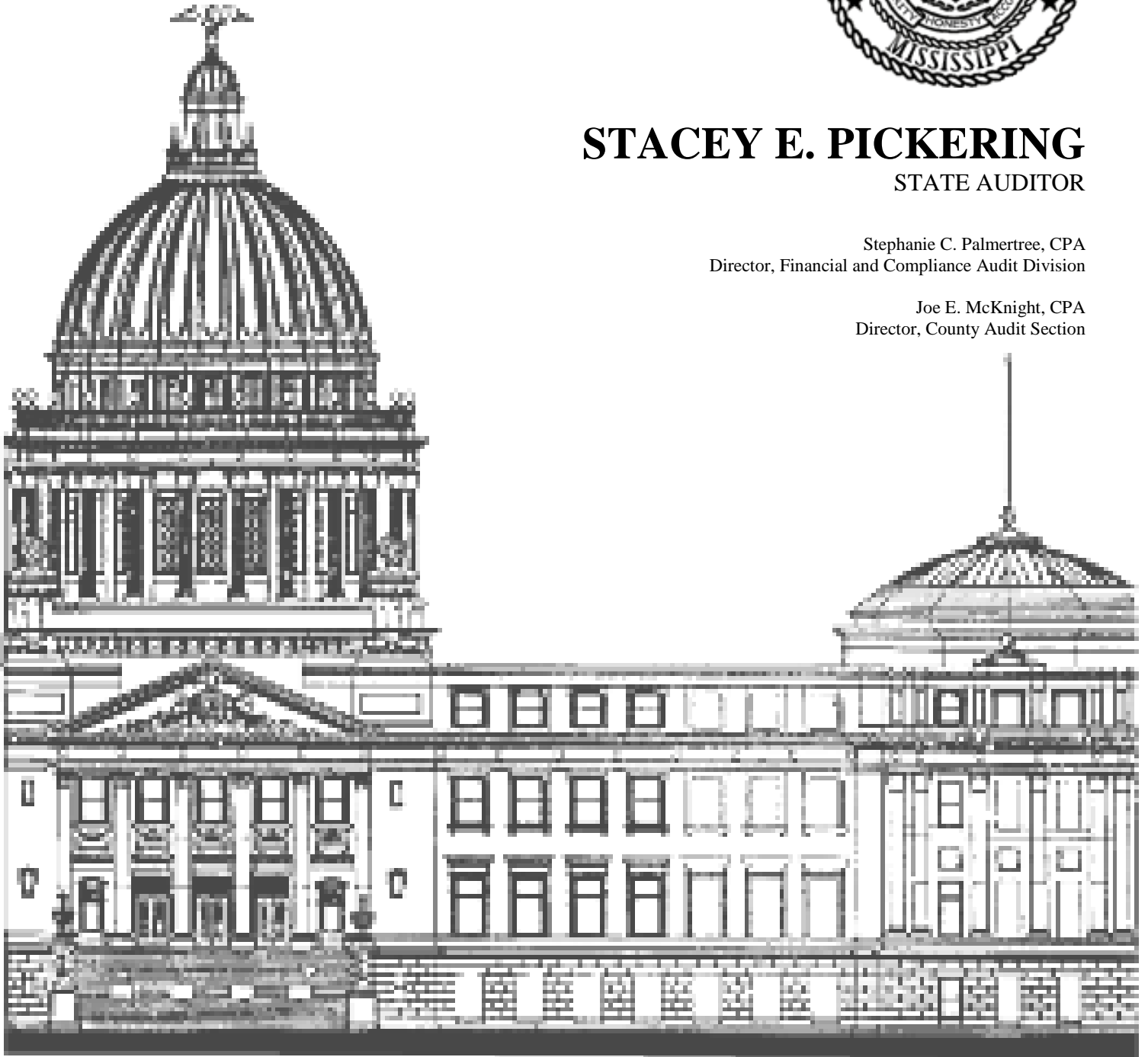


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

August 24, 2017

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Simpson County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Major Enterprise Fund

As discussed in Note 10 to the financial statements, the 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 and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, 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 Opinion 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, 2015, 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.

Unmodified 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, the 2014 Road Bond Proceeds Fund, and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 August 24, 2017 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 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.

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being the most prominent part.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 24, 2017

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

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SIMPSON COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,057,867	58,271	9,116,138
Restricted cash	6,288		6,288
Property tax receivable	7,815,548		7,815,548
Accounts receivable (net of allowance for uncollectibles of \$1,079,005)		334,467	334,467
Fines receivable (net of allowance for uncollectibles of \$1,741,541)	503,365		503,365
Intergovernmental receivables	237,865	13,001	250,866
Other receivables	21,102		21,102
Capital assets:			
Land and construction in progress	1,714,099		1,714,099
Other capital assets, net	60,347,418	591,066	60,938,484
Total Assets	<u>79,703,552</u>	<u>996,805</u>	<u>80,700,357</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,893,678	125,986	2,019,664
Deferred amount on refunding	10,632		10,632
Total Deferred Outflows of Resources	<u>1,904,310</u>	<u>125,986</u>	<u>2,030,296</u>
LIABILITIES			
Claims payable	188,329	14,289	202,618
Intergovernmental payables	258,197		258,197
Accrued interest payable	132,271		132,271
Unearned revenue		54,146	54,146
Amounts held in custody for others	75,597		75,597
Long-term liabilities			
Net pension liability	10,763,065	716,067	11,479,132
Due within one year:			
Capital debt	1,240,347	48,463	1,288,810
Due in more than one year:			
Capital debt	11,008,340		11,008,340
Non-capital debt	349,867	17,541	367,408
Total Liabilities	<u>24,016,013</u>	<u>850,506</u>	<u>24,866,519</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	29,920	1,991	31,911
Deferred revenues - property taxes	7,815,548		7,815,548
Total Deferred Inflows of Resources	<u>7,845,468</u>	<u>1,991</u>	<u>7,847,459</u>
NET POSITION			
Net investment in capital assets	49,823,462	542,603	50,366,065
Restricted for:			
Expendable:			
General government	77,940		77,940
Public safety	809,872		809,872
Public works	1,736,851		1,736,851
Health and welfare	51,164		51,164
Economic development and assistance	359,253		359,253
Debt service	38,606		38,606
Unrestricted	(3,150,767)	(272,309)	(3,423,076)
Total Net Position	<u>\$ 49,746,381</u>	<u>270,294</u>	<u>50,016,675</u>

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,978,982	887,838			(2,091,144)		(2,091,144)
Public safety	3,968,051	483,327	181,274		(3,303,450)		(3,303,450)
Public works	4,639,360		1,145,182		(3,494,178)		(3,494,178)
Health and welfare	140,845		30,930		(109,915)		(109,915)
Culture and recreation	226,716				(226,716)		(226,716)
Conservation of natural resources	97,582				(97,582)		(97,582)
Economic development and assistance	174,374				(174,374)		(174,374)
Interest on long-term debt	394,383				(394,383)		(394,383)
Paying agent fees	4,940				(4,940)		(4,940)
Pension expense	1,271,770				(1,271,770)		(1,271,770)
Total Governmental Activities	13,897,003	1,371,165	1,357,386	0	(11,168,452)		(11,168,452)
Business-type activities:							
Solid waste	994,314	956,196	16,951			(21,167)	(21,167)
Total Business-type Activities	994,314	956,196	16,951	0		(21,167)	(21,167)
Total Primary Government	\$ 14,891,317	2,327,361	1,374,337	0	(11,168,452)	(21,167)	(11,189,619)
General revenues:							
Property taxes					\$ 7,762,342		7,762,342
In lieu taxes - Mississippi Hub					537,756		537,756
Road & bridge privilege taxes					321,152		321,152
Grants and contributions not restricted to specific programs					889,993		889,993
Unrestricted interest income					26,756	166	26,922
Miscellaneous					270,049		270,049
Total General Revenues					9,808,048	166	9,808,214
Changes in Net Position					(1,360,404)	(21,001)	(1,381,405)
Net Position - Beginning, as previously reported					59,421,496	844,474	60,265,970
Prior period adjustments					(8,314,711)	(553,179)	(8,867,890)
Net Position - Beginning, as restated					51,106,785	291,295	51,398,080
Net Position - Ending					\$ 49,746,381	270,294	50,016,675

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

SIMPSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds				
	General	Countywide	2014 Road	Other	Total
	Fund	Road	Bond	Governmental	Governmental
	Fund	Maintenance	Proceeds	Funds	Funds
ASSETS					
Cash	\$ 5,863,142	1,012,772		2,181,953	9,057,867
Restricted cash	6,288				6,288
Property tax receivable	5,270,485	1,100,607		1,444,456	7,815,548
Fines receivable (net of allowance for uncollectibles of \$1,741,541)	503,365				503,365
Intergovernmental receivables	182,863			55,002	237,865
Other receivables	13,055			8,047	21,102
Due from other funds		41,665		22,890	64,555
Total Assets	\$ 11,839,198	2,155,044	0	3,712,348	17,706,590
LIABILITIES					
Liabilities:					
Claims payable	\$ 83,414	103,832		1,083	188,329
Intergovernmental payables	221,855			17,745	239,600
Due to other funds	83,152				83,152
Amounts held in custody for others	75,597				75,597
Total Liabilities	464,018	103,832	0	18,828	586,678
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	5,270,485	1,100,607		1,444,456	7,815,548
Unavailable revenue - fines	503,365				503,365
Total deferred inflows of resources	5,773,850	1,100,607	0	1,444,456	8,318,913
Fund balances:					
Restricted for:					
General government				77,940	77,940
Public safety	6,288			803,584	809,872
Public works		950,605		786,246	1,736,851
Health and welfare				51,164	51,164
Economic development and assistance				359,253	359,253
Debt service				170,877	170,877
Unassigned	5,595,042				5,595,042
Total Fund Balances	5,601,330	950,605	0	2,249,064	8,800,999
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,839,198	2,155,044	0	3,712,348	17,706,590

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

SIMPSON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,800,999
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 \$94,763,442.	62,061,517
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	503,365
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,598,554)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,763,065)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(132,271)
Deferred amount on refunding	10,632
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,893,678
Deferred inflows of resources related to pensions	<u>(29,920)</u>
Total Net Position - Governmental Activities	\$ <u><u>49,746,381</u></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, 2015

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	2014 Road Bond Proceeds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 5,249,207	1,066,240		1,446,895	7,762,342
In lieu taxes - Mississippi Hub	400,000	137,756			537,756
Road and bridge privilege taxes		321,152			321,152
Licenses, commissions and other revenue	280,671			9,762	290,433
Fines and forfeitures	576,819			21,502	598,321
Intergovernmental revenues	812,779	749,568		685,032	2,247,379
Charges for services	150,378			278,684	429,062
Interest income	19,153	2,110	1,078	4,415	26,756
Miscellaneous revenues	124,066	28,804		16,491	169,361
Total Revenues	7,613,073	2,305,630	1,078	2,462,781	12,382,562
EXPENDITURES					
Current:					
General government	3,011,415			1,851	3,013,266
Public safety	3,248,904			875,227	4,124,131
Public works		2,799,019	1,485,131	963,695	5,247,845
Health and welfare	129,007				129,007
Culture and recreation	226,716				226,716
Conservation of natural resources	100,179				100,179
Economic development and assistance	14,151			132,946	147,097
Debt service:					
Principal	386,739	253,221		565,985	1,205,945
Interest	280,789	20,580		99,613	400,982
Paying agent fees	2,500			2,440	4,940
Total Expenditures	7,400,400	3,072,820	1,485,131	2,641,757	14,600,108
Excess of Revenues over (under) Expenditures	212,673	(767,190)	(1,484,053)	(178,976)	(2,217,546)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		569,541		105,741	675,282
Proceeds from sale of capital assets		269,235			269,235
Transfers in				263,118	263,118
Transfers out	(244,865)			(18,253)	(263,118)
Total Other Financing Sources and Uses	(244,865)	838,776	0	350,606	944,517
Net Changes in Fund Balances	(32,192)	71,586	(1,484,053)	171,630	(1,273,029)
Fund Balances - Beginning	5,633,522	879,019	1,484,053	2,077,434	10,074,028
Fund Balances - Ending	\$ 5,601,330	950,605	0	2,249,064	8,800,999

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, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,273,029)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,093,750 exceeded depreciation of \$1,019,873 in the current period.	73,877
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 \$100,688 and the proceeds from the sale of \$269,235 in the current period.	(168,547)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	53,349
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 \$1,205,945 exceeded debt proceeds of \$675,282.	530,663
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:	
Decrease in compensated absences	853
Decrease in accrued interest payable	7,465
The Amortization of:	
Deferred bond refunding charges	(4,662)
Refunding bond premium	4,223
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,271,770)
Recording of contributions made during the year	687,174
Change in Net Position of Governmental Activities	\$ <u><u>(1,360,404)</u></u>

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

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Garbage and Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 58,271
Accounts receivable (net of allowance for uncollectibles of \$1,079,005)	334,467
Intergovernmental receivables	13,001
Total Current Assets	<u>405,739</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	591,066
Total Noncurrent Assets	<u>591,066</u>
Total Assets	<u>996,805</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	125,986
Total Deferred Outflows of Resources	<u>125,986</u>
LIABILITIES	
Current liabilities:	
Claims payable	14,289
Unearned revenue	54,146
Capital debt:	
Capital leases payable	48,463
Total Current Liabilities	<u>116,898</u>
Noncurrent liabilities:	
Net pension liability	716,067
Non-capital debt:	
Compensated absences payable	17,541
Total Noncurrent Liabilities	<u>733,608</u>
Total Liabilities	<u>850,506</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,991
Total Deferred Inflows of Resources	<u>1,991</u>
NET POSITION	
Net investment in capital assets	542,603
Unrestricted	(272,309)
Total Net Position	<u>\$ 270,294</u>

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

SIMPSON COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Fund
	Garbage and Solid Waste Fund
Operating Revenues	
Charges for services	\$ 956,096
Other operating cash receipts	100
Total Operating Revenues	956,196
Operating Expenses	
Personal services	397,458
Pension expense	84,611
Contractual services	265,628
Materials and supplies	171,736
Depreciation expense	73,912
Total Operating Expenses	993,345
Operating Income (Loss)	(37,149)
Nonoperating Revenues (Expenses)	
Interest income	166
Intergovernmental grants	16,951
Interest expense	(969)
Net Nonoperating Revenue (Expenses)	16,148
Changes in Net Position	(21,001)
Net Position - Beginning, as previously reported	844,474
Prior period adjustment	(553,179)
Net Position - Beginning	291,295
Net Position - Ending	\$ 270,294

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, 2015

Exhibit 7

	Business-type Activities - Enterprise Fund
	Garbage and Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 929,115
Payments to suppliers	(448,054)
Payments to employees	(442,167)
Other operating cash receipts	100
Net Cash Provided (Used) by Operating Activities	38,994
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	16,951
Cash received from other funds:	
Interfund loan repayments	53,150
Net Cash Provided (Used) by Noncapital Financing Activities	70,101
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(70,675)
Principal paid on long-term debt	(4,635)
Interest paid on debt	(969)
Net Cash Provided (Used) by Capital and Related Financing Activities	(76,279)
Cash Flows From Investing Activities	
Interest on deposits	166
Net Cash Provided (Used) by Investing Activities	166
Net Increase (Decrease) in Cash and Cash Equivalents	32,982
Cash and Cash Equivalents at Beginning of Year	25,289
Cash and Cash Equivalents at End of Year	\$ 58,271
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (37,149)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	73,912
Provision for uncollectible accounts	85,000
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(106,638)
(Increase) decrease in intergovernmental receivables	(7,325)
Increase (decrease) in claims payable	(10,690)
Increase (decrease) in compensated absences liability	1,009
Increase (decrease) in unearned revenue	1,982
Increase (decrease) in pension liability	38,893
Total Adjustments	76,143
Net Cash Provided (Used) by Operating Activities	\$ 38,994

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

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 205,302
Due from other funds	18,597
Total Assets	\$ <u>223,899</u>
LIABILITIES	
Intergovernmental payables	\$ 223,899
Total Liabilities	\$ <u>223,899</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, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Simpson County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Simpson County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

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

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

B. Individual Component Unit Disclosures

Blended Component 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 .5 mill tax levy.

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

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

2014 Road Bond Proceeds Fund - This fund is used to account for monies received from the proceeds of the 2014 road bond and is to be used for road maintenance and construction.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Simpson County meets this criteria and has elected to report general infrastructure assets acquired after September 30, 1980 on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 1980.

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

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

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

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

J. Deferred Outflows/Inflows of Resources:

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

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

K. Pensions.

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

L. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

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

Fund Balance Flow Assumption:

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

N. Property Tax Revenues:

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(2) Prior Period Adjustments.

A summary of the significant fund equity adjustments are as follows:

Exhibit 2 – Statement of Activities.

Explanation	Amount
<u>Governmental Activities:</u>	
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (8,483,731)
Deferred outflows contributions	169,020
Total governmental activities prior period adjustments	<u>\$ (8,314,711)</u>
<u>Business-Type Activities:</u>	
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (564,424)
Deferred outflows contributions	11,245
Total business-type activities prior period adjustments	<u>\$ (553,179)</u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

Explanation	Amount
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (564,424)
Deferred outflows contributions	11,245
Total prior period adjustments	<u>\$ (553,179)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$9,321,440, and the bank balance was \$9,991,396. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Restricted Cash.

As approved in Section 91-13-8, Miss. Code Ann. (1972), the cash balance amount of \$6,288 is managed through a trust indenture between the County and the trustee related to the operations of the Simpson County Jail Complex. Accordingly, this cash is classified as restricted on the financial statements.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Maintenance Fund	General Fund	\$ 41,665
Other Governmental Funds	General Fund	22,890
Agency Funds	General Fund	18,597
Total		<u>\$ 83,152</u>

The receivables represent the tax revenues, Justice Court fees and Circuit Clerk fees collected in September, 2015 but not settled until October, 2015, temporary loans to cover cash deficits resulting from governmental grant reimbursements and to correct revenue recorded in the incorrect fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 244,865
Other Governmental Funds	Other Governmental Funds	18,253
Total		<u>\$ 263,118</u>

The purpose of these transfers was to provide funds for budgeted items, grant matches or to close debt service funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 152,820
Department of Homeland Security	6,296
Department of Public Safety	23,819
Department of Corrections	15,881
City of Mendenhall	4,418
Department of Human Services	3,448
Commerical Mobile Radio Board	31,183
Total Governmental Activities	<u>\$ 237,865</u>
Business-type Activities:	
City of Mendenhall	<u>\$ 13,001</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,694,899				1,694,899
Construction in progress	23,363	384,664		(388,827)	19,200
Total non-depreciable capital assets	1,718,262	384,664	0	(388,827)	1,714,099
<u>Depreciable capital assets:</u>					
Infrastructure	132,284,563			3,888,327	132,673,390
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,343,552	19,010	59,879	108,163	4,410,846
Furniture and equipment	888,426	14,794			903,220
Leased property under capital leases	1,269,899	675,282	433,898	108,163	1,403,120
Total depreciable capital assets	154,506,724	709,086	493,777	388,827	155,110,860
<u>Less accumulated depreciated for:</u>					
Infrastructure	85,599,411	373,031			85,972,442
Buildings	4,059,088	232,463			4,291,551
Improvements other than buildings	214,529	29,622		(71,109)	173,042
Mobile equipment	2,996,867	193,451	51,866	119,799	3,258,251
Furniture and equipment	714,899	33,540			748,439
Leased property under capital leases	484,005	157,766	273,364	(48,690)	319,717
Total accumulated depreciation	94,068,799	1,019,873	325,230	0	94,763,442
Total depreciable capital assets, net	60,437,925	(310,787)	168,547	388,827	60,347,418
Government activities capital assets, net	\$ 62,156,187	73,877	168,547	0	62,061,517
<u>Business-type activities:</u>					
	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>					
Buildings	164,260				164,260
Mobile equipment	1,216,747	70,675			1,287,422
Leased property under capital leases	63,210				63,210
Total depreciable capital assets	1,444,217	70,675	0	0	1,514,892
<u>Less accumulated depreciated for:</u>					
Buildings	52,576	3,286			55,862
Mobile equipment	780,271	64,936			845,207
Leased property under capital leases	17,067	5,690			22,757
Total accumulated depreciation	849,914	73,912	0	0	923,826
Total depreciable capital assets, net	594,303	(3,237)	0	0	591,066
Business-type activities capital assets, net	\$ 594,303	(3,237)	0	0	591,066

* The adjustments represent the reclassification of completed construction in progress to infrastructure and correction of prior year errors.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 204,542
Public safety	174,879
Public works	601,337
Health and welfare	11,838
Economic development and assistance	<u>27,277</u>
Total governmental activities depreciation expense	\$ <u>1,019,873</u>
	<u>Amount</u>
Business-type activities:	
Solid waste	\$ <u>73,912</u>
Total business-type activities depreciation expense	\$ <u>73,912</u>

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
LSBP 6420 (Matt Lee Road Bridge)	\$ 343,442	September 2017
STPBR 6422 B (Cox Road Bridge)	387,000	September 2019

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

On June 1, 2009, Simpson County entered into a non-cancellable operating lease agreement with Howard Industries, Inc. for the lease of certain real property and a building located at 2778 Highway 49, Mendenhall, MS. The operating lease stipulated that the lessee, Howard Industries, Inc., would pay approximately \$45,000 each year in lease payments for the period of 10 years beginning July 12, 2009 and ending July 12, 2019. At the end of the lease term, Howard Industries has the right to renew for an additional 10 years. Total income from the lease was \$45,000 for the year ended September 30, 2015. The future minimum lease receivable for the lease is as follows:

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

<u>Year Ending September 30</u>		<u>Amount</u>
2016	\$	45,000
2017		45,000
2018		45,000
Total Minimum Payments Required	\$	<u>135,000</u>

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental</u>	<u>Business-type</u>
Mobile equipment	\$ 1,403,120	63,210
Less: Accumulated depreciation	<u>(319,717)</u>	<u>(22,757)</u>
Leased Property Under Capital Leases	\$ <u>1,083,403</u>	<u>40,453</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 306,248	23,940	48,463	668
2017	106,483	18,122		
2018	95,462	15,313		
2019	221,407	12,421		
2020	<u>419,941</u>	<u>3,106</u>		
Total	\$ <u>1,149,541</u>	<u>72,902</u>	<u>48,463</u>	<u>668</u>

(10) Other Postemployment Benefits.

Plan Description

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Simpson County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$732,893, \$691,963 and \$622,083, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the County reported a liability of \$11,479,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.07426 percent, which was a decrease of 0.00028 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$1,356,381. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 176,658	-
Net difference between projected and actual earnings on pension plan investments	671,652	-
Changes of assumptions	988,888	-
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	-	31,911
County contributions subsequent to the measurement date	182,466	-
Total	\$ 2,019,664	31,911

\$182,466 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2016	\$ 584,691
2017	584,691
2018	467,993
2019	167,912
	<u>\$ 1,805,287</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 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 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00 %	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 15,130,547	11,479,132	8,449,139

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

(12) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

<u>Description and Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA bond	\$ 120,000	2.00%	03/2016
Industrial development bonds of 2009	301,483	0.00%	05/2019
2011 Road and bridge refunding bonds	995,000	2.00-3.00%	10/2019
2014 G.O. road and bridge bonds	2,935,000	1.88-2.63%	06/2024
Total General Obligation Bonds	\$ 4,351,483		
B. Limited Obligation Bonds:			
Certificates of Participation, (Jail Complex)	\$ 6,590,000	3.00-4.70%	11/2030

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Description and Purpose	Amount	Interest Rate	Final Maturity Date
Governmental Activities:			
C. Capital Leases:			
Computer system	\$ 1,523	3.45%	10/2015
Wheel loader	71,373	3.12%	02/2016
2 Case backhoes	64,799	1.95%	09/2016
Radios	25,573	5.39%	09/2017
3 Mack Dump Trucks	284,211	2.29%	06/2019
Case backhoe (Loan combo w/ fund 150)	64,792	1.95%	09/2016
Caterpillar Loader	97,912	2.15%	12/2019
Caterpillar Loader	97,968	2.15%	12/2019
2 John Deere Motorgraders	441,390	2.19%	03/2020
	<u>\$ 1,149,541</u>		
Total Capital Leases	<u>\$ 1,149,541</u>		
D. Other Loans:			
DHS Building renovation	117,818	2.25%	04/2017
CAP Loan – fire truck	23,438	2.00%	06/2018
	<u>\$ 141,256</u>		
Total Other Loans	<u>\$ 141,256</u>		
Business-type Activities:			
A. Capital Leases:			
Caterpillar backhoe	\$ 48,463	1.90%	07/2016

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 557,222	86,119	310,000	265,301
2017	447,222	77,069	320,000	255,851
2018	582,223	67,794	330,000	245,895
2019	564,816	54,988	340,000	235,001
2020	255,000	42,500	350,000	222,920
2021 - 2025	1,945,000	96,818	1,965,000	895,654
2026 - 2030			2,420,000	424,360
2031 - 2035			555,000	13,043
	<u>\$ 4,351,483</u>	<u>425,288</u>	<u>6,590,000</u>	<u>2,558,025</u>
Total	<u>\$ 4,351,483</u>	<u>425,288</u>	<u>6,590,000</u>	<u>2,558,025</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Year Ending September 30	Other Loans	
	Principal	Interest
2016	\$ 66,877	3,041
2017	68,362	1,555
2018	6,017	28
Total	\$ 141,256	4,624

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 1.61% of the latest property assessments.

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

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2015, \$1,005,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 350,720		853	349,867	
General obligation bonds	4,893,705		542,222	4,351,483	557,222
Add:					
Premiums	20,630		4,223	16,407	
Limited obligation bonds	6,890,000		300,000	6,590,000	310,000
Capital leases	772,568	675,282	298,309	1,149,541	306,248
Other loans	206,670		65,414	141,256	66,877
Total	\$ 13,134,293	675,282	1,211,021	12,598,554	1,240,347

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 16,532	1,009		17,541	
Capital leases	53,098		4,635	48,463	48,463
Total	\$ 69,630	1,009	4,635	66,004	48,463

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

(13) Contingencies.

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

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

(14) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$153,994 in fiscal year 2015. 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 \$111,852 in fiscal year 2015. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P. O. Box 487, Mendenhall, MS 39114.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$1,141,088 for the maintenance and support of the college in fiscal year 2015.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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 2015.

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 2015.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Simpson County evaluated the activity of the County through August 24, 2017, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue</u>	<u>Amount</u>	<u>Type of</u>	<u>Financing</u>	<u>Source of</u>	<u>Financing</u>
02/12/2016		2.37%	\$	85,000	Negotiable note		Ad valorem taxes	
04/12/2016		1.78%		67,000	Capital lease		Ad valorem taxes	
05/02/2016		1.74%		127,648	Capital lease		Ad valorem taxes	
07/27/2016		2.09%		45,000	Capital lease refinancing		Ad valorem taxes	
08/04/2016		1.87%		72,215	Capital lease		Ad valorem taxes	
08/04/2016		1.73%		134,704	Capital lease		Ad valorem taxes	
09/26/2016		1.73%		208,170	Capital lease		Ad valorem taxes	
08/07/2017		2.42%		104,455	Capital lease		Ad valorem taxes	
12/16/2017		1.84%		194,700	Capital lease		Ad valorem taxes	

SIMPSON COUNTY

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SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,414,268	5,246,658	5,246,658	
In lieu taxes - Mississippi Hub		400,000	400,000	
Licenses, commissions and other revenue	261,700	280,351	280,351	
Fines and forfeitures	604,500	568,557	568,557	
Intergovernmental revenues	748,000	827,633	827,633	
Charges for services	650,000	172,009	172,009	
Interest income	13,450	19,187	19,187	
Miscellaneous revenues	126,000	112,191	112,191	
Total Revenues	<u>7,817,918</u>	<u>7,626,586</u>	<u>7,626,586</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,216,266	3,007,741	3,007,741	
Public safety	3,573,800	3,364,368	3,364,368	
Health and welfare	145,162	129,007	129,007	
Culture and recreation	213,994	226,888	226,888	
Conservation of natural resources	108,905	100,597	100,597	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	670,030	386,738	386,738	
Interest		280,789	280,789	
Bond issue costs		2,500	2,500	
Total Expenditures	<u>7,942,308</u>	<u>7,512,779</u>	<u>7,512,779</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(124,390)</u>	<u>113,807</u>	<u>113,807</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,083)	(152,158)	(152,158)	
Other financing sources	178,000	18,516	18,516	
Total Other Financing Sources and Uses	<u>142,917</u>	<u>(133,642)</u>	<u>(133,642)</u>	<u>0</u>
Net Change in Fund Balance	18,527	(19,835)	(19,835)	0
Fund Balances - Beginning	<u>5,332,000</u>	<u>5,512,235</u>	<u>5,512,235</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,350,527</u>	<u>5,492,400</u>	<u>5,492,400</u>	<u>0</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, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,162,080	1,067,806	1,067,806	
In lieu taxes - Mississippi Hub		137,756	137,756	
Road and bridge privilege taxes	315,000	320,151	320,151	
Intergovernmental revenues	641,000	749,567	749,567	
Interest income	1,600	2,114	2,114	
Miscellaneous revenues	10,000	13,936	13,936	
Total Revenues	<u>2,129,680</u>	<u>2,291,330</u>	<u>2,291,330</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,086,784	2,808,254	2,808,254	
Debt service:				
Principal	231,476	253,203	253,203	
Interest		20,598	20,598	
Total Expenditures	<u>2,318,260</u>	<u>3,082,055</u>	<u>3,082,055</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(188,580)</u>	<u>(790,725)</u>	<u>(790,725)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	170,000	855,101	855,101	
Total Other Financing Sources and Uses	<u>170,000</u>	<u>855,101</u>	<u>855,101</u>	<u>0</u>
Net Change in Fund Balance	(18,580)	64,376	64,376	0
Fund Balances - Beginning	<u>900,000</u>	<u>948,397</u>	<u>948,397</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 881,420</u>	<u>1,012,773</u>	<u>1,012,773</u>	<u>0</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
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.07426%
County's proportionate share of the net pension liability (asset)	\$ 11,479,132
County's covered-employee payroll	\$ 4,639,321
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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

SIMPSON COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 732,893
Contributions in relation to the contractually required contribution	<u>732,893</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
County's covered-employee payroll	\$ 4,653,289
Contributions as a percentage of covered-employee payroll	15.75%

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

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

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015 UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (19,835)	64,376
Increase (Decrease)		
Net adjustments for revenue accruals	(32,029)	(2,025)
Net adjustments for expenditure accruals	19,672	9,235
GAAP Basis	\$ <u>(32,192)</u>	<u>71,586</u>

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015
UNAUDITED

Pension Schedules

A. Changes of assumptions.

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, 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

OTHER INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
Curtis Skiffer	Supervisor District 1	Western Surety	\$100,000
Larry Walker	Supervisor District 2	RLI	\$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
Minnie Parker	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
Regina Evans	Assistant Receiving Clerk	State Farm	\$50,000
Steve Harper	Assistant Receiving Clerk	Western Surety	\$50,000
Eric Bowen	Inventory Control Clerk	State Farm	\$75,000
JM Hooker	Road Manager	Western Surety	\$50,000
Dan Easterling	Constable	RLI	\$50,000
Randall Coleman	Constable	RLI	\$50,000
Lu Ann Bailey	Circuit Clerk	State Farm	\$100,000
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
Kenneth Lewis	Sheriff	RLI	\$100,000
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
Kim Jackson	Justice Court Clerk	Western Surety	\$50,000
Brandy Shepherd	Deputy Justice Court Clerk	State Farm	\$50,000
Joyce Hicks	Deputy Justice Court Clerk	Western Surety	\$50,000
Theja Abernathy	Deputy Justice Court Clerk	State Farm	\$50,000
Charles Baldwin	Tax Assessor-Collector	RLI	\$100,000
Alisha Walker	Tax Assessor-Collector Deputy	RLI	\$50,000
Amanda Daughdrill	Tax Assessor-Collector Deputy	RLI	\$50,000
Carolyn Williams	Tax Assessor-Collector Deputy	Western Surety	\$50,000
Dawn Bradshaw	Tax Assessor-Collector Deputy	State Farm	\$50,000
Jamie Brewer	Tax Assessor-Collector Deputy	RLI	\$50,000
Kathy Cole Kennedy	Tax Assessor-Collector Deputy	Western Surety	\$50,000
Naomi Nicole McCallum	Tax Assessor-Collector Deputy	Western Surety	\$50,000
Shay McNeil	Tax Assessor-Collector Deputy	RLI	\$50,000

SIMPSON COUNTY

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SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

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

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Simpson County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 24, 2017. 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 of the financial statements, we considered Simpson County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001 that we consider 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 24, 2017, included within this document.

Simpson County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 24, 2017



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

**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 (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. 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 such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Simpson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

This report is intended for use in evaluating 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.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a large initial "J" and "M".

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 24, 2017

SIMPSON COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/18/2014	Backhoe / Loader	\$ 105,741	Puckett Machinery	\$ 87,700	High cost of repairs

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our tests did not identify any emergency purchases.

SIMPSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

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

SIMPSON COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2015, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Simpson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 24, 2017, 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County should establish and test a disaster recovery process.

Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically

restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

The County is currently creating backup files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this, it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

While we do in fact has a disaster recovery plan, it is old and is in need of updating. We have recently purchased a Barracuda back up machine with two terabytes of storage capacity that includes remote off-site backup for the tax assessment, geographical information and property tax records. We also have an overnight back up sent off-site of our payroll and accounting data each night. We will consider this finding and discuss it with our third party computer service provider to determine how best to comply in consideration of the budget and personnel availability.

2. The County should implement a formal Information Security Policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internal protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the

County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County's Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditor.

Board of Supervisors' Response

We are working on a draft of a new Information Technology Usage and Security Policy applicable for all employees. Upon completion and after review by our third party computer services provider, this policy will be presented to the Board of Supervisors for approval. We will comply.

Chancery Clerk.

3. The Chancery Clerk should properly report revenue.

Finding

Section 9-1-43(4)(c), Miss. Code Ann. (1972), states that all land redemption and mineral documentary stamp commissions paid to the Chancery Clerk shall be subject to the salary limitation prescribed under subsection 9-1-43(1), which limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. Furthermore, all fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. During test work, it was noted that the Chancery Clerk erroneously omitted a land redemption commission from his 2015 fee journal and annual financial report, thereby understating revenues subject to the cap by this amount. Based on test work performed on the fee journal, we determined the Chancery Clerk owes an additional settlement of \$3,398.50 to the Board of Supervisors. Failure to report all income could result in the loss of public funds. Also, these errors could result in a loan to the Chancery Clerk that is not authorized by law.

Recommendation

The Chancery Clerk should settle the additional amount of \$3,398.50 in excess fees for the 2015 calendar year to the County's General Fund. The Chancery Clerk should also maintain an accurate and complete fee journal. The Chancery Clerk should file an amended annual financial report for 2015 with the Office of the State Auditor and the Public Employees' Retirement System.

Chancery Clerk's Response

I have already settled to the county. This was a mistake on my part; I've already sent an amended fee report to PERS and the State Auditor on 1-23-17.

Circuit Clerk.

4. The Circuit Clerk understated fees subject to the cap on the Annual Financial Report.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deduction for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be deposited by the Clerk into the County's General Fund on or before April 15th for the preceding calendar year. Based on test work performed on the fee journal, the Clerk understated fees subject to the cap by \$16,445 for the 2015 calendar year. Failure to properly report the amount in excess over the salary cap of \$90,000 could result in the loss of public funds.

Recommendation

The Circuit Clerk should settle the additional \$16,445 over the salary cap to the County's General Fund and ensure that future fees reported on the annual financial report are complete and accurate.

Circuit Clerk's Response

In December 2016 when I completed my report in Delta Systems my total for the year was \$94,318 so in return my total to the county was \$3,349 and that is what I paid. Due to the new upgraded software it didn't reconcile the report correctly. The money will be deposited into the County's General Fund from my fee account at the end of February 2017.

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

August 24, 2017

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

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SIMPSON COUNTY

Schedule of Findings and Recommendations For the Year Ended September 30, 2016

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
2014 Road Bond Proceeds Fund	Unmodified
Aggregate remaining fund information	Unmodified
Garbage and Solid Waste Fund	Qualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 2015-001. 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 five 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.

Recommendation

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

Board of Supervisors' Response

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