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# **SIMPSON COUNTY, MISSISSIPPI**

Audited Financial Statements  
And  
Special Reports

For the Year Ended September 30, 2016

SIMPSON COUNTY  
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SIMPSON COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

### 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, as of and for the year ended September 30, 2016, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

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

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

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

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

As discussed in Note 13 to the financial statements, Simpson County has not recorded a liability for other postemployment benefits in the governmental activities, business-type activities and the major enterprise fund, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities, business-type activities and the major enterprise fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, business-type activities and the major enterprise fund is not reasonably determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and major enterprise fund of Simpson County, Mississippi, as of September 30, 2016, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Maintenance Fund, and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Omission of Required Supplementary Information*


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

### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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.



Windham and Lacey, PLLC  
August 25, 2017



SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY  
Statement of Net Position  
September 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 9,013,655	116,462	9,130,117
Restricted cash	6,288		6,288
Property tax receivable	8,463,072		8,463,072
Accounts receivable (net of allowance for uncollectibles of \$1,181,970)	54,598	360,918	415,516
Fines receivable (net of allowance for uncollectibles of \$1,588,986)	635,401		635,401
Intergovernmental receivables	229,506	11,653	241,159
Capital assets:			
Land and construction in progress	1,755,779		1,755,779
Other capital assets, net	60,340,069	597,308	60,937,377
Total Assets	80,498,368	1,086,341	81,584,709
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	6,681		6,681
Deferred outflows related to pensions	2,465,781	164,151	2,629,932
Total Deferred Outflows of Resources	2,472,462	164,151	2,636,613
<b>LIABILITIES</b>			
Claims payable	147,484	5,559	153,043
Intergovernmental payables	262,315		262,315
Accrued interest payable	120,197		120,197
Refundable deposits		53,124	53,124
Amounts held in custody for others	79,647		79,647
Compensated absences	326,722	18,504	345,226
Long-term liabilities			
Due within one year:			
Capital debt	1,036,865	24,889	1,061,754
Due in more than one year:			
Capital debt	10,570,118	88,225	10,658,343
Net pension liability	12,437,584	827,644	13,265,228
Total Liabilities	24,980,932	1,017,945	25,998,877
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	8,463,072		8,463,072
Total Deferred Inflows of Resources	8,463,072	0	8,463,072
<b>NET POSITION</b>			
Net investment in capital assets	50,495,546	484,194	50,979,740
Restricted for:			
Expendable:			
General government	67,905		67,905
Debt service	27,564		27,564
Public safety	915,495		915,495
Public works	1,515,783	(251,647)	1,264,136
Economic development	343,722		343,722
Unrestricted	(3,839,189)		(3,839,189)
Total Net Position	\$ 49,526,826	232,547	49,759,373

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

SIMPSON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 3,264,254	1,092,545		(2,171,709)		(2,171,709)
Public safety	3,931,947	404,891	202,262	(3,324,794)		(3,324,794)
Public works	3,425,667		1,344,278	(2,081,389)		(2,081,389)
Health and welfare	133,226		25,645	(107,581)		(107,581)
Culture and recreation	230,529			(230,529)		(230,529)
Conservation of natural resources	90,990			(90,990)		(90,990)
Economic development and assistance	134,035			(134,035)		(134,035)
Pension expense	1,775,961			(1,775,961)		(1,775,961)
Interest on long-term debt	367,307			(367,307)		(367,307)
Total Governmental Activities	<u>13,353,916</u>	<u>1,497,436</u>	<u>1,572,185</u>	<u>(10,284,295)</u>	<u>0</u>	<u>(10,284,295)</u>
Business-type Activities:						
Solid Waste	<u>1,040,318</u>	<u>976,443</u>	<u>24,655</u>		<u>(39,220)</u>	<u>(39,220)</u>
Total Business-type Activities	<u>1,040,318</u>	<u>976,443</u>	<u>24,655</u>	<u>0</u>	<u>(39,220)</u>	<u>(39,220)</u>
Total Primary Government	\$ <u>14,394,234</u>	<u>2,473,879</u>	<u>1,596,840</u>	<u>(10,284,295)</u>	<u>(39,220)</u>	<u>(10,323,515)</u>

(Continued)

SIMPSON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit 2 (Continued)

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:			
Property taxes	\$ 8,820,783		8,820,783
Road & bridge privilege taxes	325,401		325,401
Grants and contributions not restricted to specific programs	747,412		747,412
Unrestricted interest income	23,779	300	24,079
Miscellaneous	147,365	1,173	148,538
Total General Revenues and Transfers	<u>10,064,740</u>	<u>1,473</u>	<u>10,066,213</u>
Changes in Net Position	(219,555)	(37,747)	(257,302)
Net Position - Beginning	<u>49,746,381</u>	<u>270,294</u>	<u>50,016,675</u>
Net Position - Ending	<u>\$ 49,526,826</u>	<u>232,547</u>	<u>49,759,373</u>

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

SIMPSON COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2016

Exhibit 3

	<u>Major Funds</u>			
	General	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund		
<b>ASSETS</b>				
Cash	\$ 6,044,788	868,261	2,100,606	9,013,655
Restricted cash	6,288			6,288
Property tax receivable	5,644,180	1,292,080	1,526,812	8,463,072
Fines receivable (net of allowance for uncollectibles of \$1,588,986)	635,401			635,401
Intergovernmental receivables	185,849		43,657	229,506
Accounts receivables	46,836		7,762	54,598
Due from other funds		40,722	20,893	61,615
Total Assets	\$ 12,563,342	2,201,063	3,699,730	18,464,135
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 67,706	78,802	976	147,484
Intergovernmental payables	226,621		17,745	244,366
Amounts held in custody for others	79,647			79,647
Due to other funds	79,564			79,564
Total Liabilities	453,538	78,802	18,721	551,061
Deferred Inflows of Resources:				
Property tax for future reporting period	5,644,180	1,292,080	1,526,812	8,463,072
Unavailable revenue - fines	635,401			635,401
Total Deferred Inflows of Resources	6,279,581	1,292,080	1,526,812	9,098,473
Fund Balances:				
Restricted for:				
General government			67,905	67,905
Public safety	6,288		909,207	915,495
Public works		830,181	685,602	1,515,783
Economic development and assistance			343,722	343,722
Debt service			147,761	147,761
Unassigned	5,823,935			5,823,935
Total Fund Balances	5,830,223	830,181	2,154,197	8,814,601
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,563,342	2,201,063	3,699,730	18,464,135

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, 2016

Total Fund Balance - Governmental Funds	\$	8,814,601
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 \$95,799,598.		62,095,848
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		635,401
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(11,933,705)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(120,197)
Deferred amount on refunding		6,681
Pension Obligations:		
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(12,437,584)	
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pension obligations	<u>2,465,781</u>	<u>(9,971,803)</u>
Total Net Position - Governmental Activities	\$	<u><u>49,526,826</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, 2016

	<u>Major Funds</u>			
	General	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 6,024,923	1,304,208	1,491,652	8,820,783
Road and bridge privilege taxes		325,401		325,401
Licenses, commissions and other revenue	307,456		9,396	316,852
Fines and forfeitures	674,493		22,790	697,283
Intergovernmental revenues	676,495	710,169	932,933	2,319,597
Charges for services	76,400		274,865	351,265
Interest income	19,342	1,926	4,563	25,831
Miscellaneous revenues	107,935	25,595	15,895	149,425
Total Revenues	<u>7,887,044</u>	<u>2,367,299</u>	<u>2,752,094</u>	<u>13,006,437</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,247,742		20,980	3,268,722
Public safety	3,286,150		867,378	4,153,528
Public works		2,773,988	1,222,261	3,996,249
Health and welfare	120,062			120,062
Culture and recreation	237,888			237,888
Conservation of natural resources	94,022			94,022
Economic development and assistance	14,151		92,607	106,758
Debt service:				
Principal	382,228	237,620	640,577	1,260,425
Interest	269,334	20,405	89,792	379,531
Paying agent fees	2,500		2,440	4,940
Total Expenditures	<u>7,654,077</u>	<u>3,032,013</u>	<u>2,936,035</u>	<u>13,622,125</u>
Excess of Revenues over (under) Expenditures	<u>232,967</u>	<u>(664,714)</u>	<u>(183,941)</u>	<u>(615,688)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	85,000	537,522		622,522
Sale of capital assets		6,768		6,768
Transfers in			93,139	93,139
Transfers out	(89,074)		(4,065)	(93,139)
Total Other Financing Sources and Uses	<u>(4,074)</u>	<u>544,290</u>	<u>89,074</u>	<u>629,290</u>
Net Changes in Fund Balances	228,893	(120,424)	(94,867)	13,602
Fund Balances - Beginning	<u>5,601,330</u>	<u>950,605</u>	<u>2,249,064</u>	<u>8,800,999</u>
Fund Balances - Ending	<u>\$ 5,830,223</u>	<u>830,181</u>	<u>2,154,197</u>	<u>8,814,601</u>

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

## SIMPSON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2016

Net Changes in Fund Balances - Governmental Funds \$ 13,602

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital expenditures of \$1,179,274 exceeded depreciation of \$1,134,063 in the current period. 45,211

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 loss of \$17,648 and the proceeds from the sale of \$6,768 in the current period. (10,880)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 132,036

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 \$1,260,425 and amortization of bond discounts and premiums of \$3,801 exceeded debt issuance of \$622,522. 641,704

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

The decrease in compensated absences	23,145
The decrease in accrued interest payable	12,074
The decrease in refunding charges on long-term debt	(3,951)
Other	1

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

Recognition of pension expense for the current year	(1,775,961)	
Recognition of contributions made prior to the measurement date	531,088	
Recognition of contributions made subsequent to the measurement date	172,376	(1,072,497)

Change in Net Position of Governmental Activities \$ (219,555)

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



SIMPSON COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2016

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 116,462
Accounts receivable (net of allowance for uncollectibles of \$1,181,970)	360,918
Intergovernmental receivables	<u>11,653</u>
Total Current Assets	<u>489,033</u>
Noncurrent Assets:	
Capital assets, net	<u>597,308</u>
Total Noncurrent Assets	<u>597,308</u>
 Total Assets	 <u>1,086,341</u>
 <b>DEFERRED OUTFLOWS</b>	
Deferred outflows related to pensions	<u>164,151</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Claims payable	5,559
Unearned revenue	53,124
Capital debt:	
Capital leases payable	<u>24,889</u>
Total Current Liabilities	<u>83,572</u>
Noncurrent Liabilities:	
Compensated absences payable	18,504
Capital debt:	
Capital leases payable	88,225
Net pension liability	<u>827,644</u>
Total Noncurrent Liabilities	<u>934,373</u>
 Total Liabilities	 <u>1,017,945</u>
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	484,194
Restricted (deficit):	
Public Works	<u>(251,647)</u>
 Total Net Position	 \$ <u><u>232,547</u></u>

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

SIMPSON COUNTY  
Statement of Revenues, Expenses and Changes in Fund Net Position -  
Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
Operating Revenues	
Charges for services	\$ 976,443
Other operating cash receipts	1,173
Total Operating Revenues	<u>977,616</u>
Operating Expenses	
Personal services	398,881
Contractual services	273,865
Materials and supplies	181,204
Pension expense	118,398
Depreciation expense	66,923
Total Operating Expenses	<u>1,039,271</u>
Operating Income (Loss)	<u>(61,655)</u>
Nonoperating Revenues (Expenses)	
Interest income	300
Interest expense	(1,047)
State grants	24,655
Net Nonoperating Revenue (Expenses)	<u>23,908</u>
Net Income (Loss)	<u>(37,747)</u>
Changes in Net Position	(37,747)
Net Position - Beginning	<u>270,294</u>
Net Position - Ending	<u>\$ 232,547</u>

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

SIMPSON COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 950,318
Payments to suppliers	(464,749)
Payments to employees	(443,945)
Other operating cash receipts	1,173
Net Cash Provided (Used) by Operating Activities	<u>42,797</u>
Cash Flows From Noncapital Financing Activities	
Operating grants received	24,655
Net Cash Provided (Used) by Noncapital Financing Activities	<u>24,655</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	
Long-term capital debt	117,215
Capital assets acquired	(73,165)
Interest on debt	(1,047)
Payment on debt	(52,564)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(9,561)</u>
Cash Flows From Investing Activities	
Interest on deposits	300
Net Cash Provided (Used) by Investing Activities	<u>300</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,191
Cash and Cash Equivalents at Beginning of Year	<u>58,271</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>116,462</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(61,655)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	66,923
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(26,451)
(Increase) decrease in other receivable	1,348
Increase (decrease) in unearned revenue	(1,022)
Increase (decrease) in pension liability	111,577
(Increase) decrease in deferred outflows related to pensions	(40,156)
Increase (decrease) in claims payable	(8,730)
Increase (decrease) in compensated absences liability	963
Total Adjustments	<u>104,452</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>42,797</u></u>

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

SIMPSON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2016

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 133,448
Due from other funds	<u>17,949</u>
Total Assets	\$ <u><u>151,397</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>151,397</u>
Total Liabilities	\$ <u><u>151,397</u></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, 2016

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

##### A. Basis of Presentation.

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

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

##### B. Financial Reporting Entity.

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

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

##### Blended Component Units

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

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

##### Basis of Presentation.

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

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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

#### Government-wide and Fund Financial Statements.

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

The Statement of Net Position reports all of the County's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2016, with the difference reported as net position.

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

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

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

The government-wide financial statements and the financial statements of the proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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

The County reports the following major Governmental Funds:

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

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

The County reports the following major Proprietary Fund:

The Solid Waste Fund accounts the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUNDS TYPES

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

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

#### FIDUCIARY FUND TYPE

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

D. Cash and Cash Equivalents.

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

E. Receivables.

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

F. Interfund Balances.

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

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

G. Restricted Assets.

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

H. Capital Assets.

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

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



# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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.

### I. Deferred Outflows/Inflows of Resources.

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

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

### J. Pensions.

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

### K. Long-term Debt.

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

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

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

#### L. Compensated Absences.

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

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

#### M. Net Position/Fund Balance.

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

GAAP requires that net position be subdivided into three categories:

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

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

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

Fund Balances of governmental funds are classified as:

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

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

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

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

#### N. Property Tax Revenues.

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

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

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

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

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

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

Net Position Restricted by Enabling Legislation - The government-wide Statement of Net Position reports \$2,870,469 of restricted net position, which is restricted primarily by the Board of Supervisors’ approval of tax levies.

#### (3) Demand Deposits.

The carrying amount of the County’s total deposits with financial institutions at September 30, 2016, was \$9,269,853, and the bank balance was \$10,357,233. Section 27-105-5, Miss. Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds’ deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the County would not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for managing custodial credit risk and relies on the program implemented by the State Treasurer as described in the preceding paragraph for all deposits in excess of FDIC coverage.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2016

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2016, consisted of the following:

Description	Amount
Governmental Funds:	
Legislative tag credit	\$ 142,404
MEMA	23,551
Department of Public Safety	13,542
Department of Corrections	17,539
City of Mendenhall	1,680
Department of Human Services	675
Commercial Mobile Radio Services Board	30,115
	<hr/>
Total	\$ 229,506
	<hr/>
Business-type Activities:	
City of Mendenhall	\$ 11,653
	<hr/>

(5) Accounts and Fines Receivable.

At September 30, 2016, accounts and fines receivable consisted of:

	Governmental Activities			Business-type Activities	
	General Fund	Other Governmental Funds	Total	Solid Waste Fund	Total
Accounts receivable	\$ 46,836	7,762	54,598	1,542,888	1,542,888
Allowance for uncollectibles				(1,181,970)	(1,181,970)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accounts receivable, net	\$ 46,836	7,762	54,598	360,918	360,918
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fines receivable	\$ 2,224,387		2,224,387		
Allowance for uncollectibles	(1,588,986)		(1,588,986)		
	<hr/>	<hr/>	<hr/>		
Fines receivable, net	\$ 635,401	0	635,401		
	<hr/>	<hr/>	<hr/>		

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2016

(6) Capital Assets.

The following is a summary of capital assets activity for the year ending September 30, 2016:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,694,899				1,694,899
Construction in progress	19,200	44,345		(2,665)	60,880
Total non-depreciable capital assets	<u>1,714,099</u>	<u>44,345</u>	<u>0</u>	<u>(2,665)</u>	<u>1,755,779</u>
<u>Depreciable capital assets:</u>					
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,410,846	109,538	(99,857)	309,210	4,729,737
Furniture and equipment	903,220	7,500	(8,930)	84,128	985,918
Leased property under capital leases	1,403,120	479,272		(393,338)	1,489,054
Infrastructure	132,673,390	538,619		2,665	133,214,674
Total depreciable capital assets	<u>155,110,860</u>	<u>1,134,929</u>	<u>(108,787)</u>	<u>2,665</u>	<u>156,139,667</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,291,551	232,463			4,524,014
Mobile equipment	3,258,251	261,761	(89,870)	123,014	3,553,156
Improvements other than buildings	173,042	29,622			202,664
Furniture and equipment	748,439	23,045	(8,037)	75,715	839,162
Leased property under capital leases	319,717	201,552		(198,729)	322,540
Infrastructure	85,972,442	385,620			86,358,062
Total accumulated depreciation	<u>94,763,442</u>	<u>1,134,063</u>	<u>(97,907)</u>	<u>0</u>	<u>95,799,598</u>
Total depreciable capital assets, net	<u>60,347,418</u>	<u>866</u>	<u>(10,880)</u>	<u>2,665</u>	<u>60,340,069</u>
Governmental activities capital assets, net	<u>\$ 62,061,517</u>	<u>45,211</u>	<u>(10,880)</u>	<u>0</u>	<u>62,095,848</u>

(Continued)

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2016

Business-type Activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,287,422				1,287,422
Leased property under capital leases	63,210	73,165			136,375
Total depreciable capital assets	<u>1,514,892</u>	<u>73,165</u>	<u>0</u>	<u>0</u>	<u>1,588,057</u>
<u>Less accumulated depreciation for:</u>					
Buildings	55,862	3,286			59,148
Mobile equipment	845,207	44,776			889,983
Leased property under capital leases	22,757	18,861			41,618
Total accumulated depreciation	<u>923,826</u>	<u>66,923</u>	<u>0</u>	<u>0</u>	<u>990,749</u>
Total depreciable capital assets, net	<u>591,066</u>	<u>6,242</u>	<u>0</u>	<u>0</u>	<u>597,308</u>
Business-type activities capital assets, net	<u>\$ 591,066</u>	<u>6,242</u>	<u>0</u>	<u>0</u>	<u>597,308</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

General Government	\$ 208,367
Public Safety	170,987
Public Works	714,268
Health and Welfare	13,164
Economic Development	<u>27,277</u>

Total depreciation expense - governmental activities \$ 1,134,063

Business-type Activities:

Public Works	\$ <u>66,923</u>
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At September 30, 2016, assets recorded under capital leases were as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 1,489,054	136,375
Less: Accumulated depreciation	<u>(322,540)</u>	<u>(41,618)</u>
Total	<u>\$ 1,166,514</u>	<u>94,757</u>

In connection with the acquisition of capital assets, the County incurred in the current year interest cost of \$367,307 in the governmental activities and \$1,047 in the business-type activities, none of which was capitalized.

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2016

#### (7) Deferred Outflows of Resources.

The County reports the following items in this category:

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

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

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

General Information about the Pension Plan.

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

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

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

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

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

Contributions - Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2016, member employees were required to contribute 9.00 percent of their annual pay, while the County's required contribution rate was 15.75 percent of annual covered payroll. The County's employer contributions to PERS for the years ended September 30, 2016, 2015 and 2014 were \$750,441, \$732,893 and \$691,963, respectively. The contributions for each year met the required contributions.

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

At September 30, 2016, Simpson County reported a liability of \$13,265,228 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the County's proportionate share was .074263 percent, which was an increase of 0.000003 percent from its proportionate share measured as of June 30, 2015.

For the year ended September 30, 2016, Simpson County recognized pension expense of \$1,894,359.

At September 30, 2016, Simpson County reported as a component of pension expense, deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 330,544
Net difference between projected and actual earnings on pension plan investments	1,551,969
Changes of assumptions	590,076
Changes in proportion and differences between entity contributions and proportionate share of contributions	(26,546)
Entity contributions subsequent to the measurement date	<u>183,889</u>
Total	\$ <u><u>2,629,932</u></u>



# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

\$183,889 reported as deferred outflows of resources related to pensions resulting from entity contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. 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:

2017	\$ 918,205
2018	801,508
2019	464,272
2020	<u>262,058</u>
Total	\$ <u>2,446,043</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 included in the measurement:

Inflation	3.0 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, set forward one year for males.

The actuarial assumption used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the pension 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 rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</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	<u>1.00</u>	(0.50)
Total	<u>100.00 %</u>	

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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

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

	1% Decrease (6.750%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 17,008,994	\$ 13,265,228	\$ 10,159,112

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

### (9) Risk Management.

#### Workers' Compensation Benefits.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2016 to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (10) Long-term Debt.

#### Long-term Debt Outstanding at Year-End.

The County had the following types of long-term debt outstanding as of September 30, 2016:

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

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

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

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

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

Debt outstanding as of September 30, 2016, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
2011 R&B refunding bonds	\$ 760,000	2 -3%	10/01/2019
Industrial development bonds of 2009	219,261	0.00%	05/01/2019
2014 General obligation road and bridge bond	<u>2,815,000</u>	1.875-2.625%	06/01/2024
Total General Obligation Bonds	<u>\$ 3,794,261</u>		
B. Other Long-term Obligations:			
Certificates of participation	<u>\$ 6,280,000</u>	3.0 - 4.7%	11/01/2030
C. Capital Leases:			
Radios	\$ 13,124	5.39%	09/01/2017
Wheel loader	58,883	1.78%	04/12/2020
3 Mack dump trucks	245,474	2.29%	06/11/2019
Loader	87,965	2.15%	09/18/2019
Loader	88,021	2.15%	09/18/2019
Two John Deere tractors	119,085	1.74%	07/01/2019
Tandem axle dump truck	132,853	1.73%	09/04/2020
Two single axle dump trucks	208,170	1.73%	10/26/2020
Two motor graders	<u>407,155</u>	2.19%	03/19/2020
Total Capital Leases	<u>\$ 1,360,730</u>		
D. Other Loans:			
DHS building renovation	\$ 59,564	2.25%	04/01/2017
Chancery building renovation	85,000	2.37%	01/01/2021
CAP loan - fire truck	<u>14,822</u>	2.00%	06/01/2018
Total Other Loans	<u>\$ 159,386</u>		

(Continued)

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2016

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
Wheel loader	\$ 43,199	1.90%	06/01/2020
Trailer	<u>69,915</u>	1.87%	08/04/2021
Total Business-type Activities	<u>\$ 113,114</u>		

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

Governmental Activities:

Year Ending September 30:	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
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	465,000	37,718	365,000	209,732
2022-2026	1,480,000	59,100	2,040,000	814,413
2027-2031			<u>2,535,000</u>	<u>308,911</u>
Total	<u>\$ 3,794,261</u>	<u>339,169</u>	<u>6,280,000</u>	<u>2,292,723</u>

Year Ending September 30:	Other Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2017	\$ 84,575	3,569	185,068	26,513
2018	22,560	1,676	175,427	22,324
2019	17,052	1,176	342,513	17,836
2020	17,393	834	553,428	6,716
2021	<u>17,806</u>	<u>422</u>	<u>104,294</u>	<u>1,971</u>
Total	<u>\$ 159,386</u>	<u>7,677</u>	<u>1,360,730</u>	<u>75,360</u>

Business-type Activities:

Year Ending September 30:	Capital Leases	
	Principal	Interest
2017	\$ 24,889	1,987
2018	25,384	1,493
2019	25,888	989
2020	24,446	474
2021	<u>12,507</u>	<u>11</u>
Total	<u>\$ 113,114</u>	<u>4,954</u>

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation increases to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 4.25% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	New Debt	Payments	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 349,867		23,145	326,722	
General obligation bonds	4,351,483		557,222	3,794,261	447,222
Less: refunding charge and premium	16,407		3,801	12,606	
Net general obligation bonds	4,717,757	0	584,168	4,133,589	447,222
Other long-term obligations					
Certificates of participation	6,590,000		310,000	6,280,000	320,000
Capital leases	1,149,541	537,522	326,333	1,360,730	185,068
Other loans	141,256	85,000	66,870	159,386	84,575
Total	\$ 12,598,554	622,522	1,287,371	11,933,705	1,036,865
Business-type Activities:					
Compensated absences	\$ 17,541	963		18,504	
Capital leases	48,463	117,215	52,564	113,114	24,889
Total	\$ 66,004	118,178	52,564	131,618	24,889

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

### (11) Deferred Inflows of Resources.

The County reports the following items in this category:

#### Government-wide Statement of Net Position:

- Property tax for future reporting period. This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.

#### Governmental Funds Balance Sheet:

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

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2016

(12) Operating Leases.

At September 30, 2016, assets leased under these leases are as follows:

As Lessor:

The County receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$45,000 for the year ended September 30, 2016. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2017	\$ 45,000
2018	45,000
2019	45,000
2020	45,000
2021	<u>45,000</u>
Total Minimum Payments Required	<u>\$ 225,000</u>

(13) Other Postemployment Benefits.

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

(14) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Fund	General Fund	\$ 40,722
Other Governmental Funds	General Fund	20,893
Agency Funds	General Fund	<u>17,949</u>
Total		<u>\$ 79,564</u>

Amounts listed are the tax revenues and Justice Court fees collected in September, 2016, but not settled until October, 2016.

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

### B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 4,065
Other Governmental Funds	General Fund	<u>89,074</u>
Total		<u>\$ 93,139</u>

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

### (15) Joint Venture.

The County participates in the following joint venture:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the Joint venture was \$158,562 in fiscal year 2016. 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 \$119,411 in fiscal year 2016. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P.O. Box 487, Mendenhall, MS 39114

### (16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$1,361,056 for the maintenance and support of the college in fiscal year 2016.

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 2016.

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 2016.

# SIMPSON COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2016

### (17) Contingencies.

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

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

### (18) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$3,839,189) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,465,781 balance of deferred outflow of resources at September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The governmental activities' net investment in capital assets net position of \$50,495,546 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$6,681 of deferred outflows of resources at September 30, 2016, will be recognized as an expense and will decrease the net investment in capital assets net position over the next three years.

### (19) Subsequent Events.

GAAP requires the County to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date, but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of Simpson County evaluated the County's activity and events that occurred through August 25, 2017, and determined that the following subsequent event meets the disclosure requirements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/01/2016	1.84%	\$ 194,700	Lease purchase	Ad valorem taxes



## SIMPSON COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,816,785	6,024,262	6,024,262	
Licenses, commissions and other revenue	276,400	302,834	302,834	
Fines and forfeitures	706,500	665,252	665,252	
Intergovernmental revenues	918,000	624,728	662,013	37,285
Charges for services	100,000	77,480	77,480	
Interest income	15,450	19,008	19,026	18
Miscellaneous revenues	115,000	97,518	63,157	(34,361)
Total Revenues	<u>7,948,135</u>	<u>7,811,082</u>	<u>7,814,024</u>	<u>2,942</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,245,308	3,252,047	3,281,415	(29,368)
Public safety	3,662,645	3,317,260	3,242,070	75,190
Public works				
Health and welfare	143,912	121,897	120,133	1,764
Culture and recreation	231,062	237,889	237,888	1
Education				
Conservation of natural resources	107,455	93,783	94,261	(478)
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	678,536	654,064	382,228	271,836
Interest			269,334	(269,334)
Service charge			2,500	(2,500)
Total Expenditures	<u>8,083,069</u>	<u>7,691,091</u>	<u>7,643,980</u>	<u>47,111</u>
Excess of Revenues over (under) Expenditures	<u>(134,934)</u>	<u>119,991</u>	<u>170,044</u>	<u>50,053</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	170,000	88,191	85,000	(3,191)
Transfers out	(81,698)	(41,513)	(89,074)	(47,561)
Total Other Financing Sources and Uses	<u>88,302</u>	<u>46,678</u>	<u>(4,074)</u>	<u>(50,752)</u>
Net Change in Fund Balance	(46,632)	166,669	165,970	(699)
Fund Balances - Beginning	<u>5,390,000</u>	<u>5,492,400</u>	<u>5,492,400</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 5,343,368</u>	<u>5,659,069</u>	<u>5,658,370</u>	<u>(699)</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 Fund  
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,268,056	1,304,599	1,304,599	
Road and bridge privilege taxes	315,000	325,953	325,953	
Intergovernmental revenues	704,500	710,169	710,169	
Interest income	1,600	1,926	1,926	
Miscellaneous revenues		25,595	25,595	
Total Revenues	<u>2,289,156</u>	<u>2,368,242</u>	<u>2,368,242</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,174,691	2,877,227	2,327,632	549,595
Debt service:	264,400	179,815		179,815
Principal			237,620	(237,620)
Interest			21,269	(21,269)
Total Expenditures	<u>2,439,091</u>	<u>3,057,042</u>	<u>2,586,521</u>	<u>470,521</u>
Excess of Revenues over (under) Expenditures	<u>(149,935)</u>	<u>(688,800)</u>	<u>(218,279)</u>	<u>470,521</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			67,000	67,000
Proceeds from sale of capital assets			6,768	6,768
Other financing sources	150,000	544,290		(544,290)
Total Other Financing Sources and Uses	<u>150,000</u>	<u>544,290</u>	<u>73,768</u>	<u>(470,522)</u>
Net Change in Fund Balance	65	(144,510)	(144,511)	(1)
Fund Balances - Beginning	<u>835,000</u>	<u>1,012,772</u>	<u>1,012,772</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 835,065</u>	<u>868,262</u>	<u>868,261</u>	<u>(1)</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  
PERS  
Last 10 Fiscal Years \*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	\$ 13,265,228	11,479,132	9,048,155
County's proportionate share of the new pension liability (asset)	0.074263 %	0.074260 %	0.074543 %
County's covered-employee payroll	\$ 4,750,761	4,639,321	4,554,978
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.22 %	247.43 %	198.64 %
Plan fiduciary net position as a percentage of the total pension liability	57.467727 %	61.703983 %	67.207687 %

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the County has only presented information for the years in which information was available.

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

SIMPSON COUNTY  
Schedule of the County's Contributions  
PERS  
Last 10 Fiscal Years\*

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the County has only presented information for the years in which information was available.

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

## SIMPSON COUNTY

### Notes to the Required Supplementary Information For the Year Ended September 30, 2016

(1) Budget.

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

# SIMPSON COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2016

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
Net Change in Fund Balance - Budget (Cash Basis)	\$ 165,970	(144,511)
Increase (decrease):		
Net adjustments for revenue accruals	73,020	(943)
Net adjustments for expenditure accruals	(10,097)	(445,492)
Net adjustments for other financing sources/uses accruals		470,522
Net Change in Fund Balance GAAP Basis	\$ <u>228,893</u>	<u>(120,424)</u>

Any line item that had an excess of actual over budget was the result of audit reclassification entries.

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

Changes in Benefit Provisions.

None.

Changes of Assumptions.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

## SIMPSON COUNTY

## OTHER INFORMATION



SIMPSON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

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

(Continued)

SIMPSON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

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

## SIMPSON COUNTY

## SPECIAL REPORTS

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Simpson County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2016, 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 25, 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, we considered Simpson County, Mississippi's internal control to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2016-001 to be a material weakness.

## **Compliance and Other Matters**

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

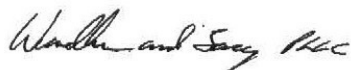
We also noted a matter which we have reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 25, 2017, included within this document.

## **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 and in the Limited Internal Control and Compliance Review Management Report. 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 it.

## **Purpose of this Report**

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



Windham and Lacey, PLLC  
August 25, 2017

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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

Members of the Board of Supervisors  
Simpson County, Mississippi

We have examined Simpson County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2016. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

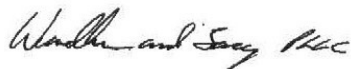
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered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

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

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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

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



Windham and Lacey, PLLC  
August 25, 2017

SIMPSON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2016

Schedule 1

The results of our test did not indicate a purchase made from other than the lowest bidder.

SIMPSON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2016

Schedule 2

Our tests results identified the following emergency purchase:

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/16/2016	Re-roof the Chancery Court Building	\$ 79,860	J & H Construction Company	Leaking roof, minimize the damage to building.



SIMPSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

The results of our tests did not indicate a purchase made noncompetitively from a sole source.

# Windham and Lacey, PLLC

## *Certified Public Accountants*

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### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2016, 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 25, 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 a certain area that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors

1. Electronic Data Processing – Information Security Policy

Finding

The County has not adopted a formal information security policy. The lack of a policy can lead to a breakdown of basic security practices.

Recommendation

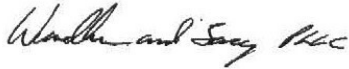
We recommend that a written policy consistent with best practices guidelines be implemented, approved by the Board of Supervisors and communicated to the employees to ensure that each employee that utilizes the technology is aware of this policy. Documentation of this approval and communication should be maintained.

### 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.

Simpson County's responses to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

A handwritten signature in cursive script, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC  
August 25, 2017

## SIMPSON COUNTY

### SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

Schedule of Findings and Responses  
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    |
|    | Aggregate remaining fund information  | Unmodified    |
|    | Garbage and Solid Waste Fund  | Qualified     |
| 2. | Internal control over financial reporting:  |               |
| a. | Material weakness identified?   | Yes           |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements?                                 | No            |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2016-001. Liability for other postemployment benefits should be recorded.

Finding

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

SIMPSON COUNTY

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

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.