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SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements
And
Special Report

For the Year Ended September 30, 2018

SIMPSON COUNTY
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SIMPSON COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and related notes of Simpson County, Mississippi, as of and for the year ended September 30, 2018, which collectively comprise the basic financial statements of the County 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 14 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, 2018, 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, 2018, 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, Schedule of Funding Progress-Other Postemployment Benefits, the Budgetary Comparison Schedules, the County’s Proportionate Share of the Net Pension Liability, the County’s Contribution and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

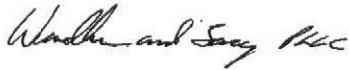
Simpson County, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Funding Progress-Other Postemployment Benefits that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, 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 the effectiveness of Simpson County, Mississippi's 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
September 13, 2019

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	D'Lo Water Park
ASSETS				
Cash	\$ 10,763,778	56,853	10,820,631	75,114
Property tax receivable	7,144,798		7,144,798	
Accounts receivable (net of allowance for uncollectibles of \$1,433,550)		433,923	433,923	
Fines receivable (net of allowance for uncollectibles of \$1,978,556)	724,723		724,723	
Intergovernmental receivables	218,066	11,653	229,719	
Other receivables	11,729		11,729	
Capital assets:				
Land and construction in progress	1,699,527		1,699,527	
Other capital assets, net	59,937,107	804,228	60,741,335	119,871
Total Assets	80,499,728	1,306,657	81,806,385	194,985
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	73,196		73,196	
Deferred outflows related to pensions	632,904	40,972	673,876	1,376
Total Deferred Outflows of Resources	706,100	40,972	747,072	1,376
LIABILITIES				
Claims payable	214,250	15,954	230,204	1,027
Intergovernmental payables	273,313		273,313	
Accrued interest payable	85,565		85,565	
Refundable deposits		61,556	61,556	
Amounts held in custody for others	43,441		43,441	
Compensated absences	338,490	26,640	365,130	
Long-term liabilities				
Due within one year:				
Capital debt	1,427,559	50,632	1,478,191	
Due in more than one year:				
Capital debt	8,933,173	110,161	9,043,334	
Net pension liability	11,993,058	798,527	12,791,585	66,698
Total Liabilities	23,308,849	1,063,470	24,372,319	67,725
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	341,473	19,662	361,135	4,515
Property tax for future reporting period	7,144,798		7,144,798	
Total Deferred Inflows of Resources	7,486,271	19,662	7,505,933	4,515
NET POSITION				
Net investment in capital assets	51,349,098	643,435	51,992,533	119,871
Restricted for:				
Expendable:				
General government	87,638		87,638	
Debt service	(13,348)		(13,348)	
Public safety	927,659		927,659	
Public works	2,144,731	(378,938)	1,765,793	
Economic development	1,181,798		1,181,798	
Culture and recreation				4,250
Unrestricted	(5,266,868)		(5,645,806)	
Total Net Position	\$ 50,410,708	264,497	50,675,205	124,121

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

		Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
				Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	D'Lo Water Park
Primary Government:							
Governmental Activities:							
General government	\$ 3,133,261	745,855		(2,387,406)		(2,387,406)	
Public safety	4,398,073	377,078	164,505	(3,856,490)		(3,856,490)	
Public works	3,650,504		690,477	(2,960,027)		(2,960,027)	
Health and welfare	148,016		29,614	(118,402)		(118,402)	
Culture and recreation	240,313			(240,313)		(240,313)	
Conservation of natural resources	102,170			(102,170)		(102,170)	
Economic development and assistance	142,617			(142,617)		(142,617)	
Pension expense	1,541,882			(1,541,882)		(1,541,882)	
Interest/trustee fees on long-term debt	260,823			(260,823)		(260,823)	
Total Governmental Activities	<u>13,617,659</u>	<u>1,122,933</u>	<u>884,596</u>	<u>(11,610,130)</u>	<u>0</u>	<u>(11,610,130)</u>	
Business-type Activities:							
Solid Waste	<u>1,162,816</u>	<u>1,168,506</u>	<u>10,983</u>		<u>16,673</u>	<u>16,673</u>	
Total Business-type Activities	<u>1,162,816</u>	<u>1,168,506</u>	<u>10,983</u>	<u>0</u>	<u>16,673</u>	<u>16,673</u>	
Total Primary Government	\$ <u>14,780,475</u>	<u>2,291,439</u>	<u>895,579</u>	<u>(11,610,130)</u>	<u>16,673</u>	<u>(11,593,457)</u>	
Component Unit:							
D'Lo Water Park	\$ 182,294	0	60,000	0	0	0	(122,294)

(Continued)

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2018

	Net (Expense) Revenue and Changes in Net Position			Component
	Primary Government			Unit
	Governmental Activities	Business-type Activities	Total	D'Lo Water Park
General Revenues and Other Payments:				
Property taxes	\$ 10,352,083		10,352,083	
Road & bridge privilege taxes	326,861		326,861	
Grants and contributions not restricted to specific programs	691,513		691,513	
Rental income				96,898
Sales				14,780
Unrestricted interest income	143,206	770	143,976	66
Miscellaneous	909,953	340	910,293	4,032
Payment to trustee for refunding debt	(395,885)		(395,885)	
Total General Revenues and Other Payments	12,027,731	1,110	12,028,841	115,776
Changes in Net Position	417,601	17,783	435,384	(6,518)
Net Position - Beginning	49,993,107	246,714	50,239,821	64,936
Prior Year Adjustments				65,703
Net Position - Beginning, restated	49,993,107	246,714	50,239,821	130,639
Net Position - Ending	\$ 50,410,708	264,497	50,675,205	124,121

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

SIMPSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 6,275,074	1,615,538	2,873,166	10,763,778
Property tax receivable	4,368,013	1,540,806	1,235,979	7,144,798
Fines receivable (net of allowance for uncollectibles of \$1,978,556)	724,723			724,723
Intergovernmental receivables	173,095		44,971	218,066
Other receivables	6,370		5,359	11,729
Due from other funds		49,587	20,983	70,570
Total Assets	\$ <u>11,547,275</u>	<u>3,205,931</u>	<u>4,180,458</u>	<u>18,933,664</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 36,434	167,679	10,137	214,250
Intergovernmental payables	237,800		17,745	255,545
Amounts held in custody for others	43,441			43,441
Due to other funds	88,338			88,338
Total Liabilities	<u>406,013</u>	<u>167,679</u>	<u>27,882</u>	<u>601,574</u>
Deferred Inflows of Resources:				
Property tax for future reporting period	4,368,013	1,540,806	1,235,979	7,144,798
Unavailable revenue - fines	724,723			724,723
Total Deferred Inflows of Resources	<u>5,092,736</u>	<u>1,540,806</u>	<u>1,235,979</u>	<u>7,869,521</u>
Fund Balances:				
Restricted for:				
General government			87,638	87,638
Public safety			927,659	927,659
Public works		1,497,446	647,285	2,144,731
Economic development and assistance			1,181,798	1,181,798
Debt service			72,217	72,217
Unassigned	6,048,526			6,048,526
Total Fund Balances	<u>6,048,526</u>	<u>1,497,446</u>	<u>2,916,597</u>	<u>10,462,569</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>11,547,275</u>	<u>3,205,931</u>	<u>4,180,458</u>	<u>18,933,664</u>

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

SIMPSON COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2018

Total Fund Balance - Governmental Funds	\$	\$	10,462,569
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 \$97,655,837.			61,636,634
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			724,723
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(10,699,222)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.			(85,565)
Deferred amount on refunding			73,196
Pension Obligations			
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability		(11,993,058)	
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.			
Deferred inflows of resources related to pension obligations		(341,473)	
Deferred outflows of resources related to pension obligations		<u>632,904</u>	<u>(11,701,627)</u>
Total Net Position - Governmental Activities	\$	\$	<u>50,410,708</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, 2018

	Major Funds			
	General	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 6,396,598	2,526,731	1,429,474	10,352,803
Road and bridge privilege taxes		326,861		326,861
Licenses, commissions and other revenue	317,608		9,111	326,719
Fines and forfeitures	478,471		15,143	493,614
Intergovernmental revenues	559,797	735,187	281,125	1,576,109
Charges for services	75,072		267,886	342,958
Interest income	115,020	15,709	34,308	165,037
Miscellaneous revenues	129,004	4,505	6,233	139,742
Total Revenues	8,071,570	3,608,993	2,043,280	13,723,843
EXPENDITURES				
Current:				
General government	3,195,542		5,981	3,201,523
Public safety	3,848,013		945,953	4,793,966
Public works		2,885,783	615,140	3,500,923
Health and welfare	134,852			134,852
Culture and recreation	240,313			240,313
Conservation of natural resources	102,170			102,170
Economic development and assistance	14,151		101,190	115,341
Debt service:				
Principal	346,597	210,730	623,134	1,180,461
Interest	190,193	26,094	71,553	287,840
Paying agent fees	180,701		2,440	183,141
Total Expenditures	8,252,532	3,122,607	2,365,391	13,740,530
Excess of Revenues over (under) Expenditures	(180,962)	486,386	(322,111)	(16,687)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	6,077,000	132,546		6,209,546
Transfer to trustee	(6,025,885)			(6,025,885)
Premium on debt	120,761			120,761
Sale of capital assets			761,000	761,000
Transfers in			112,316	112,316
Transfers out	(112,188)		(128)	(112,316)
Total Other Financing Sources and Uses	59,688	132,546	873,188	1,065,422
Net Changes in Fund Balances	(121,274)	618,932	551,077	1,048,735
Fund Balances - Beginning	6,169,800	878,514	2,365,520	9,413,834
Fund Balances - Ending	\$ 6,048,526	1,497,446	2,916,597	10,462,569

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, 2018

Net Changes in Fund Balances - Governmental Funds \$ 1,048,735

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 \$754,010 was exceeded by depreciation of \$1,108,597 in the current period. (354,587)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$748,381 and the proceeds from the sale of \$761,000 in the current period. (12,619)

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. (41,078)

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 \$1,180,461 and amortization of bond discounts and premiums of \$9,132, transfer of bonds refinanced to trust account \$5,630,000 exceeded debt issuance of \$6,330,307. 489,286

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

The increase in compensated absences	(9,565)
The decrease in accrued interest payable	29,064
The increase in refunding charges on long-term debt	69,723

Items reported in the Statement of Activities relating to the implementation of GASB Statement No. 68 are not reported in the governmental funds.

These activities include:

Recognition of pension expense for the current year	(1,541,882)	
Recognition of contributions made prior to the measurement date	552,770	
Recognition of contributions made subsequent to the measurement date	187,754	(801,358)

Change in Net Position of Governmental Activities \$ 417,601

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

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
ASSETS	
Current Assets:	
Cash	\$ 56,853
Accounts receivable (net of allowance for uncollectibles of \$1,433,550)	433,923
Intergovernmental receivables	<u>11,653</u>
Total Current Assets	<u>502,429</u>
Noncurrent Assets:	
Capital assets, net	<u>804,228</u>
Total Noncurrent Assets	<u>804,228</u>
 Total Assets	 <u>1,306,657</u>
 DEFERRED OUTFLOWS	
Deferred outflows related to pensions	<u>40,972</u>
 LIABILITIES	
Current Liabilities:	
Claims payable	15,954
Unearned revenue	61,556
Capital debt:	
Capital leases payable	<u>50,632</u>
Total Current Liabilities	<u>128,142</u>
Noncurrent Liabilities:	
Compensated absences payable	26,640
Capital debt:	
Capital leases payable	110,161
Net pension liability	<u>798,527</u>
Total Noncurrent Liabilities	<u>935,328</u>
 Total Liabilities	 <u>1,063,470</u>
 DEFERRED INFLOWS	
Deferred inflows related to pensions	<u>19,662</u>
 NET POSITION	
Invested in capital assets, net of related debt	643,435
Restricted (deficit):	
Public works	<u>(378,938)</u>
 Total Net Position	 <u>\$ 264,497</u>

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

SIMPSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Position -
 Proprietary Fund
 For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,168,505
Other operating cash receipts	340
Total Operating Revenues	<u>1,168,845</u>
Operating Expenses	
Personal services	417,372
Contractual services	308,086
Materials and supplies	200,621
Pension expense	101,253
Depreciation expense	133,404
Total Operating Expenses	<u>1,160,736</u>
Operating Income (Loss)	<u>8,109</u>
Nonoperating Revenues (Expenses)	
Interest income	770
Interest expense	(2,079)
State grants	10,983
Net Nonoperating Revenue (Expenses)	<u>9,674</u>
Net Income (Loss)	<u>17,783</u>
Changes in Net Position	17,783
Net Position - Beginning	<u>246,714</u>
Net Position - Ending	<u>\$ 264,497</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, 2018

Exhibit 7

	Business-type Activities- Enterprise Fund Solid Waste Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,132,449
Payments to suppliers	(509,052)
Payments to employees	(460,521)
Other operating cash receipts	340
Net Cash Provided (Used) by Operating Activities	<u>163,216</u>
Cash Flows from Noncapital Financing Activities	
Operating grants received	<u>10,983</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,983</u>
Cash Flows from Capital and Related Financing Activities	
Capital assets acquired	(251,191)
Proceeds of long-term debt	103,115
Interest on debt	(2,079)
Payment on debt	(29,372)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(179,527)</u>
Cash Flows from Investing Activities	
Interest on deposits	<u>769</u>
Net Cash Provided (Used) by Investing Activities	<u>769</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,559)
Cash and Cash Equivalents at Beginning of Year	<u>61,412</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>56,853</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>8,109</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	133,404
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(34,877)
Increase (decrease) in unearned revenue	(1,180)
Increase (decrease) in pension liability	34,707
Increase (decrease) in deferred inflows related to pensions	10,291
(Increase) decrease in deferred outflows related to pensions	8,338
Increase (decrease) in claims payable	(345)
Increase (decrease) in compensated absences liability	4,769
Total Adjustments	<u>155,107</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>163,216</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, 2018

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 136,965
Due from other funds	<u>17,768</u>
Total Assets	\$ <u><u>154,733</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>154,733</u>
Total Liabilities	\$ <u><u>154,733</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, 2018

(1) Summary of Significant Accounting Policies.

A. Basis of Presentation.

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

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

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

B. Financial Reporting Entity.

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

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

Component Units:

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit'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 District's board of trustees is composed of 11 members appointed by the County Board of Supervisors. The County funds the District through a one mill tax levy.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Simpson County Park Commission (Commission) is a legally separate entity established in January, 1980, and was authorized under Section 55-9-81, Miss. Code Ann. (1972), for the purpose of promoting recreational opportunities within the County via the D'Lo Water Park. The Commission is governed by a five-member board appointed by the County Board of Supervisors, with one member from each supervisor district. The County funds a portion of the Commission's operating budget.

Until July 1, 2018, the Park was operated through the Pearl River Basin Development District (Pearl River). On that date, Pearl River transferred all assets and operations to the County.

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, 2018, with the difference reported as net position.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds 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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

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

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

The County reports the following major Governmental Funds:

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

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

The County reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

PROPRIETARY FUND TYPE

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

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 include 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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

Fund Balances of governmental funds are classified as:

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

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

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

N. Property Tax Revenues.

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(2) Prior Period Adjustment.

As a result of the change in ownership and operational control of the D'Lo Water Park from the Pearl River Basin Development District to Simpson County, the following adjustments were made directly to Net Position:

The financial statements reflect the following prior year adjustments:

Exhibit 2 - Statement of Activities - Component Unit

Addition of capital assets for the Water Park	\$ 131,213
Beginning net pension liability	<u>(65,510)</u>
Total	<u>\$ 65,703</u>

(3) Stewardship, Compliance and Accountability.

Net Position Restricted by Enabling Legislation - The government-wide Statement of Net Position reports \$4,328,478 of restricted net position, which is restricted primarily by the Board of Supervisors' approval of tax levies.

(4) Demand Deposits.

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$10,957,596, and the bank balance was \$12,346,711. 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.

Component Unit

The carrying amount of the Water Park's total deposits with financial institutions at September 30, 2018, was \$75,114, and the bank balance was \$75,711. 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, 2018

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

Description	Amount
Governmental Funds:	
Legislative tag credit	\$ 139,290
MEMA	26,707
Department of Public Safety	13,938
Department of Corrections	3,280
City of Mendenhall	893
Department of Human Services	2,925
Commercial Mobile Radio Services Board	31,033
	<u>218,066</u>
Total	\$ <u>218,066</u>
Business-type Activities:	
City of Mendenhall	\$ <u>11,653</u>

(6) Fines, Other and Account Receivable.

At September 30, 2018, fines, other and accounts receivable consisted of the following:

	Governmental Activities			Business-type Activities	
	General Fund	Other Governmental Funds	Total	Solid Waste Fund	Total
Accounts receivable	\$ 6,370	5,359	11,729	1,867,473	1,867,473
Allowance for uncollectibles			0	(1,433,550)	(1,433,550)
Accounts receivable, net	\$ <u>6,370</u>	<u>5,359</u>	<u>11,729</u>	<u>433,923</u>	<u>433,923</u>

	Governmental Activities		
	General Fund	Other Governmental Funds	Total
Fines receivable		\$ 2,703,279	2,703,279
Allowance for uncollectibles		(1,978,556)	(1,978,556)
Fines receivable, net		\$ <u>724,723</u>	<u>724,723</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

(7) Capital Assets.

The following is a summary of capital assets activity for the year ending September 30, 2018:

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
GOVERNMENTAL ACTIVITIES					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,694,899		(12,012)		1,682,887
Construction in progress	457,207	35,546		(476,113)	16,640
Total non-depreciable capital assets	<u>2,152,106</u>	<u>35,546</u>	<u>(12,012)</u>	<u>(476,113)</u>	<u>1,699,527</u>
<u>Depreciable capital assets:</u>					
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,580,810	485,736			5,066,546
Furniture and equipment	1,002,749	7,359	(6,069)		1,004,039
Leased property under capital leases	1,785,209	153,260			1,938,469
Infrastructure	133,315,384	72,109		476,113	133,863,606
Total depreciable capital assets	<u>156,404,436</u>	<u>718,464</u>	<u>(6,069)</u>	<u>476,113</u>	<u>157,592,944</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,756,477	232,463			4,988,940
Mobile equipment	3,567,452	238,239			3,805,691
Improvements other than buildings	232,286	29,622			261,908
Furniture and equipment	859,658	23,679	(5,462)		877,875
Leased property under capital leases	415,735	206,658			622,393
Infrastructure	86,721,094	377,936			87,099,030
Total accumulated depreciation	<u>96,552,702</u>	<u>1,108,597</u>	<u>(5,462)</u>	<u>0</u>	<u>97,655,837</u>
Total depreciable capital assets, net	<u>59,851,734</u>	<u>(390,133)</u>	<u>(607)</u>	<u>476,113</u>	<u>59,937,107</u>
Governmental activities capital assets, net	<u>\$ 62,003,840</u>	<u>(354,587)</u>	<u>(12,619)</u>	<u>0</u>	<u>61,636,634</u>
BUSINESS-TYPE ACTIVITIES					
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,548,708	148,076			1,696,784
Leased property under capital leases	73,165	103,115			176,280
Total depreciable capital assets	<u>1,786,133</u>	<u>251,191</u>	<u>0</u>	<u>0</u>	<u>2,037,324</u>
<u>Less accumulated depreciation for:</u>					
Buildings	62,434	3,286			65,720
Mobile equipment	1,010,916	86,012			1,096,928
Leased property under capital leases	26,342	44,106			70,448
Total accumulated depreciation	<u>1,099,692</u>	<u>133,404</u>	<u>0</u>	<u>0</u>	<u>1,233,096</u>
Total depreciable capital assets, net	<u>686,441</u>	<u>117,787</u>	<u>0</u>	<u>0</u>	<u>804,228</u>
Business-type activities capital assets, net	<u>\$ 686,441</u>	<u>117,787</u>	<u>0</u>	<u>0</u>	<u>804,228</u>

(Continued)

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

COMPONENT UNIT	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
D'Lo Water Park					
<u>Depreciable capital assets:</u>					
Buildings	\$			326,000	326,000
Mobile equipment				99,682	99,682
Total depreciable capital assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>425,682</u>	<u>425,682</u>
<u>Less accumulated depreciation for:</u>					
Buildings		3,000		224,867	227,867
Mobile equipment		8,342		69,602	77,944
Total accumulated depreciation	<u>0</u>	<u>11,342</u>	<u>0</u>	<u>294,469</u>	<u>305,811</u>
Total depreciable capital assets, net	\$ <u>0</u>	<u>(11,342)</u>	<u>0</u>	<u>131,213</u>	<u>119,871</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 216,284
Public safety	185,153
Public works	666,719
Health and welfare	13,164
Economic development	<u>27,277</u>

Total Depreciation Expense - Governmental Activities \$ 1,108,597

Business-type Activities:

Public works	\$ <u>133,404</u>
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Component Unit:

D'Lo Water Park	
Culture and recreation	\$ <u>11,342</u>

At September 30, 2018, assets recorded under capital leases were as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 1,938,469	176,280
Less: Accumulated depreciation	<u>(622,393)</u>	<u>(70,448)</u>
Total	\$ <u>1,316,076</u>	<u>105,832</u>

In connection with the acquisition of capital assets, the County incurred in the current year interest cost of \$287,840 in the governmental activities and \$2,079 in the business-type activities, none of which was capitalized.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(8) Deferred Outflows of Resources.

The County reports the following items in this category:

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

- Deferred amount on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.

(9) 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.

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

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

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Contributions – Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2018, 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, 2018, 2017 and 2016 were \$788,411, \$748,211 and \$750,441, 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, 2018, Simpson County reported a liability of \$12,791,585 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the County's reported proportionate share was .078484%. The County, through its payroll system, submitted retirement contributions for two other governmental entities. These entities reimbursed the County for these payments. When these amounts were deducted from the amounts reported, the County's June 30, 2018 proportionate share was .076905 percent, which was an increase of 0.003388 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, Simpson County recognized pension expense of \$1,643,135.

At September 30, 2018, Simpson County reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,571	51,547
Net difference between projected and actual earnings on pension plan investments		246,266
Changes of assumptions	7,215	6,822
Changes in proportion and differences between entity contributions and proportionate share of contributions	412,187	56,500
Entity contributions subsequent to the measurement date	199,903	
Total	\$ <u>673,876</u>	<u>361,135</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

\$199,903 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 193,967	(50,356)
2020	148,294	60,379
2021	131,712	293,589
2022		57,523
Total	<u>\$ 473,973</u>	<u>361,135</u>

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumption used in the June 30, 2018 valuation was based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 16,842,849	\$ 12,791,585	\$ 9,424,452

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.

COMPONENT UNIT

D'Lo Water Park.

Plan Description. The D'Lo Water Park contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan.

Contributions. The Water Park's contributions to PERS for the years ending September 30, 2018, 2017 and 2016 were \$4,032, \$4,032 and \$4,032, respectively, equal to the required contributions for each year.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

At September 30, 2018, the Water Park reported a liability of \$66,698 for its proportionate share of the net pension liability. At June 30, 2018, the Water Park's proportionate share was 0.000401 percent, which was an increase of 0.000002 percent from its proportionate share measured as of June 30, 2017.

For the year ended September 30, 2018, the Water Park recognized pension expense of \$8,359.

At September 30, 2018, the Water Park reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 292	290
Net difference between projected and actual earnings on pension plan investments		2,979
Changes of assumptions	41	36
Changes in proportion and differences between district contributions and proportionate share of contributions	35	1,210
District contributions subsequent to the measurement date	1,008	
Total	\$ 1,376	4,515

\$1,008 reported as deferred inflows of resources related to pensions resulting from the Water Park contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2019	\$ 64
2020	1,849
2021	1,934
2022	300
Total	\$ 4,147

Sensitivity to the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents D'Lo Water Park'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 Water Park's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Water Park's proportionate share of the net pension liability	\$ 87,822	66,698	49,141

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(10) 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, 2018 to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(11) 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, 2018:

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.

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, 2018, 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	\$ 260,000	2 -3%	10/01/2019
Industrial development bonds of 2009	54,817	0.00%	05/01/2009
General obligation refunding bonds 2017	6,077,000	2.4-4.0%	11/01/2030
2014 general obligation road and bridge bond	<u>2,450,000</u>	1.875-2.625%	06/01/2024
Total General Obligation Bonds	<u>\$ 8,841,817</u>		

(Continued)

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2018

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Wheel loader	\$ 25,684	1.78%	04/12/2020
3 Mack dump trucks	165,289	2.29%	06/11/2019
Loader	69,025	2.15%	09/18/2019
Loader	69,081	2.15%	09/18/2019
Two John Deere tractors	64,460	1.74%	07/01/2019
Two motor graders	336,397	2.19%	03/19/2020
Tandem axle dump truck	110,218	1.73%	09/04/2020
Two single axle dump trucks	157,896	1.73%	10/26/2020
Loaders	169,108	1.84%	12/09/2020
Excavator	72,871	2.42%	08/30/2021
Broom	36,420	2.24%	11/15/2020
Two John Deere tractors	<u>69,380</u>	2.48%	01/15/2022
Total Capital Leases	<u>\$ 1,345,829</u>		
Business type Activities:			
Wheel loader	\$ 21,093	1.90%	06/01/2016
Truck	99,126	3.08%	07/15/2022
Trailer	<u>40,574</u>	1.87%	08/04/2021
Total Business-type Activities	<u>\$ 160,793</u>		
C. Other Loans:			
Chancery building renovation	<u>\$ 52,190</u>	2.37%	01/01/2021
Total Other Loans	<u>\$ 52,190</u>		

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

Governmental Activities:

Year Ending September 30:	General Obligation Bonds	
	Principal	Interest
2019	\$ 989,817	230,988
2020	666,000	201,781
2021	895,000	180,179
2022	923,000	156,216
2023	952,000	133,715
2024-2028	3,008,000	372,463
2029-2032	<u>1,408,000</u>	<u>53,262</u>
Total	<u>\$ 8,841,817</u>	<u>1,328,604</u>

(Continued)

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

Year Ending September 30:	Other Loans		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 16,991	1,237	420,751	24,417
2020	17,393	834	635,953	11,456
2021	17,806	422	281,926	3,089
2022			7,199	36
Total	\$ 52,190	2,493	1,345,829	38,998

Business-type Activities:

Year Ending September 30:	Capital Leases	
	Principal	Interest
2019	\$ 50,632	3,694
2020	49,960	2,409
2021	37,646	1,246
2022	22,555	319
Total	\$ 160,793	7,668

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, 2018, the amount of outstanding debt was equal to 3.76% of the latest property assessments.

Advance Refunding - On December 28, 2017, the County issued \$6,077,000 in general obligation refunding bonds with an interest rate of 2.45-4.00% to advance refund \$5,630,000 of the Certificates of Participation used to construct the new jail. The debt had a call feature dated November, 2020. All outstanding debt until that time was to be paid in accordance with the original debt agreement.

The net proceeds of \$6,025,885, which included a premium of \$120,761, a transfer of \$6,325 from the previous trust accounts and after payment of \$178,300 in underwriting fees and other issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds until such time as the bonds are callable. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next thirteen years by almost \$267,010 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$192,797.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	New Debt	Payments	Adjustments	Balance Sept. 30, 2018	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 328,925	9,565	0	0	338,490	0
General obligation bonds	3,347,039	6,077,000	582,222		8,841,817	989,817
Add: Premium	9,266	120,761	9,132		120,895	
Net general obligation bonds	3,356,305	6,197,761	591,354	0	8,962,712	989,817
Other long-term obligations						
Certificates of participation	5,960,000		330,000	(5,630,000)	0	
Capital leases	1,458,136	132,546	244,853		1,345,829	420,751
Other loans	75,576		23,386		52,190	16,991
Total	\$ 11,178,942	6,339,872	1,189,593	(5,630,000)	10,699,221	1,427,559
Business-type Activities:						
Compensated absences	\$ 21,871	4,769			26,640	
Capital leases	87,051	103,115	29,373		160,793	50,632
Total	\$ 108,922	107,884	29,373	0	187,433	50,632

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.

(12) Deferred Inflows of Resources.

The County reports the following items in this category:

Government-wide Statement of Net Position:

- Property tax for future reporting period - This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.
- Deferred inflows of resources related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.

Governmental Funds Balance Sheet:

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(13) Operating Leases.

At September 30, 2018, 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, 2018. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2019	\$ 45,000
2020	45,000
2021	45,000
2022	45,000
2023	<u>45,000</u>
Total Minimum Payments Required	\$ <u>225,000</u>

(14) Other Postemployment Benefits.

The Simpson County Board of Supervisors administers the County's health insurance plan which is authorized by Section 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 No. 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.

(15) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 49,587
Other Governmental Funds	General Fund	20,983
Agency Funds	General Fund	<u>17,768</u>
Total		\$ <u>88,338</u>

Amounts listed are the tax revenues and court fines and fees collected in September, 2018, but not settled until October, 2018.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 128
Other Governmental Funds	General Fund	<u>112,188</u>
Total		<u>\$ 112,316</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.

(16) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the Joint venture was \$158,562 in fiscal year 2018. 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 \$115,342 in fiscal year 2018. 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

(17) 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 \$1,307,054 for the maintenance and support of the college in fiscal year 2018.

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 2018.

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 2018.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

(18) 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.

(19) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$5,266,868) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$187,754 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$445,150 balance of deferred outflows of resources at September 30, 2018, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

The governmental activities' unrestricted net position amount of (\$5,266,868) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$341,473 balance of deferred inflows of resources at September 30, 2018, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

The governmental activities' net investment in capital assets net position of \$51,349,098, includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$73,196 of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease the net investment in capital assets net position over the next thirteen years.

The business-type activities' restricted to public works net position amount of (\$378,938) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$12,149 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$28,823 balance of deferred outflow of resources at September 30, 2018, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

The business-type activities' restricted to public works net position amount of (\$378,938) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$19,662 balance of deferred inflows of resources at September 30, 2018, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

COMPONENT UNIT

D'Lo Water Park.

D'Lo Water Park's restricted for culture and recreation net position amount of \$4,250 includes the effect of deferred outflows on resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,008 resulting from D'Lo Water Park contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$368 balance of deferred outflow of resources at September 30, 2018, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

D'Lo Water Park's restricted for culture and recreation net position amount of \$4,250 includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$4,515 balance of deferred inflows of resources at September 30, 2018, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

(20) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement No. 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Simpson County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had tax abatement agreements with five entities as of September 30, 2018.

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

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

All allowable property tax levies.

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

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

Payments in lieu of taxes

There is one company that has tax abatements under this statute.

<u>Category</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of a manufacturing facility	88.00%	\$ 193,147
Construction and expansion of a storage facility	65.00%	\$ 2,180,018

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2018

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

- (22) Subsequent Events.

GAAP requires the County to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date, but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of Simpson County evaluated the County's activity and events that occurred through September 13, 2019, and determined that the following subsequent events met the disclosure requirements:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/15/2018	3.58%	\$	184,749	Lease purchase	Ad valorem taxes
01/10/2019	3.50%	\$	143,677	Lease purchase	Ad valorem taxes
04/01/2019	3.57%	\$	376,198	Lease purchase	Ad valorem taxes
06/26/2019	3.19%	\$	73,686	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, 2018 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,197,291	6,406,894	6,407,615	721
Licenses, commissions and other revenue	310,550	331,556	330,817	(739)
Fines and forfeitures	706,500	483,275	483,275	
Intergovernmental revenues	680,700	557,732	557,732	
Charges for services	100,000	89,764	89,764	
Interest income	20,200	113,549	113,549	
Miscellaneous revenues	153,200	126,717	127,307	590
Total Revenues	<u>8,168,441</u>	<u>8,109,487</u>	<u>8,110,059</u>	<u>572</u>
EXPENDITURES				
Current:				
General government	3,339,046	3,207,638	3,207,694	(56)
Public safety	3,744,751	3,870,462	3,867,838	2,624
Health and welfare	145,800	134,802	134,802	
Culture and recreation	241,062	240,177	240,177	
Conservation of natural resources	110,815	101,587	101,587	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	596,623	539,291	346,597	192,694
Interest			190,193	(190,193)
Service charge			2,500	(2,500)
Total Expenditures	<u>8,192,248</u>	<u>8,108,108</u>	<u>8,105,539</u>	<u>2,569</u>
Excess of Revenues over (under) Expenditures	<u>(23,807)</u>	<u>1,379</u>	<u>4,520</u>	<u>3,141</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	26,000	589		(589)
Transfers out	(110,042)	(107,188)	(107,188)	
Total Other Financing Sources and Uses	<u>(84,042)</u>	<u>(106,599)</u>	<u>(107,188)</u>	<u>(589)</u>
Net Change in Fund Balance	(107,849)	(105,220)	(102,668)	2,552
Fund Balances - Beginning	<u>6,180,000</u>	<u>6,012,768</u>	<u>6,009,246</u>	<u>(3,522)</u>
Fund Balances - Ending	<u>\$ 6,072,151</u>	<u>5,907,548</u>	<u>5,906,578</u>	<u>(970)</u>

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

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2018 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,399,368	2,519,800	2,519,800	
Road and bridge privilege taxes	325,000	330,439	330,439	
Intergovernmental revenues	753,500	686,160	686,160	
Interest income	100	15,710	15,710	
Miscellaneous revenues	14,000	4,755	4,505	(250)
Total Revenues	<u>3,491,968</u>	<u>3,556,864</u>	<u>3,556,614</u>	<u>(250)</u>
EXPENDITURES				
Current:				
Public works	3,355,309	2,825,168	2,825,168	
Debt service:				
Principal	207,990	236,824	210,730	(26,094)
Interest			26,094	26,094
Total Expenditures	<u>3,563,299</u>	<u>3,061,992</u>	<u>3,061,992</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(71,331)</u>	<u>494,872</u>	<u>495,622</u>	<u>750</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	100,000	132,296	132,546	250
Total Other Financing Sources and Uses	<u>100,000</u>	<u>132,296</u>	<u>132,546</u>	<u>250</u>
Net Change in Fund Balance	28,669	627,168	627,168	0
Fund Balances - Beginning	<u>760,000</u>	<u>988,369</u>	<u>988,346</u>	<u>(23)</u>
Fund Balances - Ending	<u>\$ 788,669</u>	<u>1,615,537</u>	<u>1,615,514</u>	<u>(23)</u>

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

SIMPSON COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2018
Last 10 Fiscal Years* - UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PRIMARY GOVERNMENT					
County's proportion of the net pension liability (asset)	\$ 12,791,585	12,221,019	13,265,228	11,479,132	9,048,155
County's proportionate share of the net pension liability (asset)	0.076905 %	0.073517 %	0.074263 %	0.07426 %	0.074543 %
County's covered payroll	\$ 4,995,967	4,739,682	4,750,761	4,639,321	4,554,978
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	256.03822 %	257.844703 %	279.223223 %	247.43 %	198.643221 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %
COMPONENT UNIT					
<u>D'Lo Water Park</u>					
Entity's proportion of the net pension liability (asset)	\$ 66,698	66,327	71,450	60,904	46,853
Entity's proportionate share of the net pension liability (asset)	0.000401 %	0.000399 %	0.0004 %	0.000394 %	0.000386 %
Entity's covered payroll	\$ 25,600	25,600	25,600	24,603	23,568
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.539063 %	259.089844 %	279.1015625 %	247.5470471 %	198.799219 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending September 30, 2015, and, until a full 10-year trend is compiled, the entities have 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
For the Year Ended September 30, 2018
Last 10 Fiscal Years* - UNAUDITED

PRIMARY GOVERNMENT

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 788,441	748,211	750,441	732,893	691,963
Contributions in relation to the contractually required contribution	<u>788,441</u>	<u>748,211</u>	<u>750,441</u>	<u>732,893</u>	<u>691,963</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
County covered payroll	\$ 5,005,975	4,750,547	4,764,705	4,653,289	4,393,416
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

COMPONENT UNIT

D'Lo Water Park

Contractually required contribution	\$ 4,032	4,032	4,032	3,914	3,754
Contributions in relation to the contractually required contribution	<u>4,032</u>	<u>4,032</u>	<u>4,032</u>	<u>3,914</u>	<u>3,754</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Entity covered payroll	\$ 25,600	25,600	25,600	24,851	23,834
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year of the fiscal year presented

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the entities have 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, 2018 UNAUDITED

(1) Budget.

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2018 UNAUDITED

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ (102,668)	627,168
Increase (decrease):		
Net adjustments for revenue accruals	(38,489)	52,379
Net adjustments for expenditure accruals	(146,993)	(60,615)
Net adjustments for other financing sources/uses accruals	<u>166,876</u>	<u></u>
Net Change in Fund Balance GAAP Basis	\$ <u>(121,274)</u>	<u>618,932</u>

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

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

Changes in Benefit Provisions

2016

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

Changes of Assumptions

2015

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

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

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

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

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

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2018
UNAUDITED

2016

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

2017

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

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

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

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

SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018 - UNAUDITED

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

(Continued)

SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018 - UNAUDITED

(Continued)

Name	Position	Company	Bond
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 REPORT

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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 13, 2019. The report is qualified on the governmental activities, the business-type activities and the major enterprise fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County, Mississippi's internal control over financial reporting (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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2018-001 to be a material weakness. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2018-002 to be a significant deficiency.

Compliance and Other Matters


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

Simpson County's Responses to Findings

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

Purpose of this Report

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



Windham and Lacey, PLLC
September 13, 2019

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2018

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 |
| | Discretely presented component unit | Unmodified |
| | 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? | Yes |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2018-001. 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 No. 45 as a single employer defined benefit health care plan. GASB Statement No. 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, 2018

Recommendation

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

Board of Supervisors' Response

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

Sheriff's Office

Significant Deficiency

2018-002. Accountability for deposits and settlements.

Finding

During fiscal year 2018, the following instances occurred in the Sheriff's Office that, for a period of six months, resulted in a failure to deposit fees collected that should have been settled to the County, and cash bonds collected that should have been settled to the Justice Court:

- a. Funds received were not deposited in a timely manner and, in some cases, not at all.
- b. Settlements to the proper offices were not made.
- c. Bank statements were not reconciled.

This understatement of revenue to the County was detected during the budget process. In November, 2018, deposits of approximately \$17,325 were made. As of the date of the audit report, these funds have not yet been settled to the County or the Justice Court.

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2018

Recommendation

In order to address this situation, the Sheriff should designate someone to review the bank statements each month in order to determine if deposits and settlements are being made to the proper offices in a timely manner.

Board of Supervisors' Response

These problems were detected during the fiscal year by County staff and are currently the subject of an investigation by the Office of the State Auditor. Due to the medical condition of the elected sheriff and no other authorized signatories on the Sheriff's bank accounts, the settlement will be made upon completion of the State Auditor's Office investigation and upon subsequent order of the Board of Supervisors.