



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements
And
Special Report

For the Year Ended September 30, 2019

SIMPSON COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS.....	5
Statement of Net Position.....	6
Statement of Activities	8
Balance Sheet - Governmental Funds	10
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund.....	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	42
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	43
Countywide Road Maintenance Fund	44
Schedule of the County's and Component Unit's Proportionate Share of the Net Pension Liability	45
Schedule of the County's and Component Unit's Contributions.....	46
Notes to the Required Supplementary Information.....	47
OTHER INFORMATION.....	51
Schedule of Surety Bonds for County Officials	52
SPECIAL REPORTS	54
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	57
Limited Internal Control and Compliance Review Management Report	61
SCHEDULE OF FINDINGS AND RESPONSES	64

SIMPSON COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2019, 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 12 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, 2019, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Maintenance Fund, and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2019, 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 Changes in the County’s Total OPEB Liability and Related Ratios, 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

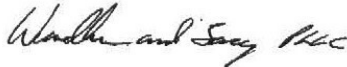
Simpson County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Simpson County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
August 28, 2020

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	D'Lo Water Park
ASSETS				
Cash	\$ 10,792,562	186,622	10,979,184	107,781
Property tax receivable	7,124,090		7,124,090	
Accounts receivable (net of allowance for uncollectibles of \$1,567,156)		467,481	467,481	
Fines receivable (net of allowance for uncollectibles of \$1,956,912)	676,764		676,764	
Intergovernmental receivables	262,709	12,067	274,776	
Other receivables	19,259		19,259	
Capital assets:				
Land and construction in progress	2,274,742		2,274,742	
Other capital assets, net	59,695,103	679,485	60,374,588	108,529
Total Assets	80,845,229	1,345,655	82,190,884	216,310
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	60,797		60,797	
Deferred outflows related to pensions	1,127,063	71,131	1,198,194	5,488
Total Deferred Outflows of Resources	1,187,860	71,131	1,258,991	5,488
LIABILITIES				
Claims payable	156,296	15,830	172,126	1,288
Intergovernmental payables	325,287		325,287	
Accrued interest payable	77,431		77,431	
Refundable deposits		60,631	60,631	
Unearned revenue	922,065		922,065	
Amounts held in custody for others	54,270		54,270	
Compensated absences	346,180	27,844	374,024	
Long-term liabilities				
Due within one year:				
Capital debt	1,474,776	49,961	1,524,737	
Due in more than one year:				
Capital debt	8,006,257	60,201	8,066,458	
Net pension liability	13,430,661	890,259	14,320,920	75,294
Total Liabilities	24,793,223	1,104,726	25,897,949	76,582
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	143,039	6,924	149,963	2,971
Property tax for future reporting period	7,124,090		7,124,090	
Total Deferred Inflows of Resources	7,267,129	6,924	7,274,053	2,971

(Continued)

SIMPSON COUNTY
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit D'Lo Water Park
NET POSITION				
Net investment in capital assets	52,549,609	569,323	53,118,932	108,529
Restricted for:				
Expendable:				
General government	95,811		95,811	
Debt service	19,905		19,905	
Public safety	705,877		705,877	
Public works	2,010,744	(264,187)	1,746,557	
Economic development	1,262,013		1,262,013	
Culture and recreation				33,716
Unrestricted	(6,671,222)		(6,671,222)	
Total Net Position	\$ 49,972,737	305,136	50,277,873	142,245

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit D'Lo Water Park
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 3,290,582	695,089			(2,595,493)		(2,595,493)	
Public safety	4,907,590	379,668	174,044	27,540	(4,326,338)		(4,326,338)	
Public works	4,333,738		868,468	258,817	(3,206,453)		(3,206,453)	
Health and welfare	157,378		32,332		(125,046)		(125,046)	
Culture and recreation	259,801				(259,801)		(259,801)	
Conservation of natural resources	99,140				(99,140)		(99,140)	
Economic development and assistance	138,282				(138,282)		(138,282)	
Pension expense	1,565,409				(1,565,409)		(1,565,409)	
Interest/trustee fees on long-term debt	258,302				(258,302)		(258,302)	
Total Governmental Activities	<u>15,010,222</u>	<u>1,074,757</u>	<u>1,074,844</u>	<u>286,357</u>	<u>(12,574,264)</u>	<u>0</u>	<u>(12,574,264)</u>	
Business-type Activities:								
Solid Waste	<u>1,148,282</u>	<u>1,177,593</u>	<u>6,867</u>			<u>36,178</u>	<u>36,178</u>	
Total Business-type Activities	<u>1,148,282</u>	<u>1,177,593</u>	<u>6,867</u>	<u>0</u>	<u>0</u>	<u>36,178</u>	<u>36,178</u>	
Total Primary Government	\$ <u>16,158,504</u>	<u>2,252,350</u>	<u>1,081,711</u>	<u>286,357</u>	<u>(12,574,264)</u>	<u>36,178</u>	<u>(12,538,086)</u>	
Component Unit:								
D'Lo Water Park	\$ <u>191,584</u>	<u>0</u>	<u>85,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(106,584)</u>

(Continued)

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	D'Lo Water Park
General revenues:				
Property taxes	\$ 10,754,212		10,754,212	
Road & bridge privilege taxes	334,394		334,394	
Grants and contributions not restricted to specific programs	700,615		700,615	
Rental income				110,548
Sales				14,075
Unrestricted interest income	252,737	3,985	256,722	85
Miscellaneous	94,335	476	94,811	
Total General Revenues	12,136,293	4,461	12,140,754	124,708
Changes in Net Position	(437,971)	40,639	(397,332)	18,124
Net Position - Beginning	50,410,708	264,497	50,675,205	124,121
Net Position - Ending	\$ 49,972,737	305,136	50,277,873	142,245

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

SIMPSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2019

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	\$ 5,692,049	1,251,507	3,849,006	10,792,562
Property tax receivable	4,429,053	1,581,206	1,113,831	7,124,090
Fines receivable (net of allowance for uncollectibles of \$1,956,912)	676,764			676,764
Intergovernmental receivables	226,420		36,289	262,709
Other receivables	14,150		5,109	19,259
Due from other funds		59,259	28,171	87,430
Total Assets	\$ <u>11,038,436</u>	<u>2,891,972</u>	<u>5,032,406</u>	<u>18,962,814</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 38,546	104,022	13,728	156,296
Intergovernmental payables	286,285		17,745	304,030
Unearned revenue			922,065	922,065
Amounts held in custody for others	54,270			54,270
Due to other funds	108,687			108,687
Total Liabilities	<u>487,788</u>	<u>104,022</u>	<u>953,538</u>	<u>1,545,348</u>
Deferred Inflows of Resources:				
Property tax for future reporting period	4,429,053	1,581,206	1,113,831	7,124,090
Unavailable revenue - fines	676,764			676,764
Total Deferred Inflows of Resources	<u>5,105,817</u>	<u>1,581,206</u>	<u>1,113,831</u>	<u>7,800,854</u>
Fund Balances:				
Restricted for:				
General government			95,811	95,811
Public safety			705,877	705,877
Public works		1,206,744	804,000	2,010,744
Economic development and assistance			1,262,013	1,262,013
Debt service			97,336	97,336
Unassigned	5,444,831			5,444,831
Total Fund Balances	<u>5,444,831</u>	<u>1,206,744</u>	<u>2,965,037</u>	<u>9,616,612</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>11,038,436</u>	<u>2,891,972</u>	<u>5,032,406</u>	<u>18,962,814</u>

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

SIMPSON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2019

Total Fund Balance - Governmental Funds	\$	9,616,612
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 \$98,519,224.		61,969,845
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		676,764
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(9,827,213)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(77,431)
Deferred amount on refunding		60,797
Pension Obligations		
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liability	(13,430,661)	
Deferred outflows/inflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pension obligations	(143,039)	
Deferred outflows of resources related to pension obligations	<u>1,127,063</u>	<u>(12,446,637)</u>
Total Net Position - Governmental Activities	\$	<u>49,972,737</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, 2019

	Major Funds			
	General	Countywide Road Maintenance	Other Governmental	Total Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 6,541,838	2,534,196	1,678,178	10,754,212
Road and bridge privilege taxes		334,394		334,394
Licenses, commissions and other revenue	330,919		9,009	339,928
Fines and forfeitures	450,857		9,252	460,109
Intergovernmental revenues	561,663	741,657	758,496	2,061,816
Charges for services	50,832		271,847	322,679
Interest income	197,430	29,104	62,605	289,139
Miscellaneous revenues	46,113	9,229	33,444	88,786
Total Revenues	8,179,652	3,648,580	2,822,831	14,651,063
EXPENDITURES				
Current:				
General government	3,348,173		2,842	3,351,015
Public safety	4,291,411		1,167,003	5,458,414
Public works		4,019,544	920,152	4,939,696
Health and welfare	144,214			144,214
Culture and recreation	259,801			259,801
Conservation of natural resources	99,140			99,140
Economic development and assistance	14,151		96,854	111,005
Debt service:				
Principal	441,991	456,646	603,542	1,502,179
Interest	177,237	31,725	58,472	267,434
Paying agent fees	4,000		2,440	6,440
Total Expenditures	8,780,118	4,507,915	2,851,305	16,139,338
Excess of Revenues Over (Under) Expenditures	(600,466)	(859,335)	(28,474)	(1,488,275)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		568,633	73,685	642,318
Transfers in			13,043	13,043
Transfers out	(3,229)		(9,814)	(13,043)
Total Other Financing Sources and Uses	(3,229)	568,633	76,914	642,318
Net Changes in Fund Balances	(603,695)	(290,702)	48,440	(845,957)
Fund Balances - Beginning	6,048,526	1,497,446	2,916,597	10,462,569
Fund Balances - Ending	\$ 5,444,831	1,206,744	2,965,037	9,616,612

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, 2019

Net Changes in Fund Balances - Governmental Funds	\$	(845,957)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital expenditures of \$1,486,241 exceeded depreciation of \$1,122,176 in the current period.		364,065
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$30,854.		(30,854)
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.		(47,959)
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 \$1,502,179 and amortization of bond discounts and premiums of \$19,837 exceeded debt issuance of \$642,318.		879,698
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		(7,690)
The decrease in accrued interest payable		8,134
The decrease in refunding charges on long term debt		(12,399)
Items reported in the statement activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include		
Recognition of pension expense for the current year	(1,565,409)	
Recognition of contributions made prior to the measurement date	596,654	
Recognition of contributions made subsequent to the measurement date	<u>223,745</u>	(745,010)
Other		<u>1</u>
Change in Net Position of Governmental Activities	\$	<u>(437,971)</u>

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

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2019

Exhibit 5

	Business-type Activities - Enterprise Fund Solid Waste Fund
ASSETS	
Current Assets:	
Cash	\$ 186,622
Accounts receivable (net of allowance for uncollectibles of \$1,567,156)	467,481
Intergovernmental receivables	12,067
Total Current Assets	<u>666,170</u>
Noncurrent Assets:	
Capital assets, net	679,485
Total Noncurrent Assets	<u>679,485</u>
Total Assets	<u>1,345,655</u>
DEFERRED OUTFLOWS	
Deferred outflows related to pensions	<u>71,131</u>
LIABILITIES	
Current Liabilities:	
Claims payable	15,830
Unearned revenue	60,631
Capital debt:	
Capital leases payable	49,961
Total Current Liabilities	<u>126,422</u>
Noncurrent Liabilities:	
Compensated absences payable	27,844
Capital debt:	
Capital leases payable	60,201
Net pension liability	890,259
Total Noncurrent Liabilities	<u>978,304</u>
Total Liabilities	<u>1,104,726</u>
DEFERRED INFLOWS	
Deferred inflows related to pensions	<u>6,924</u>
NET POSITION	
Net investment in capital assets	569,323
Restricted (deficit)	
Public Works	<u>(264,187)</u>
Total Net Position	<u>\$ 305,136</u>

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

SIMPSON COUNTY
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund
For the Year Ended September 30, 2019

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,177,593
Other operating cash receipts	476
Total Operating Revenues	<u>1,178,069</u>
OPERATING EXPENSES	
Personal services	444,384
Contractual services	288,048
Materials and supplies	186,169
Pension expense	101,243
Depreciation expense	68,063
Total Operating Expenses	<u>1,087,907</u>
Operating Income (Loss)	<u>90,162</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,985
Interest expense	(3,695)
Loss on disposal of capital assets	(56,680)
State grants	6,867
Net Nonoperating Revenue (Expenses)	<u>(49,523)</u>
Net Income (Loss)	<u>40,639</u>
Changes in Net Position	40,639
Net Position - Beginning	<u>264,497</u>
Net Position - Ending	<u>\$ 305,136</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, 2019

Exhibit 7

	Business-type Activities - Enterprise Fund Solid Waste Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,142,696
Payments to suppliers	(474,341)
Payments to employees	(495,588)
Other operating cash receipts	476
Net Cash Provided (Used) by Operating Activities	<u>173,243</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants received	<u>6,867</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>6,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on debt	(3,695)
Payment on debt	<u>(50,631)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on deposits	<u>3,985</u>
Net Cash Provided (Used) by Investing Activities	<u>3,985</u>
Net Increase (Decrease) in Cash and Cash Equivalents	129,769
Cash and Cash Equivalents at Beginning of Year	<u>56,853</u>
Cash and Cash Equivalents at End of Year	\$ <u>186,622</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>90,162</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	68,063
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(33,558)
(Increase) decrease in other receivable	(414)
Increase (decrease) in unearned revenue	(925)
Increase (decrease) in pension liability	91,732
Increase (decrease) in deferred inflows related to pensions	(12,738)
(Increase) decrease in deferred outflows related to pensions	(30,159)
Increase (decrease) in claims payable	(124)
Increase (decrease) in compensated absences liability	1,204
Total Adjustments	<u>83,081</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>173,243</u>

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

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 123,001
Due from other funds	<u>21,257</u>
Total Assets	\$ <u><u>144,258</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>144,258</u>
Total Liabilities	\$ <u><u>144,258</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, 2019

(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, 2019

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.

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, 2019, 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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

Governmental Fund Balances 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.

(2) Stewardship, Compliance and Accountability.

Net Position Restricted by Enabling Legislation - The government-wide Statement of Net Position reports \$3,830,163 of restricted net position, which is restricted by the Board of Supervisors' approval of tax levies and fees and grants received for specific purposes.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(3) Demand Deposits.

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$11,102,185, and the bank balance was \$12,128,675. 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, 2019, was \$107,781, and the bank balance was \$109,420. 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.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2019, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Funds:	
Legislative tag credit	\$ 182,263
MEMA	26,322
Department of Public Safety	4,342
Department of Corrections	9,120
City of Mendenhall	725
Department of Human Services	7,990
Commercial Mobile Radio Services Board	<u>31,947</u>
Total	\$ <u>262,709</u>
Business-type Activities:	
City of Mendenhall	\$ <u>12,067</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2019

(5) Fines, Other and Account Receivable.

At September 30, 2019, 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 and other receivables	\$ 14,150	5,109	19,259	2,034,637	2,034,637
Allowance for uncollectibles				(1,567,156)	(1,567,156)
Accounts and other receivables, net	<u>\$ 14,150</u>	<u>5,109</u>	<u>19,259</u>	<u>467,481</u>	<u>467,481</u>
Fines receivable	\$ 2,633,676		2,633,676		
Allowance for uncollectibles	<u>(1,956,912)</u>		<u>(1,956,912)</u>		
Fines receivable, net	<u>\$ 676,764</u>	<u>0</u>	<u>676,764</u>		

(6) Capital Assets.

The following is a summary of capital assets activity for the year ending September 30, 2019:

GOVERNMENTAL ACTIVITIES	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,682,887				1,682,887
Construction in progress	16,640	575,215			591,855
Total non-depreciable capital assets	<u>1,699,527</u>	<u>575,215</u>	<u>0</u>	<u>0</u>	<u>2,274,742</u>
<u>Depreciable capital assets:</u>					
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	5,066,546	317,465	(63,233)	204,196	5,524,974
Furniture and equipment	1,004,039		(226,410)		777,629
Leased property under capital leases	1,938,469	593,561		(204,196)	2,327,834
Infrastructure	133,863,606				133,863,606
Total depreciable capital assets	<u>157,592,944</u>	<u>911,026</u>	<u>(289,643)</u>	<u>0</u>	<u>158,214,327</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,988,940	232,463			5,221,403
Mobile equipment	3,805,691	275,180	(55,020)	75,078	4,100,929
Improvements other than buildings	261,908	29,622			291,530
Furniture and equipment	877,875	4,667	(203,769)		678,773
Leased property under capital leases	622,393	202,308		(75,078)	749,623
Infrastructure	87,099,030	377,936			87,476,966
Total accumulated depreciation	<u>97,655,837</u>	<u>1,122,176</u>	<u>(258,789)</u>	<u>0</u>	<u>98,519,224</u>
Total depreciable capital assets, net	<u>59,937,107</u>	<u>(211,150)</u>	<u>(30,854)</u>	<u>0</u>	<u>59,695,103</u>
Governmental activities capital assets, net	<u>\$ 61,636,634</u>	<u>364,065</u>	<u>(30,854)</u>	<u>0</u>	<u>61,969,845</u>

(Continued)

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

BUSINESS-TYPE ACTIVITIES

	Balance Oct. 1, 2018	Additions	Deletions	Balance Sept. 30, 2019
<u>Depreciable capital assets:</u>				
Buildings	\$ 164,260			164,260
Mobile equipment	1,696,784		(463,547)	1,233,237
Leased property under capital leases	176,280			176,280
Total depreciable capital assets	<u>2,037,324</u>	<u>0</u>	<u>(463,547)</u>	<u>1,573,777</u>
<u>Less accumulated depreciation for:</u>				
Buildings	65,720	3,286		69,006
Mobile equipment	1,096,928	63,979	(406,867)	754,040
Leased property under capital leases	70,448	798		71,246
Total accumulated depreciation	<u>1,233,096</u>	<u>68,063</u>	<u>(406,867)</u>	<u>894,292</u>
Total depreciable capital assets, net	<u>804,228</u>	<u>(68,063)</u>	<u>(56,680)</u>	<u>679,485</u>
Business-type activities capital assets, net	<u>\$ 804,228</u>	<u>(68,063)</u>	<u>(56,680)</u>	<u>679,485</u>

COMPONENT UNIT

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>425,682</u>	<u>0</u>	<u>0</u>	<u>425,682</u>
<u>Less accumulated depreciation for:</u>				
Buildings	227,867	3,000		230,867
Mobile equipment	77,944	8,342		86,286
Total accumulated depreciation	<u>305,811</u>	<u>11,342</u>	<u>0</u>	<u>317,153</u>
Total depreciable capital assets, net	<u>\$ 119,871</u>	<u>(11,342)</u>	<u>0</u>	<u>108,529</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General Government	\$ 207,307
Public Safety	221,827
Public Works	652,601
Health and Welfare	13,164
Economic Development	<u>27,277</u>
Total depreciation expense - governmental activities	<u>\$ 1,122,176</u>
Business-type Activities:	
Public Works	<u>\$ 68,063</u>
Component Unit:	
D'Lo Water Park	
Culture and Recreation	<u>\$ 11,342</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Construction in Progress

At September 30, 2019 the following projects were ongoing:

Project	Estimated Completion Date	Estimated Cost To Complete
Heed Neely Road Bridge	June, 2020	\$ 375,000
Star-Braxton Road Bridge	December, 2019	\$ 120,000
New Hebron-Rockport Road Bridge	June, 2020	\$ 275,000
Jake Barnes Road Bridge	September, 2020	\$ 550,000
Sharon-Saratoga Road Bridge	December, 2019	\$ 25,000

At September 30, 2019, assets recorded under capital leases were as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 2,327,834	176,280
Less: Accumulated depreciation	(749,623)	(71,246)
Total	\$ 1,578,211	105,034

In connection with the acquisition of capital assets, the County incurred in the current year interest cost of \$267,434 in the governmental activities and \$3,695 in the business-type activities, none of which was capitalized.

(7) Deferred Outflows of Resources.

The County reports the following items in this category:

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

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

(8) Defined Benefit Pension Plan.

General Information about the Pension Plan.

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

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

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

Contributions – Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2019, member employees were required to contribute 9.00 percent of their annual pay, while the County's required contribution rate was 17.40 percent of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. The County's employer contributions to PERS for the years ended September 30, 2019, 2018 and 2017 were \$872,807, \$788,411 and \$748,211, 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, 2019, Simpson County reported a liability of \$14,320,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the County's reported proportionate share was .082855%. 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, 2019 proportionate share was .081406 percent, which was an increase of 0.004501 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, Simpson County recognized pension expense of \$1,666,652.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

At September 30, 2019, 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	\$ 8,004	13,921
Net difference between projected and actual earnings on pension plan investments		121,116
Changes of assumptions	140,196	
Changes in proportion and differences between County contributions and proportionate share of contributions	811,956	14,926
County contributions subsequent to the measurement date	238,038	
Total	\$ 1,198,194	149,963

\$238,038 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 394,724	(5,003)
2021	378,142	228,207
2022	187,290	(7,858)
2023		(65,383)
Total	\$ 960,156	149,963

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	27.00	4.90
International Equity	22.00	4.75
Global Equity	12.00	5.00
Debt Securities	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
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 (17.40%). 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	\$ 18,825,348	\$ 14,320,920	\$ 10,602,922

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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, 2019, 2018 and 2017 were \$4,623, \$4,032 and \$4,032, respectively, equal to the required contributions for each year.

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

At September 30, 2019, the Water Park reported a liability of \$75,294 for its proportionate share of the net pension liability. At June 30, 2019, the Water Park's proportionate share was 0.000428 percent, which was an increase of 0.000027 percent from its proportionate share measured as of June 30, 2018.

For the year ended September 30, 2019, the Water Park recognized pension expense of \$7,563.

At September 30, 2019, 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	\$ 44	90
Net difference between projected and actual earnings on pension plan investments		2,088
Changes of assumptions	740	
Changes in proportion and differences between entity contributions and proportionate share of contributions	3,459	793
Entity contributions subsequent to the measurement date	1,245	
Total	\$ 5,488	2,971

\$1,245 reported as deferred outflows 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 1,679	1,744
2021	1,466	1,614
2022	1,098	(44)
2023		(343)
Total	\$ 4,243	2,971

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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	\$ 98,976	\$ 75,294	\$ 55,746

(9) Risk Management.

Workers' Compensation Benefits.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2019 to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Long-term Debt.

Long-term Debt Outstanding at Year-End.

The County had the following types of long-term debt outstanding as of September 30, 2019:

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation refunding bonds 2017	\$ 5,652,000	2.4-4.0% 1.875 -	11/01/2030
2014 general obligation road and bridge bond	<u>2,200,000</u>	2.625%	06/01/2024
Total General Obligation Bonds	<u>\$ 7,852,000</u>		
B. Capital Leases:			
Wheel loader	\$ 8,637	1.78%	04/12/2020
Loader	60,069	2.15%	09/18/2020
Loader	60,124	2.15%	09/18/2020
Two motor graders	299,840	2.19%	03/19/2020
Tandem axle dump truck	98,604	1.73%	09/04/2020
Two single axle dump trucks	132,098	1.73%	10/26/2020
Loaders	150,640	1.84%	12/09/2020
Excavator	47,720	2.42%	08/30/2021
Broom	19,830	2.24%	11/15/2020
Two John Deere tractors	49,164	2.48%	01/15/2022
Dispatch system	69,068	3.19%	06/15/2024
Two John Deere tractors	46,164	3.05%	08/01/2022
Roller and excavator	118,304	3.50%	01/15/2023
Chip spreader and tar truck	<u>332,514</u>	3.57%	04/15/2023
Total Capital Leases	<u>\$ 1,492,776</u>		
Business-type Activities:			
Wheel loader	\$ 9,688	1.90%	06/01/2020
Truck	74,383	3.08%	07/15/2022
Trailer	<u>26,091</u>	1.87%	08/04/2021
Total	<u>\$ 110,162</u>		
C. Other Loans:			
Chancery Building renovation	<u>\$ 35,199</u>	2.37%	01/01/2021
Total Other Loans	<u>\$ 35,199</u>		

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 666,000	201,781	17,393	834
2021	895,000	180,179	17,806	422
2022	923,000	156,216		
2023	952,000	133,715		
2024	980,000	109,835		
2025-2029	2,568,000	294,534		
2030-2031	868,000	21,356		
Total	\$ 7,852,000	1,097,616	35,199	1,256

Year Ending September 30:	Capital Leases	
	Principal	Interest
2020	\$ 791,383	28,768
2021	444,672	14,735
2022	171,203	5,938
2023	75,010	1,181
2024	10,508	125
Total	\$ 1,492,776	50,747

Business-type Activities:

	Capital Leases	
	Principal	Interest
2020	49,961	2,408
2021	37,646	1,246
2022	22,555	319
	110,162	3,973

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.

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, 2019, the amount of outstanding debt was equal to 3.54% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, on September 30, 2019, the trust account assets of \$5,475,402 and the outstanding defeased debt liability of \$5,290,000 are not included in the County's financial statements.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	New Debt	Payments	Balance Sept. 30, 2019	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 338,490	7,690	0	346,180	0
General obligation bonds	8,841,817		989,817	7,852,000	666,000
Less: refunding charge and premium	120,895		19,837	101,058	
Net general obligation bonds	8,962,712	0	1,009,654	7,953,058	666,000
Other long-term obligations					
Capital leases	1,345,829	642,318	495,371	1,492,776	791,383
Other loans	52,190		16,991	35,199	17,393
Total	\$ 10,699,221	650,008	1,522,016	9,827,213	1,474,776
Business-type Activities:					
Compensated absences	\$ 26,640	1,204		27,844	
Capital leases	160,793		50,631	110,162	49,961
Total	\$ 187,433	1,204	50,631	138,006	49,961

(11) Deferred Inflows of Resources.

The County reports the following items in this category:

Government-wide Statement of Net Position:

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

Governmental Funds Balance Sheet:

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(12) 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. 75 as a single employer defined benefit health care plan, 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.

(13) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2019:

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 59,259
Other Governmental Funds	General Fund	28,171
Agency Funds	General Fund	<u>21,257</u>
Total		<u>\$ 108,687</u>

Amounts listed are the tax revenues and justice court fees collected in September, 2019, but not settled until October, 2019.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 9,814
Other Governmental Funds	General Fund	<u>3,229</u>
Total		<u>\$ 13,043</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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(14) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and 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 \$174,418 in fiscal year 2019. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 100 Tamberline St., Brandon, MS 39042.

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The County's appropriation to the joint venture was \$119,364 in fiscal year 2019. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P.O. Box 487, Mendenhall, MS 39114

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$1,341,740 for the maintenance and support of the college in fiscal year 2019.

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 2019.

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 2019.

(16) 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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Investigations – In November, 2018, it was determined that funds had been misappropriated from the Sheriff's Office. An investigation was initiated by the Office of the State Auditor and as of the date of the report, the employee had been arrested and indicted.

(17) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$6,671,222) 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 \$223,745 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, 2020. The \$903,318 balance of deferred outflows of resources at September 30, 2019, 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 (\$6,671,222) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$143,039 balance of deferred inflows of resources at September 30, 2019, 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 \$52,549,609, includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$60,797 of deferred outflows of resources at September 30, 2019, will be recognized as an expense and will decrease the net investment in capital assets net position over the next twelve years.

The business-type activities' restricted to public works net position amount of (\$264,187) 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 \$14,293 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, 2020. The \$56,838 balance of deferred outflow of resources at September 30, 2019, 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 (\$264,187) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$6,924 balance of deferred inflows of resources at September 30, 2019, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

COMPONENT UNIT

D'Lo Water Park.

D'Lo Water Park's restricted for culture and recreation net position amount of \$33,716 includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,245 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, 2020. The \$4,243 balance of deferred outflow of resources at September 30, 2019, 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 \$33,716 includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$2,971 balance of deferred inflows of resources at September 30, 2019, 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, 2019

(18) 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, 2019.

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%	\$ 207,964
Construction and expansion of a storage facility	7.72%	\$ 97,627

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, 2019

(19) Subsequent Events.

GAAP requires the County to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date, but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of Simpson County evaluated the County's activity and events that occurred through August 28, 2020, and determined that the following subsequent events met the disclosure requirements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/16/2019	2.68%	\$ 362,550	Lease purchase	Ad valorem taxes
12/30/2019	2.68%	\$ 126,215	Lease purchase	Ad valorem taxes
03/27/2020	1.83%	\$ 44,940	Lease purchase	Ad valorem taxes
03/27/2020	1.83%	\$ 252,024	Lease purchase	Ad valorem taxes
04/22/2020	1.53%	\$ 191,704	Lease purchase	Ad valorem taxes
05/13/2020	1.48%	\$ 452,700	Lease purchase	Ad valorem taxes
08/03/2020	1.48%	\$ 531,186	Lease purchase	Ad valorem taxes
05/13/2020	1.52%	\$ 166,188	Lease purchase	Ad valorem taxes

In March, 2020, the World Health Organization declared the novel coronavirus outbreak a global pandemic. The extent of the ultimate impact of the pandemic on the County's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the County for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the County's financial position, changes in financial position and where applicable, the timing and amount of cash flows, the related financial consequences and duration are highly uncertain.

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund - UNAUDITED
 For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,223,932	6,521,541	6,521,541	
Licenses, commissions and other revenue	316,650	323,475	323,638	163
Fines and forfeitures	704,000	452,555	452,556	1
Intergovernmental revenues	689,400	547,176	556,983	9,807
Charges for services	125,000	45,160	45,160	
Interest income	75,200	197,140	197,141	1
Miscellaneous revenues	161,500	43,875	39,158	(4,717)
Total Revenues	<u>8,295,682</u>	<u>8,130,922</u>	<u>8,136,177</u>	<u>5,255</u>
EXPENDITURES				
Current:				
General government	3,388,708	3,353,896	3,354,281	(385)
Public safety	3,814,782	4,273,947	4,275,501	(1,554)
Health and welfare	153,000	146,025	144,240	1,785
Culture and recreation	259,418	259,718	259,718	
Conservation of natural resources	110,872	99,062	99,062	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	619,979	623,228	441,991	181,237
Interest			177,237	(177,237)
Service charge			4,000	(4,000)
Total Expenditures	<u>8,360,910</u>	<u>8,770,027</u>	<u>8,770,181</u>	<u>(154)</u>
Excess of Revenues Over (Under) Expenditures	<u>(65,228)</u>	<u>(639,105)</u>	<u>(634,004)</u>	<u>5,101</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	91,000	5,092		(5,092)
Transfers out	(109,725)	(3,229)	(3,229)	
Total Other Financing Sources and Uses	<u>(18,725)</u>	<u>1,863</u>	<u>(3,229)</u>	<u>(5,092)</u>
Net Change in Fund Balance	(83,953)	(637,242)	(637,233)	9
Fund Balances - Beginning	<u>6,736,000</u>	<u>6,009,246</u>	<u>5,906,578</u>	<u>(102,668)</u>
Fund Balances - Ending	<u>\$ 6,652,047</u>	<u>5,372,004</u>	<u>5,269,345</u>	<u>(102,659)</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 - UNAUDITED
 For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,429,077	2,527,818	2,527,818	
Road and bridge privilege taxes	330,000	331,100	331,100	
Intergovernmental revenues	712,000	741,656	741,657	1
Interest income	100	29,102	29,104	2
Miscellaneous revenues	6,000	5,200	5,224	24
Total Revenues	<u>3,477,177</u>	<u>3,634,876</u>	<u>3,634,903</u>	<u>27</u>
EXPENDITURES				
Current:				
Public works	3,355,283	4,131,760	4,082,934	48,826
Debt service:				
Principal	221,775	439,809	456,913	(17,104)
Interest			31,725	(31,725)
Total Expenditures	<u>3,577,058</u>	<u>4,571,569</u>	<u>4,571,572</u>	<u>(3)</u>
Excess of Revenues Over (Under) Expenditures	<u>(99,881)</u>	<u>(936,693)</u>	<u>(936,669)</u>	<u>24</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			4,029	4,029
Other financing sources	100,000	572,661	568,633	(4,028)
Total Other Financing Sources and Uses	<u>100,000</u>	<u>572,661</u>	<u>572,662</u>	<u>1</u>
Net Change in Fund Balance	119	(364,032)	(364,007)	25
Fund Balances - Beginning	<u>800,000</u>	<u>1,615,538</u>	<u>1,615,514</u>	<u>(24)</u>
Fund Balances - Ending	<u>\$ 800,119</u>	<u>1,251,506</u>	<u>1,251,507</u>	<u>1</u>

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

SIMPSON COUNTY
Schedule of the County's and Component Unit's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years * - UNAUDITED
PERS
For the Year Ended September 30, 2019

	<u>2019</u>	<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)	0.081406 %	0.076905 %	0.073517 %	0.074263 %	0.07426 %	0.074543 %
County's proportionate share of the net pension liability (asset)	\$ 14,320,920	12,791,585	12,221,019	13,265,228	11,479,132	9,048,155
County's covered payroll	\$ 5,395,898	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	265.40383 %	256.03822 %	257.844703 %	279.223223 %	247.431294 %	198.64322 %
Plan fiduciary net position as a percentage of the total pension liability	61.59 %	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %
COMPONENT UNIT						
Component Unit's proportion of the net pension liability (asset)	0.000428 %	0.000401 %	0.000399 %	0.0004 %	0.000394 %	0.000386 %
Component Unit's proportionate share of the net pension liability (asset)	\$ 75,294	66,698	66,327	71,450	60,904	46,853
Component Unit's covered payroll	\$ 28,598	25,600	25,600	25,600	24,603	23,568
Component Unit's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	263.28415 %	260.53906 %	259.089844 %	279.101563 %	247.547047 %	198.79922 %
Plan fiduciary net position as a percentage of the total pension liability	61.59 %	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the 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 and Component Unit's Contributions
Last 10 Fiscal Years* - UNAUDITED
PERS
For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PRIMARY GOVERNMENT						
Contractually required contribution	\$ 872,807	788,411	748,211	750,441	732,893	691,963
Contributions in relation to the contractually required contribution	<u>872,807</u>	<u>788,411</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>	<u>0</u>
County's covered payroll	\$ 5,398,310	5,005,975	4,750,547	4,764,705	4,653,289	4,393,416
Contributions as a percentage of covered payroll	16.17%*	15.75%	15.75%	15.75%	15.75%	15.75%
COMPONENT UNIT						
Contractually required contribution	\$ 4,623	4,032	4,032	4,032	3,914	3,754
Contributions in relation to the contractually required contribution	<u>4,623</u>	<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>	<u>0</u>
Component Unit's covered payroll	\$ 28,598	25,600	25,600	25,600	24,851	23,834
Contributions as a percentage of covered payroll	16.17%*	15.75%	15.75%	15.75%	15.75%	15.75%

*Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019, contributions were 17.40%.

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, 2019 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, 2019 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:

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (637,233)	(364,007)
Increase (decrease):		
Net adjustments for revenue accruals	43,475	13,677
Net adjustments for expenditure accruals	(9,937)	63,657
Net adjustments for other financing sources/uses accruals		(4,029)
Net Change in Fund Balance GAAP Basis	\$ <u>(603,695)</u>	<u>(290,702)</u>

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

- (2) Schedule of the County's and Component Unit's Proportionate Share of the Net Pension Liability and Schedule of the County's and Component Unit'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, 2019 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%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.
For females, 115% of female rates at all ages.
Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2019 UNAUDITED

Methods and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019 - 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
Greg Reynolds	Interim Sheriff	State Farm	\$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
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, 2019 - UNAUDITED

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

SIMPSON COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676 Fax (601)939-8761
windhamandlacey.com

P. O. Box 759
Crystal Springs, MS 39059
(601)892-4001 Fax (601)892-5978

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 28, 2020. 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 a material weakness and a significant deficiency.

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 2019-001 to be a material weakness and 2019-002 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*.

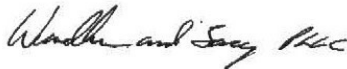
We also noted certain matters which we have reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 28, 2020, included within this document.

Simpson County's Responses to Findings

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

Purpose of this Report

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



Windham and Lacey, PLLC
August 28, 2020

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2019. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

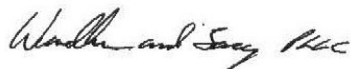
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered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

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

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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

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



Windham and Lacey, PLLC
August 28, 2020

SIMPSON COUNTY
Schedule of Purchases Made from Other Than the Lowest Bidder
For the Year Ended September 30, 2019

Schedule 1

The results of our tests did not identify any purchases made from other than the lowest bidder.

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2019

Schedule 2

Our test results identified the following emergency purchases:

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/15/2018	Railcar	\$ 11,155	The Railroad Yard	Repair bridge with railcar.
11/15/2018	Paving project	\$ 160,470	R. J. McQueen	Original bidder could not perform the job. Project was bid and McQueen bid the same amount.

SIMPSON COUNTY
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2019

Schedule 3

Our test results identified the following purchase made noncompetitively from a sole source:

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
04/15/2019	Voting tablets, cabinets	\$ 27,803	Compatible with existing equipment.

Windham and Lacey, PLLC

Certified Public Accountants

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

Members:
American Institute of CPAs
Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2019, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Simpson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 28, 2020, on the financial statements of Simpson County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors, Chancery Clerk and Sheriff.

1.	<u>Bonds should not be "Continuation Certificates".</u>
Repeat Finding	Yes. Office of the State Auditor 2018 Compliance Review Report 2018-003.
Criteria	Section 25-1-15, Miss. Code Ann (1972), requires bonds in amounts not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor.
Condition	Employees in the chancery clerk's and sheriff's office had surety bonds listed as "Continuation Certificates".
Cause	Employees were not secured for the current year.
Effect	Failure to properly secure and recertify surety bonds every four years could limit the amount available for recovery should public funds be lost or misappropriated.

Recommendation All bonds should be secured every four years concurrent with the election cycle of the Governor.

Views of Responsible Official(s) We will comply.

Sheriff and Board of Supervisors

2. Meal logs and affidavits not presented to Board of Supervisors monthly.

Repeat Finding Yes. Office of the State Auditor 2018 Compliance Review Report 2018-009.

Criteria Section 19-25-74, Miss. Code Ann (1972), requires the Sheriff to maintain a log, showing the name of each prisoner, date and time of incarnation and release, to be posted daily, which shall record the number of meals served at each mealtime, and the hours of the day served and shall make affidavit to correctness and file monthly with the Board of Supervisors. The Board is not allowed to pay claims for food expenses if this report is not filed.

Condition Inmate logs and affidavits were not filed monthly with the Board of Supervisors.

Cause The Sheriff and Board of Supervisors did not comply with the state statutes listed above.

Effect Failure to submit meal logs and affidavits as to correctness to the Board of Supervisors for approval could result in the loss or misappropriation of public funds by paying for an incorrect number of meals.

Recommendation The Sheriff should ensure the meal log is maintained and presented to the Board of Supervisors before meal expenses are approved through the claims dockets.

Views of Responsible Official(s) The administration is currently working with Omnigo to be in compliance with this meal report.

Payroll Clerk

3. 4B forms for employing retired service employees should be properly completed and filed within five days.

Repeat Finding Yes. Office of the State Auditor 2018 Compliance Review Report 2018-011.

Criteria Section 25-11-127, Miss. Code Ann. (1972), requires counties who hire service retirees to notify PERS in writing by completing Form 4B "Certificate/Acknowledgement of Reemployment of Retiree" with PERS within five days of rehire and at the beginning of the new year.

Condition Instances were noted where Form 4Bs were not filed in a timely manner.

Cause Because the County did not file Form 4B in a timely manner, the County was not in compliance with the above mentioned statute.

Effect Failure to file Form 4Bs as required could result in overpayment of a retiree. The County could also be assessed penalties by PERS.

Recommendation The Payroll Clerk should ensure the timely completion and filing of Form 4B as required by PERS.

Views of Responsible
Official(s) We will comply.

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

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

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
August 28, 2020

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2019

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? | None reported |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

- | | |
|----------------|---|
| 2019-001. | <u>Liability for other postemployment benefits should be recorded.</u> |
| Repeat Finding | Yes, 2018-001 |
| Criteria | 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. 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for their health insurance plan. . |
| Condition | GASB Statement No. 75 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County has not recorded a liability for other postemployment benefits, nor reported the note disclosures which are required by accounting principles generally accepted in the United States of America. |
| Cause | The County does not have an actuarial valuation performed annually so that a liability for other postemployment benefits and related disclosures could be recorded. |

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2019

Effect	The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Garbage and Solid Waste Fund
Recommendation	The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.
Views of Responsible Official(s)	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	
Significant Deficiency	
2019-002	<u>Internal controls over deposits and safekeeping of monies should be strengthened.</u>
Repeat Finding	Yes, 2018-002
Criteria	An effective system of internal controls for collecting, recording and disbursing cash in the Sheriff's office should include appropriate segregation of duties and effective management oversight. Section 25-1-72, Miss. Code Ann (1972) requires all funds collected to be deposited by the next business day.
Condition	All personnel are allowed to prepare and make deposits and use the same cash drawer for funds received. Inadequate management oversight as it related to settling of funds received. Cash received was not deposited in accordance with above mentioned statute.
Cause	Inadequate internal controls due to lack of segregation of duties and inadequate management oversight of financial transactions.
Effect	Deposits were not made in a timely manner or not at all Settlements to the proper offices were not made. Bank statements were not reconciled
Recommendation	The Sheriff should implement effective internal control policies to ensure there are proper segregation of duties surrounding monies collected and deposited. The Sheriff should designate someone to review financial documents and bank statements monthly as a method of determining if deposits and settlements are being made to the proper offices in a timely manner..

SIMPSON COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Views of Responsible
Official(s)

These issues were detected during the 2019 budget process. In November, 2018, deposits of approximately \$17,325 were made which were from monies collected and not deposited and is currently the subject of an investigation by the Office of the State Auditor. Settlements of these funds will be made upon completion of the State Auditor's Office investigation and upon subsequent order of the Board of Supervisors. As of the date of this report, an employee has been arrested and indicted. There has been no final disposition of this investigation.

Steps have been taken to ensure funds are deposited daily except on holidays and weekends.

Steps have been taken to divide duties handling cash, writing and signing checks.