

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2020



SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

March 10, 2022

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2020 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White

SIMPSON COUNTY
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SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Simpson County, Mississippi, (the County) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include the financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of Simpson County, Mississippi, as of September 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Garbage and Solid Waste Fund

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, business-type activities and Garbage and Solid Waste Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, business-type activities and Garbage and Solid Waste 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 has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Garbage and Solid Waste 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 Garbage and Solid Waste Fund of Simpson County, Mississippi, as of September 30, 2020, 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.

Basis for Qualified Opinion on the General Fund

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Circuit Court fines receivable aging schedules as of September 30, 2020. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$528,669 as of September 30, 2020. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund of Simpson County, Mississippi, as of September 30, 2020, and the changes in financial position, thereof for the year ended in conformity 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 Countywide Road Maintenance Fund and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions and the 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022, 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 10, 2022

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

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SIMPSON COUNTY
Statement of Net Position
September 30, 2020

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,131,607	199,125	9,330,732
Property tax receivable	9,879,438		9,879,438
Accounts receivable (net of allowance for uncollectibles of \$1,699,225)		498,060	498,060
Fines receivable (net of allowance for uncollectibles of \$2,247,640)	528,669		528,669
Intergovernmental receivables	706,301	12,946	719,247
Other receivables	228		228
Capital assets:			
Land and construction in progress	2,885,059		2,885,059
Other capital assets, net	60,347,342	552,414	60,899,756
Total Assets	83,478,644	1,262,545	84,741,189
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,133,347	141,895	2,275,242
Deferred amount on refunding	50,692		50,692
Total Deferred Outflows of Resources	2,184,039	141,895	2,325,934
LIABILITIES			
Claims payable	152,542	14,933	167,475
Intergovernmental payables	638,739		638,739
Accrued interest payable	75,813		75,813
Unearned revenue	65,614	55,245	120,859
Amounts held in custody for others	43,835		43,835
Other payables	563		563
Long-term liabilities			
Due within one year:			
Capital debt	1,636,534	37,648	1,674,182
Due in more than one year:			
Capital debt	8,129,717	22,555	8,152,272
Non-capital debt	339,676	29,014	368,690
Net pension liability	15,644,543	1,038,710	16,683,253
Total Liabilities	26,727,576	1,198,105	27,925,681
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - property taxes	9,879,438		9,879,438
Total Deferred Inflows of Resources	9,879,438	0	9,879,438
NET POSITION			
Net investment in capital assets	53,516,842	492,211	54,009,053
Restricted for:			
Expendable:			
General government	102,589		102,589
Public safety	645,452		645,452
Public works	2,108,326		2,108,326
Economic development and assistance	1,261,045		1,261,045
Debt service	190,696		190,696
Unrestricted	(8,769,281)	(285,876)	(9,055,157)
Total Net Position	\$ 49,055,669	206,335	49,262,004

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2020

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,501,477	506,238	31,913		(2,963,326)		(2,963,326)
Public safety	4,936,134	358,983	660,780	70,000	(3,846,371)		(3,846,371)
Public works	4,812,587		758,766	1,635,693	(2,418,128)		(2,418,128)
Health and welfare	162,971		30,556		(132,415)		(132,415)
Culture and recreation	267,779				(267,779)		(267,779)
Conservation of natural resources	121,241				(121,241)		(121,241)
Economic development and assistance	137,789				(137,789)		(137,789)
Interest on long-term debt	246,631				(246,631)		(246,631)
Pension expense	1,997,184				(1,997,184)		(1,997,184)
Total Governmental Activities	16,183,793	865,221	1,482,015	1,705,693	(12,130,864)		(12,130,864)
Business-type activities:							
Solid waste	1,247,577	1,152,372	2,818			(92,387)	(92,387)
Total Business-type Activities	1,247,577	1,152,372	2,818	0		(92,387)	(92,387)
Total Primary Government	\$ 17,431,370	2,017,593	1,484,833	1,705,693	(12,130,864)	(92,387)	(12,223,251)
General revenues:							
Property taxes					\$ 9,404,312		9,404,312
Road & bridge privilege taxes					332,518		332,518
Grants and contributions not restricted to specific programs					473,946		473,946
In lieu taxes - Mississippi Hub, LLC					1,041,659		1,041,659
Unrestricted interest income					102,312		102,312
Miscellaneous					159,716		159,716
Total General Revenues					11,514,463	0	11,514,463
Changes in Net Position					(616,401)	(92,387)	(708,788)
Net Position - Beginning, as previously reported					49,972,737	305,136	50,277,873
Prior period adjustments					(300,667)	(6,414)	(307,081)
Net Position - Beginning, as restated					49,672,070	298,722	49,970,792
Net Position - Ending					\$ 49,055,669	206,335	49,262,004

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

SIMPSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2020

Exhibit 3

	<u>Major Funds</u>			
	General	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund		
ASSETS				
Cash	\$ 4,780,560	1,110,426	3,240,621	9,131,607
Property tax receivable	6,394,896	2,110,325	1,374,217	9,879,438
Fines receivable (net of allowance for uncollectibles of \$2,247,640)	528,669			528,669
Intergovernmental receivables	672,799		33,502	706,301
Other receivables	228			228
Due from other funds		113,784	62,906	176,690
Total Assets	<u>\$ 12,377,152</u>	<u>3,334,535</u>	<u>4,711,246</u>	<u>20,422,933</u>
LIABILITIES				
Liabilities:				
Claims payable	\$ 40,838	98,680	13,024	152,542
Intergovernmental payables	549,591			549,591
Due to other funds	265,838			265,838
Unearned revenue			65,614	65,614
Amounts held in custody for others	43,835			43,835
Other payables	563			563
Total Liabilities	<u>900,665</u>	<u>98,680</u>	<u>78,638</u>	<u>1,077,983</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	6,394,896	2,110,325	1,374,217	9,879,438
Unavailable revenue - fines	528,669			528,669
Total Deferred Inflows of Resources	<u>6,923,565</u>	<u>2,110,325</u>	<u>1,374,217</u>	<u>10,408,107</u>
Fund balances:				
Restricted for:				
General government			102,589	102,589
Public safety			645,452	645,452
Public works		1,125,530	982,796	2,108,326
Economic development and assistance			1,261,045	1,261,045
Debt service			266,509	266,509
Unassigned	4,552,922			4,552,922
Total Fund Balances	<u>4,552,922</u>	<u>1,125,530</u>	<u>3,258,391</u>	<u>8,936,843</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,377,152</u>	<u>3,334,535</u>	<u>4,711,246</u>	<u>20,422,933</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, 2020

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,936,843
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 \$99,333,851.	63,232,401
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	528,669
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,105,927)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(15,644,543)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(75,813)
Deferred amount on refunding	50,692
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>2,133,347</u>
Total Net Position - Governmental Activities	\$ <u><u>49,055,669</u></u>

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

SIMPSON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2020

	Major Funds			
	General	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 5,954,928	2,026,571	1,422,813	9,404,312
Road and bridge privilege taxes		332,518		332,518
Licenses, commissions and other revenue	268,784		8,085	276,869
Fines and forfeitures	405,983		10,827	416,810
In lieu taxes - Mississippi Hub, LLC	500,000	500,000	41,659	1,041,659
Intergovernmental revenues	989,181	726,350	1,946,123	3,661,654
Charges for services	63,670		255,967	319,637
Interest income	102,312			102,312
Miscellaneous revenues	63,421	12,000	18,654	94,075
Total Revenues	8,348,279	3,597,439	3,704,128	15,649,846
EXPENDITURES				
Current:				
General government	3,619,596			3,619,596
Public safety	4,529,422		950,161	5,479,583
Public works		5,089,230	2,129,473	7,218,703
Health and welfare	151,133			151,133
Culture and recreation	265,153		1,307	266,460
Conservation of natural resources	121,241			121,241
Economic development and assistance	14,151		96,361	110,512
Debt service:				
Principal	435,705	861,106	361,879	1,658,690
Interest	164,508	41,686	49,358	255,552
Total Expenditures	9,300,909	5,992,022	3,588,539	18,881,470
Excess of Revenues over (under) Expenditures	(952,630)	(2,394,583)	115,589	(3,231,624)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	44,940	1,724,675	191,701	1,961,316
Proceeds from sale of capital assets	1,845	586,809		588,654
Compensation for loss of capital assets		1,885		1,885
Transfers in	75,533		89,627	165,160
Transfers out	(61,597)		(103,563)	(165,160)
Total Other Financing Sources and Uses	60,721	2,313,369	177,765	2,551,855
Net Changes in Fund Balances	(891,909)	(81,214)	293,354	(679,769)
Fund Balances - Beginning	5,444,831	1,206,744	2,965,037	9,616,612
Fund Balances - Ending	\$ 4,552,922	1,125,530	3,258,391	8,936,843

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, 2020

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (679,769)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,772,150 exceeded depreciation of \$1,684,029 in the current period.	2,088,121
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$65,641 and the proceeds from the sale of \$588,654 and the compensation for loss of \$1,885 the current period.	(524,898)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(148,095)
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 proceeds of \$1,961,316 exceeded debt repayments of \$1,658,690.	(302,626)
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 amount of decrease in compensated absences liability	6,504
The amount of decrease in accrued interest payable	1,618
The amortization of deferred amount on refunding	(10,105)
The amortization of bond premium	17,408
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,997,184)
Recording of contributions made during the year	<u>932,625</u>
Change in Net Position of Governmental Activities	\$ <u>(616,401)</u>

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

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2020

Exhibit 5

	Business-type Activities - Enterprise Fund	Garbage and Solid Waste Fund
ASSETS		
Current assets:		
Cash	\$	199,125
Accounts receivable (net of allowance for uncollectibles of \$1,699,225)		498,060
Intergovernmental receivables		12,946
Total Current Assets		<u>710,131</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net		552,414
Total Noncurrent Assets		<u>552,414</u>
Total Assets		<u>1,262,545</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		141,895
Total Deferred Outflows of Resources		<u>141,895</u>
LIABILITIES		
Current liabilities:		
Claims payable		14,933
Unearned revenue		55,245
Capital debt:		
Capital leases payable		37,648
Total Current Liabilities		<u>107,826</u>
Noncurrent liabilities:		
Capital debt:		
Capital leases payable		22,555
Non-capital debt:		
Compensated absences payable		29,014
Net pension liability		1,038,710
Total Noncurrent Liabilities		<u>1,090,279</u>
Total Liabilities		<u>1,198,105</u>
NET POSITION		
Net investment in capital assets		492,211
Unrestricted		(285,876)
Total Net Position	\$	<u>206,335</u>

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

SIMPSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Fund
	Garbage and Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,152,372
Total Operating Revenues	<u>1,152,372</u>
Operating Expenses	
Personal services	514,524
Contractual services	301,142
Materials and supplies	175,816
Depreciation expense	89,297
Pension expense	133,028
Total Operating Expenses	<u>1,213,807</u>
Operating Income (Loss)	<u>(61,435)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	2,818
Loss on sale of capital assets	(31,360)
Interest expense	(2,410)
Net Nonoperating Revenue (Expenses)	<u>(30,952)</u>
Change in Net Position	<u>(92,387)</u>
Net Position - Beginning, as previously reported	305,136
Prior period adjustment	(6,414)
Net Position - Beginning, as restated	<u>298,722</u>
Net Position - Ending	<u>\$ 206,335</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, 2020

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Garbage and Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,115,528
Payments to suppliers	(477,855)
Payments to employees	(575,619)
Net Cash Provided (Used) by Operating Activities	<u>62,054</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	<u>2,818</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,818</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(49,959)
Interest paid on debt	<u>(2,410)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(52,369)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,503
Cash and Cash Equivalents at Beginning of Year	<u>186,622</u>
Cash and Cash Equivalents at End of Year	<u>\$ 199,125</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (61,435)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	89,297
Provision for uncollectible accounts	132,069
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(162,648)
(Increase) decrease in intergovernmental receivables	(879)
Increase (decrease) in claims payable	(897)
Increase (decrease) in unearned revenue	(5,386)
Increase (decrease) in compensated absences liability	1,170
Increase (decrease) in pension liability, deferred outflows/inflows, net	<u>70,763</u>
Total Adjustments	<u>123,489</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 62,054</u>

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

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2020

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 82,160
Due from other funds	89,148
Total Assets	\$ <u>171,308</u>
LIABILITIES	
Amounts held in custody for others	\$ 22,266
Intergovernmental payables	149,042
Total Liabilities	\$ <u>171,308</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, 2020

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of the County's component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Simpson County Park Commission

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

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

B. Individual Component Unit Disclosures.

Blended Component 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 .6 mill tax levy.

C. Basis of Presentation.

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

Governmental Fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

invest in certain repurchase agreements.

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

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

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

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

	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.

J. Deferred Outflows/Inflows of Resources.

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

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

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

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

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

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

K. Long-term Liabilities.

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

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

In the fund financial statements, the face amount of the debt issued is reported as other financing sources.

L. 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.

M. Compensated Absences.

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

N. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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

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

Fund Balance Flow Assumption:

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

O. Property Tax Revenues:

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

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

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

P. 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.

Q. Changes in Accounting Standards.

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

(2) Prior Period Adjustments.

A summary of the significant net position adjustments is as follows:

Exhibit 2 - Statement of Activities - Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To Correct prior errors in capital assets, net	\$ (300,667)

Exhibit 2 - Statement of Activities - Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
To Correct prior errors in capital assets, net	\$ <u>(6,414)</u>

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

<u>Explanation</u>	<u>Amount</u>
To Correct prior errors in capital assets, net	\$ <u>(6,414)</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2020, was \$9,412,892, and the bank balance was \$10,623,654. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2020:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 113,784
Other Governmental Funds	General Fund	62,906
Agency Funds	General Fund	89,148
Total		<u>\$ 265,838</u>

The receivables represent tax revenue collected in September, 2020, but not settled until October, 2020. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 75,533
Other Governmental Funds	General Fund	61,597
Other Governmental Funds	Other Governmental Funds	28,030
Total		<u>\$ 165,160</u>

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2020, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 153,160
Coronavirus relief fund reimbursement	485,419
Emergency management performance grant reimbursement	27,125
Reimbursement for housing prisoners	7,095
E-911 service fees	33,502
Total Governmental Activities	<u>\$ 706,301</u>
Business-type Activities:	
City of Mendenhall	\$ 3,543
City of Magee	7,118
Town of D'Lo	2,285
Total Business-type Activities	<u>\$ 12,946</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

(6) Capital Assets.

The following is a summary of capital asset activity for the year ended September 30, 2020:

Governmental activities:

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments*	Balance Sept. 30, 2020
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,682,887				1,682,887
Construction in progress	591,855	1,372,796		(762,479)	1,202,172
Total non-depreciable capital assets	2,274,742	1,372,796	0	(762,479)	2,885,059
<u>Depreciable capital assets:</u>					
Infrastructure	133,863,606			560,938	134,424,544
Buildings	14,979,805			(4,757)	14,975,048
Improvements other than buildings	740,479				740,479
Mobile equipment	5,524,974	407,331	717,837		5,214,468
Furniture and equipment	777,629	19,207	69,032		727,804
Leased property under capital leases	2,327,834	1,972,816	701,800		3,598,850
Total depreciable capital assets	158,214,327	2,399,354	1,488,669	556,181	159,681,193
<u>Less accumulated depreciation for:</u>					
Infrastructure	87,476,966	393,844		48,607	87,919,417
Buildings	5,221,403	232,463		1,059	5,454,925
Improvements other than buildings	291,530	29,622			321,152
Mobile equipment	4,100,929	279,777	500,148		3,880,558
Furniture and equipment	678,773	8,126	64,042		622,857
Leased property under capital leases	749,623	740,197	399,581	44,703	1,134,942
Total accumulated depreciation	98,519,224	1,684,029	963,771	94,369	99,333,851
Total depreciable capital assets, net	59,695,103	715,325	524,898	461,812	60,347,342
Governmental activities capital assets, net	\$ 61,969,845	2,088,121	524,898	(300,667)	63,232,401

Business-type activities:

	Balance Oct. 1, 2019	Additions	Deletions	Adjustments*	Balance Sept. 30, 2020
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,233,237		49,000	(22,950)	1,161,287
Leased property under capital leases	176,280				176,280
Total depreciable capital assets	1,573,777	0	49,000	(22,950)	1,501,827
<u>Less accumulated depreciation for:</u>					
Buildings	69,006	3,286			72,292
Mobile equipment	754,040	63,566	17,640	(16,536)	783,430
Leased property under capital leases	71,246	22,445			93,691
Total accumulated depreciation	894,292	89,297	17,640	(16,536)	949,413
Total depreciable capital assets, net	679,485	(89,297)	31,360	(6,414)	552,414
Business-type activities capital assets, net	\$ 679,485	(89,297)	31,360	(6,414)	552,414

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

*Adjustments are to correct prior year errors in the capital asset records and to reflect certain routine reclassifications of completed construction and paid-off capital leases.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 216,964
Public safety	224,306
Public works	1,202,325
Health and welfare	11,838
Culture and recreation	1,319
Economic development and assistance	<u>27,277</u>
Total governmental activities depreciation expense	<u>\$ 1,684,029</u>
	<u>Amount</u>
Business-type activities:	
Solid waste	<u>\$ 89,297</u>

Commitments with respect to unfinished capital projects at September 30, 2020, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Heed Neely Road bridge replacement	\$ 14,770	December, 2020
Jake Barnes Road bridge replacement	18,869	December, 2020

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2020, to January 1, 2021. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 3,480,224	176,280
Furniture and equipment	<u>118,626</u>	<u> </u>
Total	3,598,850	176,280
Less: Accumulated depreciation	<u>(1,134,942)</u>	<u>(93,691)</u>
Leased Property Under Capital Leases	<u>\$ 2,463,908</u>	<u>82,589</u>

The following is a schedule by years of the total payments due as of September 30, 2020:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 723,728	42,074	37,648	1,243
2022	841,173	27,103	22,555	321
2023	739,190	11,407		
2024	60,697	1,740		
2025	<u>114,007</u>	<u>977</u>	<u> </u>	<u> </u>
Total	<u>\$ 2,478,795</u>	<u>83,301</u>	<u>60,203</u>	<u>1,564</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2020

(9) Long-term Debt.

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General obligation refunding bonds, series 2017	\$ 5,241,000	2.45-4.00%	11/2030
2014 General obligation road and bridge bonds	<u>1,945,000</u>	1.875-2.625%	06/2024
Total General Obligation Bonds	<u>\$ 7,186,000</u>		
B. Capital Leases:			
(2) Single axle dump trucks	\$ 105,850	1.73%	10/2020
(2) Case 590SN backhoe loaders	131,829	1.84%	12/2020
2014 Caterpillar 312E excavator	21,954	2.42%	08/2021
Broce CRT-350 broom	2,865	2.24%	11/2020
Motorola E911 communications console	55,120	3.19%	06/2024
(2) 2016 John Deere 6120E tractors	30,324	3.05%	08/2022
Caterpillar pneumatic compactor and Kubota mini excavator	83,324	3.50%	01/2023
Chip spreader and tar truck	241,705	3.57%	04/2023
IBM server	37,628	1.83%	03/2023
(3) 2020 Western Star dump trucks	297,829	2.68%	12/2023
(2) John Deere 6105E tractors	103,677	2.68%	12/2023
(2) Case 590SN backhoes	229,900	1.83%	03/2023
(3) 2020 Kenworth T880 dump trucks	438,473	1.48%	04/2022
(2) Caterpillar 140 motor graders	513,657	1.44%	07/2023
2020 Caterpillar 320 excavator	<u>184,660</u>	1.53%	04/2025
Total Capital Leases	<u>\$ 2,478,795</u>		
C. Other Loans:			
Chancery building renovation	<u>\$ 17,806</u>	2.37%	01/2021

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Capital Leases:			
2019 Western Star garbage truck	\$ 48,868	3.08%	07/2022
Travis 48-foot trailer	<u>11,335</u>	1.87%	08/2021
Total Capital Leases	<u>\$ 60,203</u>		

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

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
2021	\$ 895,000	180,180	17,806	422
2022	923,000	156,215		
2023	952,000	133,716		
2024	980,000	109,835		
2025	487,000	85,306		
2026 - 2030	2,637,000	226,061		
2031 - 2035	312,000	4,524		
Total	\$ 7,186,000	895,837	17,806	422

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2020, the amount of outstanding debt was equal to 2.59 percent of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the September 30, 2020, trust account assets in the amount of \$5,001,276 and the outstanding defeased debt liability in the amount of \$4,940,000 are not included in the County's financial statements.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 346,180		6,504	339,676	
General obligation bonds	7,852,000		666,000	7,186,000	895,000
Add:					
Premiums	101,058		17,408	83,650	
Capital leases	1,492,776	1,961,316	975,297	2,478,795	723,728
Other loans	35,199		17,393	17,806	17,806
Total	\$ 9,827,213	1,961,316	1,682,602	10,105,927	1,636,534

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sept. 30, 2020	Amount due within one year
Business-type Activities:					
Compensated absences	\$ 27,844	1,170		29,014	
Capital leases	110,162		49,959	60,203	37,648
Total	<u>\$ 138,006</u>	<u>1,170</u>	<u>49,959</u>	<u>89,217</u>	<u>37,648</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Countywide Road Maintenance Fund, and Garbage and Solid Waste Fund.

(10) Other Postemployment Benefits.

Plan Description

The Simpson County Board of Supervisors administers the County's health insurance plan, which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Simpson County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 75 as a single employer defined benefit health care plan. 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.

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Simpson County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$994,891, \$872,807 and \$788,411, 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, 2020, the County reported a liability of \$16,683,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2020 net pension liability was 0.086179 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.004773 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the County recognized pension expense of \$2,130,212. At September 30, 2020, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 144,355
Net difference between projected and actual earnings on pension plan investments	728,319
Changes of assumptions	88,158
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	1,063,512
County contributions subsequent to the measurement date	<u>250,898</u>
Total	<u>\$ 2,275,242</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

\$250,898 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 ending September 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2021	\$ 645,416
2022	690,628
2023	467,478
2024	220,822
Total	\$ 2,024,344

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions, applied to all periods 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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent 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
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	100.00 %	

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current 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 to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 21,594,421	16,683,253	12,629,566

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

(12) 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.

(13) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(8,769,281) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$235,196 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. The \$1,898,151 balance of the deferred outflows of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$53,516,842 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. The \$50,692 balance of deferred outflows of resources related to the refunding at September 30, 2020, will be recognized as an expense and will decrease the net investment in capital assets net position over the next eleven years.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

The business-type activities' unrestricted net position amount of \$(285,876) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$15,702 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. The \$126,193 balance of the deferred outflows of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years.

(14) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$179,652 in fiscal year 2020. 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 Alderman; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The County's appropriation to the joint venture was \$116,814 in fiscal year 2020. Complete financial statements for the South Central 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 \$1,307,275 for the maintenance and support of the college in fiscal year 2020.

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 2020.

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 support of the district in fiscal year 2020.

(16) Tax Abatements.

As of September 30, 2020, Simpson County provides tax exempt status to one medical facility, two public utilities, and three manufacturing companies subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school, the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101, 27-1-104 and 27-31-105, Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2020 totaled \$2,442,741.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2020

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Simpson County evaluated the activity of the County through March 10, 2022, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2020, the County issued the following debt obligations:

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/05/2020		1.38%	\$ 106,000	Capital lease	Ad valorem taxes
10/27/2020		1.52%	166,188	Capital lease	Ad valorem taxes
01/25/2021		1.30%	100,000	Capital lease	Ad valorem taxes
02/26/2021		1.12%	187,825	Capital lease	Ad valorem taxes
04/14/2021		1.17%	154,497	Capital lease	Ad valorem taxes
08/16/2021		1.69%	6,235,000	General obligation bond	Ad valorem taxes
11/09/2021		2.92%	3,900,191	Capital lease	Ad valorem taxes
03/03/2022		1.13%	588,000	Capital lease	Ad valorem taxes

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2020
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,307,657	6,226,587	6,226,587	
Licenses, commissions and other revenue	313,450	270,491	270,491	
Fines and forfeitures	771,900	404,258	404,258	
Intergovernmental revenues	700,800	498,626	498,626	
Charges for services	75,000	66,420	66,420	
Interest income	271,200	104,221	104,221	
Miscellaneous revenues	122,250	52,278	52,278	
Total Revenues	<u>8,562,257</u>	<u>7,622,881</u>	<u>7,622,881</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,532,402	3,608,749	3,608,749	
Public safety	4,104,093	4,540,109	4,540,109	
Health and welfare	155,250	148,562	148,562	
Culture and recreation	264,652	265,168	265,168	
Conservation of natural resources	141,469	121,744	121,744	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	441,246	435,706	435,706	
Interest	166,614	164,507	164,507	
Total Expenditures	<u>8,819,877</u>	<u>9,298,696</u>	<u>9,298,696</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(257,620)</u>	<u>(1,675,815)</u>	<u>(1,675,815)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	45,000	145,532	145,532	
Other financing uses	(53,750)	(61,597)	(61,597)	
Total Other Financing Sources and Uses	<u>(8,750)</u>	<u>83,935</u>	<u>83,935</u>	<u>0</u>
Net Change in Fund Balance	(266,370)	(1,591,880)	(1,591,880)	0
Fund Balances - Beginning	<u>6,372,000</u>	<u>5,372,004</u>	<u>5,269,345</u>	<u>(102,659)</u>
Fund Balances - Ending	<u>\$ 6,105,630</u>	<u>3,780,124</u>	<u>3,677,465</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
 For the Year Ended September 30, 2020
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,490,135	2,474,056	2,474,056	
Road and bridge privilege taxes	330,500	330,508	330,508	
Intergovernmental revenues	701,200	726,351	726,351	
Interest income	4,200			
Miscellaneous revenues	6,000			
Total Revenues	<u>3,532,035</u>	<u>3,530,915</u>	<u>3,530,915</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,226,387	5,068,517	5,068,517	
Debt service:				
Principal	366,144	862,076	862,076	
Interest	35,176	40,716	40,716	
Total Expenditures	<u>3,627,707</u>	<u>5,971,309</u>	<u>5,971,309</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(95,672)</u>	<u>(2,440,394)</u>	<u>(2,440,394)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	100,000	2,299,313	2,299,313	
Total Other Financing Sources and Uses	<u>100,000</u>	<u>2,299,313</u>	<u>2,299,313</u>	<u>0</u>
Net Change in Fund Balance	4,328	(141,081)	(141,081)	0
Fund Balances - Beginning	<u>800,119</u>	<u>1,251,507</u>	<u>1,251,507</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 804,447</u>	<u>1,110,426</u>	<u>1,110,426</u>	<u>0</u>

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

SIMPSON COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2020
UNAUDITED

	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability (asset)	0.086179%	0.081406%	0.076905%	0.073517%	0.074263%	0.074260%
County's proportionate share of the net pension liability (asset)	\$ 16,683,253	14,320,920	12,791,585	12,221,019	13,265,228	11,479,132
Covered payroll	\$ 5,643,859	5,395,898	4,995,967	4,739,682	4,750,761	4,639,321
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	295.60%	265.40%	256.04%	257.84%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

* 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 ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

SIMPSON COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2020
UNAUDITED

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 994,891	872,807	788,411	748,211	750,441	732,893
Contributions in relation to the contractually required contribution	<u>994,891</u>	<u>872,807</u>	<u>788,411</u>	<u>748,211</u>	<u>750,441</u>	<u>732,893</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 5,717,764	5,398,310	5,005,975	4,750,547	4,764,705	4,653,289
Contributions as a percentage of covered payroll	17.40%	16.17%	15.75%	15.75%	15.75%	15.75%

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

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

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

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

	<u>Governmental Fund Types</u>	
		Countywide
		Road
	General	Maintenance
	<u>Fund</u>	<u>Fund</u>
Net Changes in Fund Balances - Budgetary Basis	\$ (1,591,880)	(141,081)
Increase (Decrease)		
Net adjustments for revenue accruals	702,184	80,580
Net adjustments for expenditure accruals	<u>(2,213)</u>	<u>(20,713)</u>
Net Changes in Fund Balances - GAAP Basis	<u>\$ (891,909)</u>	<u>(81,214)</u>

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

Pension Schedules

A. 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.

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 experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

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%.

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2020

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%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions is 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.

Method 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, 2018 valuation for the June 30, 2020 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	30.9 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

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SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2020
UNAUDITED

Name	Position	Company	Bond
Mitchell Chatman	Supervisor District 1	Western Surety Company	\$100,000
Danny Craft	Supervisor District 2	Western Surety Company	\$100,000
Brian Kennedy	Supervisor District 3	Western Surety Company	\$100,000
Donny Welch	Supervisor District 4	Western Surety Company	\$100,000
Randy Moore	Supervisor District 5	Western Surety Company	\$100,000
Rhuel Dickinson	County Administrator	Western Surety Company	\$100,000
Tommy Joe Harvey	Chancery Clerk	Western Surety Company	\$100,000
Regina Evans	Purchase Clerk	Western Surety Company	\$75,000
Truedy Lockhart	Receiving Clerk	Western Surety Company	\$75,000
Pam Sevell	Assistant Receiving Clerk	Western Surety Company	\$50,000
Jeremy Bolton	Assistant Receiving Clerk	Western Surety Company	\$50,000
Eric Bowen	Inventory Control Clerk	Western Surety Company	\$75,000
Ben Warren	Road Manager	Western Surety Company	\$50,000
Chris Jones	Constable	Western Surety Company	\$50,000
Randall Coleman	Constable	Western Surety Company	\$50,000
Whitt Fortenberry	Circuit Clerk	State Farm Insurance	\$100,000
Kathy Brien	Deputy Circuit Clerk	Western Surety Company	\$50,000
Stacy Jones	Deputy Circuit Clerk	Western Surety Company	\$50,000
LuAnn Bailey	Deputy Circuit Clerk	Western Surety Company	\$50,000
Paul Mullins	Sheriff	Western Surety Company	\$100,000
Charles Savell	Justice Court Judge	Western Surety Company	\$50,000
Ted Blakeney	Justice Court Judge	Western Surety Company	\$50,000
Joyce Hicks	Justice Court Clerk	Western Surety Company	\$50,000
Amanda Lott	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Theja Abernathy	Deputy Justice Court Clerk	State Farm Insurance	\$50,000
Ursula Sims	Deputy Justice Court Clerk	State Farm Insurance	\$50,000
Jamie Brewer	Tax Assessor-Collector	Western Surety Company	\$100,000
Charles Baldwin	Deputy Tax Collector	Western Surety Company	\$50,000
Dawn McMullan	Deputy Tax Collector	Western Surety Company	\$50,000
Hayla Cockrell	Deputy Tax Collector	Western Surety Company	\$50,000
Billy Joe Tucker	Deputy Tax Collector	Western Surety Company	\$50,000
Shay McNeil	Deputy Tax Collector	Western Surety Company	\$50,000
Diana Ashtin Rawls	Deputy Tax Collector	Western Surety Company	\$50,000
Carolyn Williams	Deputy Tax Collector	Western Surety Company	\$50,000
Amanda Daughdrill	Deputy Tax Collector	Western Surety Company	\$50,000
Kathy Kennedy	Deputy Tax Collector	Western Surety Company	\$50,000

SIMPSON COUNTY

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SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Simpson County, Mississippi (the County), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 10, 2022. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is also qualified on the governmental activities, the business-type activities, and Garbage and Solid Waste 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. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Circuit Court fines receivable, net and the aging of these receivables at September 30, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated March 10, 2022, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 10, 2022



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2020. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2020.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 10, 2022

SIMPSON COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2020

Our tests did not identify any purchases from other than the lowest bidder.

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2020

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/07/2019	Tank car culvert	\$ 28,200	The Railroad Yard, Inc.	Bridge closure
01/07/2020	Tank car culvert	13,008	The Railroad Yard, Inc.	Road closure
01/13/2020	Tank car culvert	11,208	The Railroad Yard, Inc.	Road closure
04/06/2020	Caterpillar excavator	191,701	Puckett Machinery Company	Roads washed out due to recent flooding
04/22/2020	Athens Road bridge repair	18,238	Oddee Smith Construction	Bridge closure
06/30/2020	Air conditioner chiller	64,697	Upchurch Services	No air conditioning in Chancery Building

SIMPSON COUNTY

Schedule 3Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2020

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
02/14/2020	Guardrail repairs	\$	7,200	Atwood Fence Company
09/08/2020	Software for indexing board minutes		12,500	Alliance Renewable Technologies

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2020, 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 March 10, 2022, on the financial statements of Simpson County, Mississippi.

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

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

Sheriff.

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

Repeat Finding Yes

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 incarceration and release, to be posted daily, which shall record the number of meals served to prisoners at each meal time, and the hours of the day served, and shall make an affidavit to correctness and file monthly with the Board of Supervisors.

Condition As noted in the prior year's audit report, we noted the date and time of incarceration and release of each prisoner was not included on the meal logs. Also, the meal logs were not submitted to the Board of Supervisors as required.

Cause	The Sheriff did not comply with state laws.
Effect	Failure to properly maintain the meal log and present it to the Board of Supervisors for approval could result in the misappropriation of public funds by paying for an incorrect number of meals.
Recommendation	The Sheriff should ensure all required information is recorded on the meal logs and that the logs are presented to the Board of Supervisors for approval each month.
Views of Responsible Official(s)	After review of your finding and reading Section 19-25-74, we will take any and all steps necessary to be compliant with the requirements of state law.

Chancery Clerk.

2. The Chancery Clerk should properly reconcile bank statements to fee journal on a monthly basis.

Repeat Finding	No
Criteria	An effective system of internal control over cash should include the proper reconciliation of the fee journal to the bank statements on a monthly basis.
Condition	During testwork, we noted that the Chancery Clerk's fee journal did not agree with the reconciled bank balance.
Cause	The Chancery Clerk did not have adequate controls over cash.
Effect	The failure to reconcile the Clerk's fee journal to the monthly bank statements could result in the loss or misappropriation of public funds.
Recommendation	The Chancery Clerk should ensure that the reconciled bank balance agrees with the fee journal.
Views of Responsible Official(s)	The Chancery Clerk chose not to respond to this finding.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 10, 2022

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

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SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2020

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
Aggregate discretely presented component unit	Adverse
General Fund	Qualified
Countywide Road Maintenance Fund	Unmodified
Aggregate remaining fund information	Unmodified
Garbage and Solid Waste Fund	Qualified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiency identified?	None Reported

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2020-001. Liability for other postemployment benefits should be recorded.

Repeat Finding Yes

Criteria Simpson County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees 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. GASB Statement No. 75 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

Condition The County does not issue a publicly available financial report for its health insurance plan. Also, as reported in the prior ten years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures that are required by accounting principles generally accepted in the United States of America.

Cause This was caused by a lack of county resources.

Effect The failure to follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the major enterprise fund.

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2020

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 plan is a group policy and the Board of Supervisors has allowed retirees to elect to participate in the plan until they reach the age of sixty-five, with each retiree paying the same premium as the cost to the county for an active employee. Historically, the County has had no more than five percent of the plan participants as retirees. During the Fiscal Year 2020 there were up to six retirees participating in the plan. Currently there are three retirees participating in 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 expensive actuarial valuation performed annually for reporting other postemployment benefits.

Circuit Clerk.

Material Weakness

2020-002. The Circuit Clerk should ensure effective controls over fines receivables.

Repeat Finding No

Criteria An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance.

Condition Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable as of September 30, 2020.

Cause The Circuit Clerk lacked the necessary control procedures to accurately maintain and preserve fines receivable.

Effect The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.

Recommendation The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedule of fines receivable.

**Views of Responsible
Official(s)**

In the future, I will print the aged fines receivable report by the end of the fiscal year as required by law.