

SIMPSON COUNTY, MISSISSIPPI

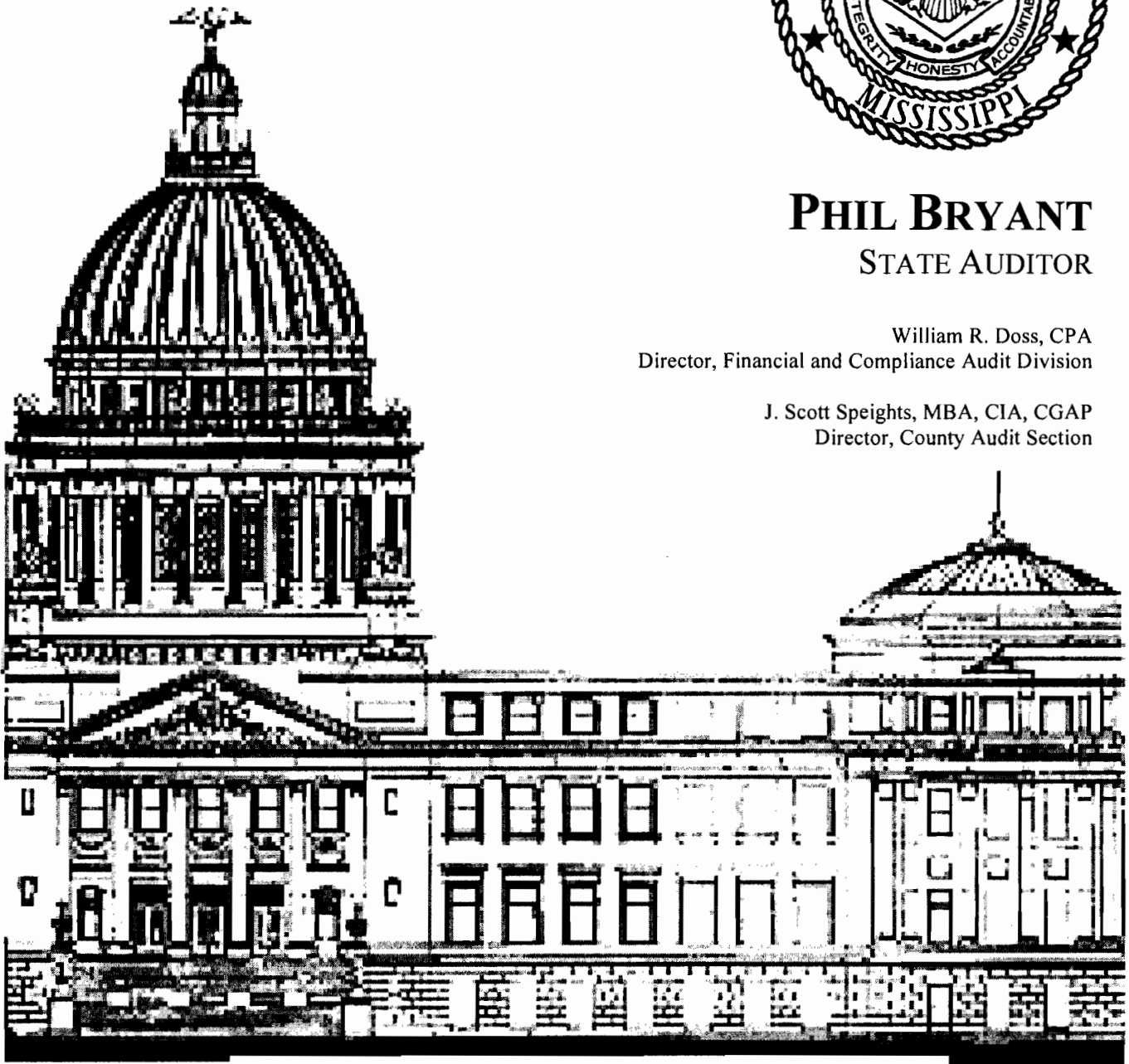
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

William R. Doss, CPA
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A Report from the County Audit Section

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SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of Simpson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Simpson County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Simpson County, Mississippi, as of September 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2007, on our consideration of Simpson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

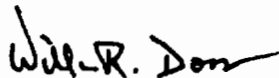
Simpson County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Simpson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 4, 2007

SIMPSON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

SIMPSON COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 5,472,254	212,851	5,685,105
Property tax receivable	4,793,254		4,793,254
Accounts receivable (net of allowance for uncollectibles of \$627,363)		214,910	214,910
Fines receivable (net of allowance for uncollectibles of \$1,808,647)	348,641		348,641
Intergovernmental receivables	151,471		151,471
Other receivables	3,088		3,088
Capital assets:			
Land and construction in progress	585,763		585,763
Other capital assets, net	46,888,473	682,996	47,571,469
Total Assets	58,242,944	1,110,757	59,353,701
LIABILITIES			
Claims payable	271,565	7,509	279,074
Intergovernmental payables	831,439		831,439
Deferred revenue	4,793,254		4,793,254
Other payables	34,260		34,260
Long-term liabilities			
Due within one year:			
Capital debt	667,896	27,634	695,530
Due in more than one year:			
Capital debt	4,787,856	11,777	4,799,633
Non-capital debt	149,710	11,808	161,518
Total Liabilities	11,535,980	58,728	11,594,708
NET ASSETS			
Invested in capital assets, net of related debt	42,018,484	643,585	42,662,069
Restricted:			
Expendable:			
General government	12,467		12,467
Debt service	104,792		104,792
Public safety	662,292		662,292
Public works	1,206,483	408,444	1,614,927
Health and welfare	78,432		78,432
Culture and recreation	32,854		32,854
Economic development	206,328		206,328
Unrestricted	2,384,832		2,384,832
Total Net Assets	\$ 46,706,964	1,052,029	47,758,993

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,746,123	814,901			(1,931,222)		(1,931,222)
Public safety	6,055,740	409,563	156,525	86,676	(5,402,976)		(5,402,976)
Public works	5,106,169		4,544,844	272,408	(288,917)		(288,917)
Health and welfare	2,438,960		2,253,026	11,659	(174,275)		(174,275)
Culture and recreation	181,940				(181,940)		(181,940)
Conservation of natural resources	84,738				(84,738)		(84,738)
Economic development and assistance	112,346				(112,346)		(112,346)
Interest on long-term debt	205,444				(205,444)		(205,444)
Total Governmental Activities	<u>16,931,460</u>	<u>1,224,464</u>	<u>6,954,395</u>	<u>370,743</u>	<u>(8,381,858)</u>	<u>0</u>	<u>(8,381,858)</u>
Business-type activities:							
Solid waste	687,755	607,247	21,674	0	0	(58,834)	(58,834)
Total Primary Government	<u>\$ 17,619,215</u>	<u>1,831,711</u>	<u>6,976,069</u>	<u>370,743</u>	<u>(8,381,858)</u>	<u>(58,834)</u>	<u>(8,440,692)</u>
General revenues:							
Property taxes					\$ 4,703,177		4,703,177
Road & bridge privilege taxes					313,372		313,372
Grants and contributions not restricted to specific programs					838,239		838,239
Unrestricted interest income					300,136	13,860	313,996
Miscellaneous					316,167		316,167
Total General Revenues					<u>6,471,091</u>	<u>13,860</u>	<u>6,484,951</u>
Changes in Net Assets					<u>(1,910,767)</u>	<u>(44,974)</u>	<u>(1,955,741)</u>
Net Assets - Beginning					50,060,132	1,109,868	51,170,000
Prior period adjustment					(1,442,401)	(12,865)	(1,455,266)
Net Assets - Beginning, as restated					<u>48,617,731</u>	<u>1,097,003</u>	<u>49,714,734</u>
Net Assets - Ending					<u>\$ 46,706,964</u>	<u>1,052,029</u>	<u>47,758,993</u>

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

SIMPSON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Hurricane Katrina FEMA Fund</u>	<u>Simpson Hospital Clearing Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	
ASSETS						
Cash	\$ 2,369,818	626,800	78,432	664,758	1,732,446	5,472,254
Property tax receivable	3,270,103			274,284	1,248,867	4,793,254
Fines receivable (net of allowance for uncollectibles of \$1,808,647)	348,641					348,641
Intergovernmental receivables	148,942				2,529	151,471
Other receivables	3,088					3,088
Due from other funds				30,185	28,231	58,416
Total Assets	\$ 6,140,592	626,800	78,432	969,227	3,012,073	10,827,124
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 38,632			30,378	202,555	271,565
Intergovernmental payables	186,236	626,800				813,036
Due to other funds	76,819					76,819
Deferred revenue	3,618,744			274,284	1,248,867	5,141,895
Other payables	34,260					34,260
Total Liabilities	3,954,691	626,800	0	304,662	1,451,422	6,337,575
Fund balances:						
Reserved for:						
Debt service					104,792	104,792
Unreserved - undesignated, reported in:						
General Fund	2,185,901					2,185,901
Special Revenue Funds			78,432	664,565	1,455,859	2,198,856
Total Fund Balances	2,185,901	0	78,432	664,565	1,560,651	4,489,549
Total Liabilities and Fund Balances	\$ 6,140,592	626,800	78,432	969,227	3,012,073	10,827,124

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

SIMPSON COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,489,549
Amounts reported for governmental activities in the Statement of Net Assets 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 \$88,586,284.	47,474,236
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	348,641
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(5,605,462)</u>
Total Net Assets - Governmental Activities	<u>\$ 46,706,964</u>

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

SIMPSON COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2006

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Hurricane Katrina FEMA Fund	Simpson Hospital Clearing Fund	Countywide Road Maintenance Fund		
REVENUES						
Property taxes	\$ 3,169,315			238,556	1,295,306	4,703,177
Road and bridge privilege taxes				313,372		313,372
Licenses, commissions and other revenue	185,890				9,997	195,887
Fines and forfeitures	480,304				11,973	492,277
Intergovernmental revenues	875,685	3,848,958		672,476	544,938	5,942,057
Charges for services	119,874				254,391	374,265
Interest income	173,952			27,170	99,014	300,136
Miscellaneous revenues	58,669		87,856		70,878	217,403
Total Revenues	<u>5,063,689</u>	<u>3,848,958</u>	<u>87,856</u>	<u>1,251,574</u>	<u>2,286,497</u>	<u>12,538,574</u>
EXPENDITURES						
Current:						
General government	2,425,337	3,848,958			19,034	6,293,329
Public safety	1,569,271				462,395	2,031,666
Public works				1,223,763	1,784,239	3,008,002
Health and welfare	216,840		2,222,120			2,438,960
Culture and recreation	173,121				8,819	181,940
Conservation of natural resources	84,738					84,738
Economic development and assistance	13,749				98,597	112,346
Debt service:						
Principal	87,071			75,114	546,437	708,622
Interest	6,512			13,830	185,102	205,444
Total Expenditures	<u>4,576,639</u>	<u>3,848,958</u>	<u>2,222,120</u>	<u>1,312,707</u>	<u>3,104,623</u>	<u>15,065,047</u>
Excess of Revenues over (under) Expenditures	<u>487,050</u>	<u>0</u>	<u>(2,134,264)</u>	<u>(61,133)</u>	<u>(818,126)</u>	<u>(2,526,473)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets					1,767	1,767
Transfers in	287,304				68,650	355,954
Transfers out	(32,500)		(287,304)		(36,150)	(355,954)
Total Other Financing Sources and Uses	<u>254,804</u>	<u>0</u>	<u>(287,304)</u>	<u>0</u>	<u>34,267</u>	<u>1,767</u>

(Exhibit 4 Continued)

	<u>Major Funds</u>					
	<u>General Fund</u>	<u>Hurricane Katrina FEMA Fund</u>	<u>Simpson Hospital Clearing Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
SPECIAL ITEM (Sale of Hospital)			<u>2,500,000</u>			<u>2,500,000</u>
Net Changes in Fund Balances	<u>741,854</u>	<u>0</u>	<u>78,432</u>	<u>(61,133)</u>	<u>(783,859)</u>	<u>(24,706)</u>
Fund Balances - Beginning	1,468,150			725,698	2,344,510	4,538,358
Prior period adjustments	<u>(24,103)</u>					<u>(24,103)</u>
Fund Balances - Beginning, as restated	<u>1,444,047</u>	<u>0</u>	<u>0</u>	<u>725,698</u>	<u>2,344,510</u>	<u>4,514,255</u>
Fund Balances - Ending	<u>\$ 2,185,901</u>	<u>0</u>	<u>78,432</u>	<u>664,565</u>	<u>1,560,651</u>	<u>4,489,549</u>

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

SIMPSON COUNTY
 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, 2006

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (24,706)
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 assets differs from the change in fund balances by the amount that depreciation of \$4,708,481 exceeded capital outlays of \$2,408,685 in the current period.	(2,299,796)
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 assets differs from the change in fund balances by the amount of the net loss of \$155,683 and the proceeds from the sale of \$279,647 in the current period.	(435,330)
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.	162,037
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments.	708,622
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. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	<u>(21,594)</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,910,767)</u>

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

SIMPSON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2006

Exhibit 5

	<u>Business-type Activities - Enterprise Funds Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 212,851
Accounts receivable (net of allowance for uncollectibles of \$627,363)	214,910
Total Current Assets	<u>427,761</u>
Noncurrent assets:	
Other capital assets, net	682,996
Total Noncurrent Assets	<u>682,996</u>
Total Assets	<u>1,110,757</u>
LIABILITIES	
Current liabilities:	
Claims payable	7,509
Capital debt:	
Capital leases payable	27,634
Total Current Liabilities	<u>35,143</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	11,777
Non-capital debt:	
Compensated absences payable	11,808
Total Noncurrent Liabilities	<u>23,585</u>
NET ASSETS	
Invested in capital assets, net of related debt	643,585
Restricted for Public Works	408,444
Total Net Assets	<u>\$ 1,052,029</u>

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

SIMPSON COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2006

Exhibit 6

	Business-type Activities - <u>Enterprise Funds</u> Solid Waste Fund
Operating Revenues	
Charges for services	\$ 607,247
Other operating cash receipts	<u>21,674</u>
Total Operating Revenues	<u>628,921</u>
Operating Expenses	
Personal services	289,557
Contractual services	183,617
Materials and supplies	120,878
Depreciation expense	<u>91,981</u>
Total Operating Expenses	<u>686,033</u>
Operating Income (Loss)	<u>(57,112)</u>
Nonoperating Revenues (Expenses)	
Interest income	13,860
Interest expense	<u>(1,722)</u>
Net Nonoperating Revenue (Expenses)	<u>12,138</u>
Changes in Net Assets	<u>(44,974)</u>
Net Assets - Beginning	1,109,868
Prior period adjustments	<u>(12,865)</u>
Net Assets - Beginning, as restated	<u>1,097,003</u>
Net Assets - Ending	<u>\$ 1,052,029</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, 2006

Exhibit 7

	Business-type Activities Enterprise Funds <u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 656,614
Payments to suppliers	(312,988)
Payments to employees	(288,294)
Other operating cash receipts	<u>21,674</u>
Net Cash Provided (Used) by Operating Activities	<u>77,006</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(97,673)
Principal paid on long-term debt	(26,768)
Interest paid on debt	<u>(1,722)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(126,163)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>13,861</u>
Net Cash Provided (Used) by Investing Activities	<u>13,861</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,296)
Cash and Cash Equivalents at Beginning of Year	<u>248,147</u>
Cash and Cash Equivalents at End of Year	<u>\$ 212,851</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(57,112)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	91,981
Provision for uncollectible accounts	62,687
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,742)
(Increase) decrease in interfund receivables	1,421
Increase (decrease) in claims payable	(8,492)
Increase (decrease) in compensated absences liability	<u>1,263</u>
Total Adjustments	<u>134,118</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 77,006</u>

Noncash Capital Financing Activity:

Simpson County lease purchased mobile equipment for \$81,305 for 3 years at 3.19% interest.
Principal payments of \$26,768 were made on the lease during the year.

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

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 96,962
Due from other funds	<u>18,403</u>
Total Assets	<u>\$ 115,365</u>
LIABILITIES	
Amounts held in custody for others	\$ 56,621
Intergovernmental payables	<u>58,744</u>
Total Liabilities	<u>\$ 115,365</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, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Simpson 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 units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Simpson County Human Resource Agency
- Simpson County Economic Development District

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. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and 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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. 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 county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Hurricane Katrina FEMA Fund - This fund is used to account for monies from specific revenue sources that are restricted for disaster related projects.

Simpson Hospital Clearing Fund - This fund is used to account for monies from the sale of the hospital.

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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.

D. 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 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. 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." Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. 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 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.

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:

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

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

I. 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.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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 Fund Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - 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 improvements of those assets.

Restricted net assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. 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.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

L. 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.

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.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Governmental Activities

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets	\$ (1,025,002)
To correct prior year errors in long-term capital debt	(370,702)
To remove interfund loans and advances reported in error in the prior year	(24,103)
To remove adjustment due to indirect cost charge from business activity reported in error in the prior year	<u>(22,594)</u>
Total prior period adjustments	<u>\$ (1,442,401)</u>

Business-type Activities

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets	<u>\$ (12,865)</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
To remove interfund loans and advances reported in error in the prior year	<u>\$ (24,103)</u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets	\$ (36,968)
To remove interfund loans and advances reported in error in the prior year	<u>24,103</u>
Total prior period adjustments	\$ <u><u>(12,865)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$5,782,067, and the bank balance was \$6,900,757. 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 Depository Insurance Corporation.

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. However, the Mississippi State Treasurer manages that risk on behalf of the county. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance	General	\$ 30,185
Other Governmental Funds	General	28,231
Agency	General	<u>18,403</u>
Total		\$ <u><u>76,819</u></u>

The receivables represent the tax revenue collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Simpson Hospital Clearing Fund	\$ 287,304
Other Governmental Funds	General Fund	32,500
Other Governmental Funds	Other Governmental Funds	36,150
Total		\$ 355,954

The principal purpose of interfund transfers was to provide funds for capital outlay. The purpose of the interfund transfer from Simpson Hospital Clearing Fund was for the net proceeds of the sale of the hospital. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 128,600
Other receivable	22,871
Total Governmental Activities	\$ 151,471

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 620,359		51,341		569,018
Construction in progress	941,585	16,745		(941,585)	16,745
Total non-depreciable capital assets	1,561,944	16,745	51,341	(941,585)	585,763
<u>Depreciable capital assets:</u>					
Infrastructure	123,692,327	2,299,390	542,297	941,585	126,391,005
Buildings	5,572,474		642,880	(300,032)	4,629,562
Mobile equipment	3,133,756	87,400	31,815	(64,502)	3,124,839
Furniture and equipment	1,473,070	5,150	44,553	(601,243)	832,424
Leased property under capital leases	496,927				496,927
Total depreciable capital assets	134,368,554	2,391,940	1,261,545	(24,192)	135,474,757

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Less accumulated depreciation for:</u>					
Infrastructure	79,106,785	4,245,370	294,520	28,759	83,086,394
Buildings	3,533,248	43,808	514,305	100	3,062,851
Mobile equipment	1,744,519	240,100	28,633	166	1,956,152
Furniture and equipment	285,659	134,476	40,098	35	380,072
Leased property under capital leases	25,923	44,727		30,165	100,815
Total accumulated depreciation	<u>84,696,134</u>	<u>4,708,481</u>	<u>877,556</u>	<u>59,225</u>	<u>88,586,284</u>
Total depreciable capital assets, net	<u>49,672,420</u>	<u>(2,316,541)</u>	<u>383,989</u>	<u>(83,417)</u>	<u>46,888,473</u>
Governmental activities capital assets, net	<u>\$ 51,234,364</u>	<u>(2,299,796)</u>	<u>435,330</u>	<u>(1,025,002)</u>	<u>47,474,236</u>
Business-type activities:					
	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Depreciable capital assets:</u>					
Buildings	\$ 177,540			(13,280)	164,260
Mobile equipment	842,343	97,673		(16,931)	923,085
Furniture and equipment	3,623			(3,623)	
Leased property under capital leases	81,305				81,305
Total depreciable capital assets	<u>1,104,811</u>	<u>97,673</u>	<u>0</u>	<u>(33,834)</u>	<u>1,168,650</u>
<u>Less accumulated depreciation for:</u>					
Buildings	22,995	3,293			26,288
Mobile equipment	363,275	81,370		85	444,730
Leased property under capital leases	4,269	7,318		3,049	14,636
Total accumulated depreciation	<u>390,539</u>	<u>91,981</u>	<u>0</u>	<u>3,134</u>	<u>485,654</u>
Total depreciable capital assets, net	<u>714,272</u>	<u>5,692</u>	<u>0</u>	<u>(36,968)</u>	<u>682,996</u>
Business-type activities capital assets, net	<u>\$ 714,272</u>	<u>5,692</u>	<u>0</u>	<u>(36,968)</u>	<u>682,996</u>

* Adjustments are the reclassification of completed construction projects and corrections to prior year balances that included assets below the capitalization thresholds.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 50,459
Public safety	247,198
Public works	<u>4,410,824</u>
 Total governmental activities depreciation expense	 \$ <u><u>4,708,481</u></u>
 Business-type activities:	
Solid waste	\$ <u><u>91,981</u></u>

(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 \$750,000 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, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$30,000 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2007	\$ 30,000
2008	30,000
2009	30,000
2010	30,000
2011	<u>30,000</u>
 Total Minimum Payments Required	 \$ <u><u>150,000</u></u>

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

Classes of Property	Governmental Activities	Business-type Activities
Furniture and equipment	\$ 139,982	
Mobile equipment	356,945	81,305
Less: Accumulated depreciation	<u>100,815</u>	<u>14,636</u>
Leased Property Under Capital Leases	<u>\$ 396,112</u>	<u>66,669</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 90,627	12,104	27,634	856
2008	35,010	10,032	11,777	113
2009	<u>269,219</u>	<u>781</u>		
Total	<u>\$ 394,856</u>	<u>22,917</u>	<u>39,411</u>	<u>969</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Quality Food MBIA bond	\$ 1,100,000	2.00%	03-16
Road and bridge bonds, Series 2003	1,130,000	3.00%	04-12
Road and bridge bonds, Series 2004	<u>2,385,000</u>	3.84%	10-19
Total General Obligation Bonds	<u>\$ 4,615,000</u>		
B. Capital Leases:			
Computer hardware	\$ 27,847	4.09%	08-07
Force feed loader	28,966	2.78%	05-07
Two (2) Cat motor graders	<u>338,043</u>	3.19%	10-08
Total Capital Leases	<u>\$ 394,856</u>		

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
City of Magee tax increment financing	\$ 74,812	5.12%	09-09
Negotiable note, Series 2002	31,000	3.47%	08-07
Capital improvement revolving loan	171,981	3.00%	12-09
Taxable negotiable note	22,389	4.70%	03-07
Capital improvements revolving loan	26,706	3.00%	10-10
2004 short fall note	<u>119,008</u>	4.68%	10-07
Total Other Loans	<u>\$ 445,896</u>		

Business-type Activities:

A. Capital Lease:			
2005 Freightliner knuckle boom truck	\$ <u>39,411</u>	3.19%	02-08

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 340,000	147,271	237,269	18,530
2008	350,000	138,021	101,559	6,433
2009	365,000	127,446	85,687	2,525
2010	470,000	115,895	20,802	220
2011	485,000	99,151	579	5
2012 - 2016	1,835,000	290,862		
2017 - 2021	<u>770,000</u>	<u>56,955</u>		
Total	<u>\$ 4,615,000</u>	<u>975,601</u>	<u>445,896</u>	<u>27,713</u>

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, 2006, the amount of outstanding debt was equal to 2.73% of the latest property assessments.

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments *	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 128,116	21,594			149,710	
General obligation bonds	4,950,000		335,000		4,615,000	340,000
Capital leases	130,151		105,997	370,702	394,856	90,627
Other loans	713,521		267,625		445,896	237,269
Total	\$ 5,921,788	21,594	708,622	370,702	5,605,462	667,896
Business-type Activities:						
Compensated absences	\$ 10,545	1,263			11,808	
Capital leases	66,179		26,768		39,411	27,634
Total	\$ 76,724	1,263	26,768	0	51,219	27,634

* The adjustment to capital leases was made to add a lease that should have been added in the prior year.

(11) 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.

(12) 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 \$133,121 in fiscal year 2006. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 3470 Highway 80 East, Pearl, MS 39208.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, two each by the Cities of Magee and Mendenhall. The county's appropriation to the joint venture was \$54,014 in fiscal year 2006. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P.O. Box 487, Mendenhall, MS 39114.

Simpson County is a participant with the City of Magee in a joint venture authorized by Section 21-45-11, Miss. Code Ann. (1972), to contract with each other for joint and cooperative action relative to the financing for the construction of public infrastructure improvements and facilities and to jointly pledge revenue to fund the debt service of any such indebtedness incurred pursuant to the tax increment financing laws. The infrastructure improvements were made to accommodate development within the City of Magee in connection with a proposed Wal-Mart Supercenter. The county's responsibility is to pledge the additional ad valorem tax revenue generated by the development as security for its pro rata share of debt service on the bonds issued by the city. The county must pay the city 50% of the annual debt service on the bonds on the 15th day of each month preceding the installment due on the bonds. The county's total cost of the joint venture is \$266,209, which will be due in semi-annual installments through September 2009. During the year, the county appropriated \$27,750 for the joint venture.

(13) 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 \$403,065 for the maintenance and support of the college in fiscal year 2006.

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 2006.

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 \$13,749 for the support of the district in fiscal year 2006.

(14) Defined Benefit Pension Plan.

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

SIMPSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% of annual covered payroll. The contribution requirements of PERS members 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, 2006, 2005 and 2004 were \$316,850, \$289,366 and \$277,216, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2006, Simpson County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12-15-06	4.08%	\$ 68,348	Capital lease	Road maintenance tax revenue

(16) Special Item Sale of Hospital.

During July 2006, Simpson County entered into an agreement to sell Simpson County Hospital, a component unit of the county. The sources and uses from the sale of the hospital are as follows:

Sources:			
Proceeds of sale			\$ 2,500,000
Uses:			
Debt retirement*	\$	1,851,703	
Other fees*		<u>370,417</u>	
Subtotal		<u>2,222,120</u>	<u>2,222,120</u>
Net proceeds from sale			<u>\$ 277,880</u>

* The debt retired as a result of the sale of Simpson County Hospital was debt of the hospital not reflected in the county's financial statements. The use of these funds is reflected as an expenditure under the health and welfare function in both the governmental funds and government-wide financial statements.

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,974,530	3,180,850	3,180,850	
Licenses, commissions and other revenue	185,190	181,102	181,102	
Fines and forfeitures	548,000	495,415	495,415	
Intergovernmental revenues	804,284	874,363	874,363	
Charges for services	115,000	100,854	100,854	
Interest income	61,500	170,963	170,963	
Miscellaneous revenues	44,400	58,480	58,480	
Total Revenues	<u>4,732,904</u>	<u>5,062,027</u>	<u>5,062,027</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,599,055	2,429,565	2,429,565	
Public safety	1,675,792	1,672,915	1,672,915	
Health and welfare	211,130	219,605	219,605	
Culture and recreation	173,121	173,121	173,121	
Conservation of natural resources	86,460	85,016	85,016	
Economic development and assistance	41,499	41,499	41,499	
Debt service:				
Principal	64,156	60,214	60,214	
Interest		3,941	3,941	
Total Expenditures	<u>4,851,213</u>	<u>4,685,876</u>	<u>4,685,876</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(118,309)</u>	<u>376,151</u>	<u>376,151</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		550	550	
Transfers in		348,939	348,939	
Total Other Financing Sources and Uses	<u>0</u>	<u>349,489</u>	<u>349,489</u>	<u>0</u>
Net Change in Fund Balance	(118,309)	725,640	725,640	0
Fund Balances - Beginning	<u>(633,840)</u>	<u>1,393,133</u>	<u>1,393,133</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (752,149)</u>	<u>2,118,773</u>	<u>2,118,773</u>	<u>0</u>

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

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Hurricane Katrina FEMA Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	4,475,758	4,475,758	
Total Revenues	<u>0</u>	<u>4,475,758</u>	<u>4,475,758</u>	<u>0</u>
EXPENDITURES				
Current:				
Public safety		3,743,384	3,743,384	
Total Expenditures	<u>0</u>	<u>3,743,384</u>	<u>3,743,384</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>732,374</u>	<u>732,374</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(105,574)	(105,574)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(105,574)</u>	<u>(105,574)</u>	<u>0</u>
Net Change in Fund Balance	0	626,800	626,800	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>626,800</u>	<u>626,800</u>	<u>0</u>

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

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Simpson Hospital Clearing Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$	86,089	86,089	
Total Revenues	<u>0</u>	<u>86,089</u>	<u>86,089</u>	<u>0</u>
EXPENDITURES				
Current:				
Health and welfare		2,220,353	2,220,353	
Total Expenditures	<u>0</u>	<u>2,220,353</u>	<u>2,220,353</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(2,134,264)</u>	<u>(2,134,264)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		2,500,000	2,500,000	
Transfers out		(287,304)	(287,304)	
Total Other Financing Sources and Uses	<u>0</u>	<u>2,212,696</u>	<u>2,212,696</u>	<u>0</u>
Net Change in Fund Balance	0	78,432	78,432	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>78,432</u>	<u>78,432</u>	<u>0</u>

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

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 227,016	238,556	238,556	
Road and bridge privilege taxes	300,000	315,324	315,324	
Intergovernmental revenues	637,647	672,476	672,476	
Interest income	7,500	25,218	25,218	
Total Revenues	<u>1,172,163</u>	<u>1,251,574</u>	<u>1,251,574</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,261,039	1,295,824	1,295,824	
Principal	77,274	75,114	75,114	
Interest	13,830	13,830	13,830	
Total Expenditures	<u>1,352,143</u>	<u>1,384,768</u>	<u>1,384,768</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(179,980)</u>	<u>(133,194)</u>	<u>(133,194)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		43,232	43,232	
Total Other Financing Sources and Uses	<u>0</u>	<u>43,232</u>	<u>43,232</u>	<u>0</u>
Net Change in Fund Balance	(179,980)	(89,962)	(89,962)	0
Fund Balances - Beginning	<u>(593,820)</u>	<u>754,720</u>	<u>754,720</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (773,800)</u>	<u>664,758</u>	<u>664,758</u>	<u>0</u>

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

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2006

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.

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 each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	Hurricane Katrina FEMA Fund	Simpson Hospital Clearing Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 725,640	626,800	78,432	(89,962)
Increase (Decrease)				
Net adjustments for revenue accruals	541,853			59,207
Net adjustments for expenditure accruals	(525,639)	(626,800)		(30,378)
GAAP Basis	\$ <u>741,854</u>	<u>0</u>	<u>78,432</u>	<u>(61,133)</u>

SIMPSON COUNTY

SUPPLEMENTAL INFORMATION

SIMPSON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	ER 0064 20 B	\$ 478,636
Highway planning and construction	20.205	BR NBIS 066 B	13,440
Highway planning and construction	20.205	BR NBIS 065 B	<u>4,230</u>
Total U.S. Department of Transportation			<u>496,306</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	1604-DR-MS	<u>3,098,077</u>
Total Expenditures for Major Federal Awards			<u>3,594,383</u>
U.S. Department of Justice - Office of Justice Programs/Passed-through the Mississippi Department of Public Safety			
Edward Byrne memorial justice assistance grant program	16.738	06TA164I	<u>40,808</u>
U.S. Department of Transportation/ Passed-through Mississippi Department of Public Safety			
State and community highway safety	20.600	04LB164I	2,930
State and community highway safety	20.600	05LB164I	<u>2,225</u>
Total U.S. Department of Transportation			<u>5,155</u>
U.S. Election Assistance Commission/ Passed-through the Mississippi Secretary of State			
Help America Vote Act requirements payments (Note B)	90.401	N/A	<u>168,372</u>

SIMPSON COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed-through Mississippi Department of Public Safety Office of Homeland Security Homeland Security Cluster			
State domestic preparedness equipment support program	97.004	05LE064	49,690
State domestic preparedness equipment support program	97.004	05HS064	29,299
State domestic preparedness equipment support program	97.004	04CS064	9,978
State domestic preparedness equipment support program	97.004	04HS064	<u>2,547</u>
Total U.S. Department of Homeland Security			<u>91,514</u>
Total Expenditures of Other Federal Awards			<u>305,849</u>
Total Expenditures of Federal Awards			<u>\$ 3,900,232</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in the schedule, federal awards totaling \$168,372 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

SIMPSON COUNTY

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SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated September 4, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

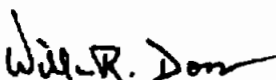
As part of obtaining reasonable assurance about whether Simpson County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which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

However, we noted certain immaterial instances of noncompliance which we have reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 4, 2007, included within this document.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 4, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Simpson County, Mississippi

Compliance

We have audited the compliance of Simpson County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Simpson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Simpson County, Mississippi's management. Our responsibility is to express an opinion on Simpson County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Simpson County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Simpson County, Mississippi's compliance with those requirements.

In our opinion, Simpson County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

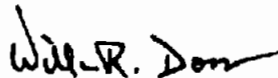
The management of Simpson County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Simpson County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 4, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'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 made a study and evaluation of the central purchasing system and inventory control system of Simpson County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Simpson County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 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.

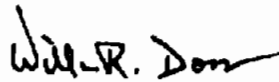
In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 4, 2007

SIMPSON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

Schedule 1

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

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2006

Schedule 2

Our test results did not identify any emergency purchases.

SIMPSON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

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

SIMPSON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
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, 2006, 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 September 4, 2007, on the financial statements of Simpson County, Mississippi.

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

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

Chancery Clerk.

1. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. The fee journal was not reconciled to the bank account. Failure to properly reconcile the fee journal to the bank account could result in the loss of public funds. Also, the interest earned on the fee account was not included on the fee journal or on the Annual Financial Report resulting in a understatement of revenues not subject to the salary limitation.

Recommendation

The Chancery Clerk should reconcile the fee journal to the bank account and should include the interest earned on the fee account on the fee journal and on the Annual Financial Report.

Chancery Clerk's Response

I will comply.

Circuit Clerk.

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Circuit Clerk to maintain a fee journal to account for the receipts and expenses related to the operation of the office. The fee journal was not reconciled to the bank account. Failure to properly reconcile the fee journal to the bank account could result in the loss of public funds.

Recommendation

The Circuit Clerk should reconcile the fee journal to the bank account.

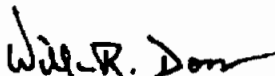
Circuit Clerk's Response

Prior audits through a private contractor did not make me aware that I was supposed to reconcile the fee journal to the bank account. If I had been informed of this, I would have made sure that it was done properly. Now that I have been made aware of this, it will be done each month.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 4, 2007

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY

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SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. CDFA# 20.205, Highway planning and construction | |
| | b. CDFA# 97.036, Disaster grants - public assistance | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.