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# **SIMPSON COUNTY, MISSISSIPPI**

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2009

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Simpson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic 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 did not audit the financial statements of the Simpson County Human Resource Agency, a component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hospital audited by other auditors, were audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

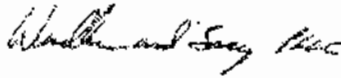
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 May 31, 2010, 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 and 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 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.



Windham and Lacey, PLLC  
May 31, 2010

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY  
Statement of Net Assets  
September 30, 2009

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business type Activities	Total	Unit Human Resource Agency
<b>ASSETS</b>				
Cash	\$ 5,983,392	168,902	6,152,294	
Property tax receivable	6,704,744		6,704,744	
Accounts receivable (net of allowance for uncollectibles of \$620,374 )		202,826	202,826	
Fines receivable (net of allowance for uncollectibles of \$2,216,417)	664,532		664,532	
Intergovernmental receivables	409,946		409,946	
Grants and contracts receivable				77,055
Other receivables	2,791		2,791	17,037
Capital assets:				
Land and construction in progress	2,231,056		2,231,056	
Other capital assets, net	49,447,445	559,137	50,006,582	8,104
<b>Total Assets</b>	<b>65,443,906</b>	<b>930,865</b>	<b>66,374,771</b>	<b>102,196</b>
<b>LIABILITIES</b>				
Claims payable	579,501	33,095	612,596	107,357
Bank overdraft				114
Accrued salaries and withholdings				8,925
Intergovernmental payables	209,897		209,897	
Deferred revenue	6,714,744		6,714,744	
Compensated absences	213,094	23,267	236,361	
Other payables	72,059		72,059	15,637
Long-term liabilities				
Due within one year:				
Capital debt	578,699		578,699	
Due in more than one year:				
Capital debt	4,216,614		4,216,614	
<b>Total Liabilities</b>	<b>12,584,608</b>	<b>56,362</b>	<b>12,640,970</b>	<b>132,033</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	46,883,188	559,137	47,442,325	8,104
Restricted:				
Expendable:				
Debt service	148,625		148,625	
Public safety	414,499		414,499	
Public works	1,236,420	315,366	1,551,786	
Economic development	566,335		566,335	
Unrestricted	3,610,231		3,610,231	(37,941)
<b>Total Net Assets</b>	<b>\$ 52,859,298</b>	<b>874,503</b>	<b>53,733,801</b>	<b>(29,837)</b>

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

SIMPSON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2009

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Human Resource Agency
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,633,751	822,568	173,173		(1,811,183)		(1,811,183)	
Public safety	3,019,390	449,561	911,697	277,962	(2,396,656)		(2,396,656)	
Public works	2,544,946				(1,355,287)		(1,355,287)	
Health and welfare	287,459		11,701	16,064	(259,694)		(259,694)	
Culture and recreation	316,909			120,000	(196,909)		(196,909)	
Conservation of natural resources	97,833				(97,833)		(97,833)	
Economic development and assistance	118,526			625,497	506,971		506,971	
Interest on long-term debt	190,047				(190,047)		(190,047)	
Total Governmental Activities	9,208,861	1,272,129	1,096,571	1,039,523	(5,800,638)		(5,800,638)	
Business-type activities:								
Solid Waste	763,938	716,949	16,380			(30,609)	(30,609)	
Total Business-type Activities	763,938	716,949	16,380	0	0	(30,609)	(30,609)	
Total Primary Government	\$ 9,972,799	1,989,078	1,112,951	1,039,523	(5,800,638)	(30,609)	(5,831,247)	
Component unit:								
Human Resource Agency	\$ 1,156,022		1,182,087					26,065
Total Component Unit	\$ 1,156,022	0	1,182,087	0				26,065
General revenues:								
Property taxes					\$ 5,588,918		5,588,918	
Road & bridge privilege taxes					311,711		311,711	
Grants and contributions not restricted to specific programs					851,169		851,169	
Unrestricted interest income					270,170	10,981	281,151	
Miscellaneous					276,877		276,877	
Total General Revenues and Transfers					7,298,845	10,981	7,309,826	0
Changes in Net Assets					1,498,207	(19,628)	1,478,579	26,065
Net Assets - Beginning					51,361,091	894,132	52,255,223	(54,267)
Prior year adjustments Restated					51,361,091	894,132	52,255,223	(1,635)
Net Assets - Ending					\$ 52,859,298	874,504	53,733,802	(29,837)

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

SIMPSON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2009

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Funds	Road Maintenance Fund		
<b>ASSETS</b>				
Cash	\$ 3,424,556	1,005,447	1,553,389	5,983,392
Property tax receivable	4,363,174	911,036	1,430,535	6,704,745
Fines receivable, net of allowance for uncollectible of \$2,226,417	664,532			664,532
Intergovernmental receivables	138,830		271,116	409,946
Other receivables	2,790			2,790
Due from other funds		34,856	21,164	56,020
<b>Total Assets</b>	<b>\$ 8,593,882</b>	<b>1,951,339</b>	<b>3,276,204</b>	<b>13,821,425</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 111,925	87,609	379,967	579,501
Intergovernmental payables	176,802		17,745	194,547
Due to other funds	71,370			71,370
Deferred revenue	5,037,706	911,036	1,430,535	7,379,277
Other payables	72,059			72,059
<b>Total Liabilities</b>	<b>5,469,862</b>	<b>998,645</b>	<b>1,828,247</b>	<b>8,296,754</b>
<b>Fund balances:</b>				
Reserved for:				
Debt Service			148,625	148,625
Unreserved, reported in:				
General Fund	3,124,020			3,124,020
Special Revenue Funds		952,694	1,299,332	2,252,026
<b>Total Fund Balances</b>	<b>3,124,020</b>	<b>952,694</b>	<b>1,447,957</b>	<b>5,524,671</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,593,882</b>	<b>1,951,339</b>	<b>3,276,204</b>	<b>13,821,425</b>

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

SIMPSON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2009

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,524,671
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 \$89,583,683.	51,678,501
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	664,534
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(5,008,408)</u>
Total Net Assets - Governmental Activities	<u>\$ 52,859,298</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, 2009

	Major Funds			Total Governmental Funds
	General Fund	County-wide Road Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,777,767	598,416	1,212,735	5,588,918
Road and bridge privilege taxes		311,711		311,711
Licenses, commissions and other revenue	232,822		14,706	247,528
Fines and forfeitures	680,683		16,040	696,723
Intergovernmental revenues	938,635	682,065	1,379,045	2,999,745
Charges for services	131,700		274,579	406,279
Interest income	173,623	35,834	60,713	270,170
Miscellaneous revenues	124,231	8,690	134,933	267,854
<b>Total Revenues</b>	<b>6,059,461</b>	<b>1,636,716</b>	<b>3,092,751</b>	<b>10,788,928</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,534,320		10,113	2,544,433
Public safety	1,917,446		968,837	2,886,283
Public works		2,095,374	924,947	3,020,321
Health and welfare	284,011			284,011
Culture and recreation	315,934		975	316,909
Conservation of natural resources	97,833			97,833
Economic development and assistance	13,749		726,774	740,523
Debt service:				
Principal	27,374	63,124	1,209,666	1,300,164
Interest	1,660	13,012	175,375	190,047
Paying agent fees			4,440	4,440
<b>Total Expenditures</b>	<b>5,192,327</b>	<b>2,171,510</b>	<b>4,021,127</b>	<b>11,384,964</b>
Excess of Revenues over (under) Expenditures	867,134	(534,794)	(928,376)	(596,036)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term non-capital debt issued		433,898	740,000	1,173,898
Transfers in			89,298	89,298
Transfers out	(74,298)		(15,000)	(89,298)
<b>Total Other Financing Sources and Uses</b>	<b>(74,298)</b>	<b>433,898</b>	<b>814,298</b>	<b>1,173,898</b>
<b>Net Changes in Fund Balances</b>	<b>792,836</b>	<b>(100,896)</b>	<b>(114,078)</b>	<b>577,862</b>
Fund Balances - Beginning	2,331,184	1,053,590	1,562,035	4,946,809
Fund Balances - Ending	\$ 3,124,020	952,694	1,447,957	5,524,671

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, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 577,862
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 capital outlays of \$1,719,317 exceeded depreciation of \$810,774 in the current period.	908,543
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 \$2,884.	(2,884)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(78,975)
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 that debt repayments of \$1,300,164 exceeded debt proceeds of \$1,173,898.	126,266
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 assets differs from the change in fund balances by the increase in compensated absences.	<u>(32,605)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,498,207</u>

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

SIMPSON COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2009

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 168,902
Accounts receivable (net of allowance for uncollectibles of \$620,374)	202,826
Total Current Assets	<u>371,728</u>
Noncurrent assets:	
Capital assets, net	559,137
Total Noncurrent Assets	<u>559,137</u>
Total Assets	<u>930,865</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	33,095
Total Current Liabilities	<u>33,095</u>
Noncurrent liabilities:	
Compensated absences payable	23,267
Total Noncurrent Liabilities	<u>23,267</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	559,137
Unrestricted (deficit)	
Public Works	<u>315,366</u>
Total Net Assets	<u>\$ 874,503</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, 2009

Exhibit 6

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ 716,549
Other operating cash receipts	400
Total Operating Revenues	<u>716,949</u>
Operating Expenses	
Personal services	341,897
Contractual services	203,200
Materials and supplies	131,638
Depreciation expense	87,203
Total Operating Expenses	<u>763,938</u>
Operating Income (Loss)	<u>(46,989)</u>
Nonoperating Revenues (Expenses)	
Interest income	10,981
State grants	16,380
Net Nonoperating Revenue (Expenses)	<u>27,361</u>
Net Income (Loss) before Transfers	<u>(19,628)</u>
Changes in Net Assets	(19,628)
Net Assets - Beginning	<u>894,132</u>
Net Assets - Ending	<u>\$ 874,504</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, 2009

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 707,293
Payments to suppliers	(333,936)
Payments to employees	(339,565)
Other operating cash receipts	400
Net Cash Provided (Used) by Operating Activities	<u>34,192</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Operating grants received	16,380
Net Cash Provided (Used) by Noncapital Financing Activities	<u>16,380</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(118,456)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(118,456)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on deposits	10,981
Net Cash Provided (Used) by Investing Activities	<u>10,981</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(56,903)
Cash and Cash Equivalents at Beginning of Year	<u>225,805</u>
Cash and Cash Equivalents at End of Year	<u>\$ 168,902</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (46,989)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	87,203
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,256)
Increase (decrease) in claims payable	902
Increase (decrease) in compensated absences liability	2,332
Total Adjustments	<u>81,181</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,192</u>

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

SIMPSON COUNTY  
Statement of Fiduciary Assets & Liabilities  
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 119,628
Due from other funds	15,350
Total Assets	<u>\$ 134,978</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 15,648
Intergovernmental payables	119,330
Total Liabilities	<u>\$ 134,978</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, 2009

### (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. 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 Units

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

Simpson County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann. (1972). Its purpose is to foster, encourage and facilitate economic development in the county. The entity's board of trustees is composed of 11 members appointed by the county board of supervisors. The county funds the entity through a 1.17 mill tax levy.

##### Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. The members of the governing body of the component unit is appointed by the county Board of Supervisors.

Simpson County Human Resource Agency was established in 1976 to administer the programs of state and federal agencies and to work with the poor, public and private sectors to identify and try to eliminate the causes of poverty within Simpson County. This agency is partially supported by the Board of Supervisors of Simpson County who also appoint the board of directors.

#### C. 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.

## SIMPSON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### 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 and its component units. 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 activities 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.

#### 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 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, 2009

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.

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.

#### PROPRIETARY FUND TYPES

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 TYPES

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.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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 2005 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 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 Assets.

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.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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:

	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. 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 in the 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 Assets.

K. 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 improvement 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."

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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.

L. 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.

M. 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.

N. 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.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(2) Prior Period Adjustment.

Component Unit.

Net assets were adjusted by \$1,635 to write off a prior year accounts receivable that will not be received by the Agency. This adjustment had no effect on the results of the current year activities; however, the cumulative effect decreases net assets by \$1,635.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$6,271,922, and the bank balance was \$6,519,546. 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.

Component Unit.

The Simpson County Human Resource Agency had a cash overdraft of \$114 at September 30, 2009.

The Agency maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2009, the Agency's cash balances were totally insured.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 21,164
Road Fund	General Fund	34,856
Agency funds	General Fund	<u>15,350</u>
Total		<u>\$ 71,370</u>

Amounts listed are the tax revenues, justice court and circuit clerk fees collected in September, 2009, but not settled until October, 2009.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other governmental funds	Other governmental funds	\$ 15,000
Other governmental funds	General Fund	74,298
<b>Total</b>		<b>\$ 89,298</b>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 90,300
Department of Public Safety	94,192
Mississippi Development Authority	225,454
<b>Total</b>	<b>\$ 409,946</b>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2009</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,600,659	8,400			1,609,059
Construction in progress		621,997			621,997
Total non-depreciable capital assets	<u>1,600,659</u>	<u>630,397</u>	<u>0</u>	<u>0</u>	<u>2,231,056</u>
<u>Depreciable capital assets:</u>					
Buildings	5,815,375	52,735			5,868,110
Mobile equipment	3,439,722	221,112	(14,140)		3,646,694
Furniture and equipment	860,499	110,464	(14,695)		956,268
Leased property under capital leases	68,348	433,898			502,246
Infrastructure	128,571,919	270,711			128,842,630
Total depreciable capital assets	<u>138,755,863</u>	<u>1,088,920</u>	<u>(28,835)</u>	<u>0</u>	<u>139,815,948</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,174,089	67,430			3,241,519
Mobile equipment	2,162,739	262,562	(12,726)		2,412,575
Furniture and equipment	639,790	134,844	(13,225)		761,409
Leased property under capital leases	12,304	45,204			57,508
Infrastructure	83,594,758	300,734			83,895,492
Total accumulated depreciation	<u>89,583,680</u>	<u>810,774</u>	<u>(25,951)</u>	<u>0</u>	<u>90,368,503</u>
Total depreciable capital assets, net	<u>49,172,183</u>	<u>278,146</u>	<u>(2,884)</u>	<u>0</u>	<u>49,447,445</u>
Governmental activities capital assets, net \$	<u>50,772,842</u>	<u>908,543</u>	<u>(2,884)</u>	<u>0</u>	<u>51,678,501</u>

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	894,986	118,456		81,305	1,094,747
Leased property under capital leases	81,305			(81,305)	
Total depreciable capital assets	<u>1,140,551</u>	<u>118,456</u>	<u>0</u>	<u>0</u>	<u>1,259,007</u>
<u>Less accumulated depreciation for:</u>					
Buildings	32,860	3,286			36,146
Mobile equipment	550,535	76,599		36,590	663,724
Leased property under capital leases	29,272	7,318		(36,590)	
Total accumulated depreciation	<u>612,667</u>	<u>87,203</u>	<u>0</u>	<u>0</u>	<u>699,870</u>
Total depreciable capital assets, net	<u>527,884</u>	<u>31,253</u>	<u>0</u>	<u>0</u>	<u>559,137</u>
Business-type activities capital assets, net \$	<u>527,884</u>	<u>31,253</u>	<u>0</u>	<u>0</u>	<u>559,137</u>

Component Unit:

Simpson County Human Resource Agency

Depreciable capital assets:

Mobile equipment	\$ 440,145
Furniture and equipment	4,396
Total depreciable capital assets	<u>444,541</u>

Less accumulated depreciation for:

Mobile equipment	436,437
Total accumulated depreciation	<u>436,437</u>

Component Unit capital assets, net \$ 8,104

Adjustments include transfer of completed projects from construction in project and addition of land owned by the Simpson County Economic Development District.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 69,444
Public safety	272,597
Public works	465,285
Health and welfare	<u>3,448</u>
Total depreciation expense - governmental activities	<u>\$ 810,774</u>
Business-type activities:	
Public works	<u>\$ 87,203</u>
Component Unit	
Human Resource Agency	<u>\$ 10,217</u>

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Industrial Park	\$ <u>125,000</u>	February, 2010

(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, 2007, to January 1, 2008. 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, 2009

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$45,000 for the year ended September 30, 2009. The future minimum lease receivables for these leases are as follows:

Operating Leases:

Year Ended September 30	Amount
2010	\$ 45,000
2011	45,000
2012	45,000
2013	45,000
2014	45,000
2015-2018	180,000
<b>Total Minimum Payments Required</b>	<b>\$ 405,000</b>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

Asset:	Governmental Activities
Machinery and equipment	\$ 502,246
Less: Accumulated depreciation	(57,508)
<b>Total</b>	<b>\$ 444,738</b>

The following is a schedule by years of the total payments due as of September 30, 2009:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2010	\$ 54,762	11,347
2011	46,203	10,406
2012	303,126	1,591
2013		
<b>Total</b>	<b>\$ 404,091</b>	<b>23,344</b>

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(10) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA Bond	\$ 795,000	2.00%	03/01/2016
Road and Bridge Bonds Series 2003	590,000	3.00%	04/01/2012
Road and Bridge Bonds Series 2004	2,175,000	3.84%	10/01/2019
Industrial Development Bonds of 2009	740,000	0.00%	05/01/2009
Total General Obligation Bonds	\$ 4,300,000		
B. Kubota tractor with boom mower			
2 Caterpillar Motor graders	\$ 9,998	4.08%	02/01/2010
	394,093	3.17%	10/28/2013
Total	\$ 404,091		
C. Other Loans:			
CAP Loan- fire truck	\$ 7,547	3.00%	10/01/2010
CAP Loan- fire truck	12,056	3.00%	12/01/2009
CAP Loan- fire truck	71,621	2.00%	06/01/2018
Total Other Loans	\$ 91,224		

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
2010	\$ 497,407	115,894	26,530	1,582
2011	567,222	99,351	8,527	1,210
2012	582,222	81,282	7,961	1,052
2013	397,222	66,745	8,123	890
2014	407,222	57,443	8,286	727
2015-2019	1,848,705	142,340	31,797	1,211
Total	\$ 4,300,000	563,055	91,224	6,672

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, 2009, the amount of outstanding debt was equal to 2.69% of the latest property assessments.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	New Debt	Payments	Balance Sept. 30, 2009	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 180,489	32,605		213,094	
General obligation bonds	3,925,000	740,000	365,000	4,300,000	497,407
Capital leases	33,317	433,898	63,124	404,091	54,762
Other loans	963,264		872,040	91,224	26,530
<b>Total</b>	<b>\$ 5,102,070</b>	<b>1,206,503</b>	<b>1,300,164</b>	<b>5,008,409</b>	<b>578,699</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 20,935	2,332		23,267	
<b>Total</b>	<b>\$ 20,935</b>	<b>2,332</b>	<b>-0</b>	<b>23,267</b>	<b>0</b>

(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. Accordingly, 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 \$140,831 in fiscal year 2009. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 104 Office Park Drive, Brandon, MS 39042.

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The county's appropriation to the joint venture was \$60,956 in fiscal year 2009. 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

### Notes to Financial Statements For the Year Ended September 30, 2009

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 15<sup>th</sup> 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 \$29,034 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 \$861,340 for the maintenance and support of the college in fiscal year 2009.

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 2009.

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 2009.

#### (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.

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, 2009 was 12.00% 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, 2009, 2008 and 2007 were \$409,316, \$366,895 and \$355,201, respectively, equal to the required contributions for each year.

SIMPSON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(15) Subsequent Events.

Subsequent to September 30, 2009, Simpson County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/15/2009	3.24%	\$	50,000	Lease purchase	Ad valorem taxes
10/15/2009	3.39%		108,163	Lease purchase	Ad valorem taxes
10/20/2009	3.19%		198,301	Lease purchase	Ad valorem taxes

On November 9, 2009, the Board of Supervisors accepted a bid of \$434,000 for the construction of a Human Services Building. The building is funded by a CDBG grant.

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,605,435	3,789,423	3,789,423	
Licenses, commissions and other revenue	204,260	233,859	233,859	
Fines and forfeitures	471,000	669,836	669,836	
Intergovernmental revenues	866,301	900,105	900,105	
Charges for services	127,000	131,700	131,700	
Interest income	150,000	174,693	174,693	
Miscellaneous revenues	50,300	120,073	120,073	
Total Revenues	<u>5,474,296</u>	<u>6,019,689</u>	<u>6,019,689</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,706,582	2,558,983	2,558,983	
Public safety	2,186,658	1,948,542	1,948,542	
Health and welfare	249,815	282,422	282,422	
Culture and recreation	180,831	315,934	315,934	
Conservation of natural resources	94,763	97,691	97,691	
Economic development and assistance	42,784	41,123	41,123	
Debt service:				
Interest		1,660	1,660	
Total Expenditures	<u>5,461,433</u>	<u>5,246,355</u>	<u>5,246,355</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>12,863</u>	<u>773,334</u>	<u>773,334</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		4,169	4,169	
Transfers out	(8,626)	(74,298)	(74,298)	
Total Other Financing Sources and Uses	<u>(8,626)</u>	<u>(70,129)</u>	<u>(70,129)</u>	<u>0</u>
Net Change in Fund Balance	4,237	703,205	703,205	0
Fund Balances - Beginning	<u>1,824,439</u>	<u>2,388,078</u>	<u>2,388,078</u>	<u>0</u>
Fund Balances - Ending	\$ <u>1,828,676</u>	<u>3,091,283</u>	<u>3,091,283</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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 602,207	595,366	595,366	
Road and bridge privilege taxes	310,000	311,165	311,165	
Intergovernmental revenues	683,000	682,065	682,065	
Interest income	14,000	35,834	35,834	
Miscellaneous revenues		4,838	4,838	
Total Revenues	<u>1,609,207</u>	<u>1,629,268</u>	<u>1,629,268</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,242,007	2,104,145	2,104,145	
Debt service:				
Principal	68,000	63,124	63,124	
Interest	12,000	13,012	13,012	
Total Expenditures	<u>2,322,007</u>	<u>2,180,281</u>	<u>2,180,281</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(712,800)</u>	<u>(551,013)</u>	<u>(551,013)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		433,898	433,898	
Proceeds from sale of capital assets		3,852	3,852	
Total Other Financing Sources and Uses	<u>0</u>	<u>437,750</u>	<u>437,750</u>	<u>0</u>
Net Change in Fund Balance	(712,800)	(113,263)	(113,263)	0
Fund Balances - Beginning	<u>316,123</u>	<u>1,118,710</u>	<u>1,118,710</u>	<u>0</u>
Fund Balances - Ending	\$ <u>(396,677)</u>	<u>1,005,447</u>	<u>1,005,447</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, 2009

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 supplemental 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 Countywide Road Maintenance Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>County-wide Road Maintenance Fund</u>
Net Change in Fund Balance-Budget		
Cash Balance	\$ 703,205	(113,263)
Increase (decrease):		
Net adjustments for revenue accruals	35,603	3,596
Net adjustments for expenditure accruals	54,028	8,771
Net Change in Fund Balance GAAP Basis	<u>\$ 792,836</u>	<u>(100,896)</u>

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SIMPSON COUNTY

SUPPLEMENTAL INFORMATION

SIMPSON COUNTY  
Schedule of Expenditures of Federal Awards  
September 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<b>MAJOR FEDERAL AWARDS</b>				
U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority CDBG - Business Park - Katrina 2008	14.228		R-103-064-01-KED	\$ <u>621,997</u>
Total Expenditures of Major Federal Awards				<u>621,997</u>
<b>OTHER FEDERAL AWARDS</b>				
U.S. Department of Justice/Passed-through the Mississippi Department of Public Safety DUI Officers Grant	16.738			103,769
Local law enforcement block grant program	16.738		08CA1641	<u>5,000</u>
Total U.S. Department of Justice				<u>108,769</u>
U.S. Department of Housing and Urban Development/Passed-through Mississippi Development Authority HOME grant	14.239		1220-M08-SG-280-141	<u>3,500</u>
Total U.S. Department of Housing and Urban Development				<u>3,500</u>
U.S. Department of Homeland Security/ Passed-through Mississippi Department of Homeland Security Performance grants	97.042			29,617
Disaster Assistance Grants	97.036			<u>38,808</u>
Total U.S. Department of Homeland Security				<u>68,425</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205		BR NBIS 070 B (064)	<u>9,600</u>
Total Expenditures of Other Federal Awards				<u>190,294</u>
Total Expenditures of Federal Awards				\$ <u><u>812,291</u></u>

SIMPSON COUNTY  
Schedule of Expenditures of Federal Awards  
September 30, 2009

(Continued)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Simpson County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SIMPSON COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members of the Board of Supervisors  
Simpson County, Mississippi

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2009, and have issued our report thereon dated May 31, 2010. We did not audit the financial statements of the Simpson County Human Resource Agency, a component unit, which represents 100% of the assets and revenues of the discretely presented component unit column. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. 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. The financial statements of the Simpson County Human Resource Agency were audited by other auditors and were audited in accordance with Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

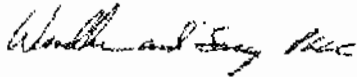
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simpson County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-01.

Simpson County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Simpson County's response and accordingly, we express no opinion on it.

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.



Windham and Lacey, PLLC  
May 31, 2010

# Windham and Lacey, PLLC

*Certified Public Accountants*

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## 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, 2009. 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 its major federal program for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with a requirement which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-02.

### 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

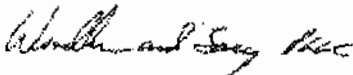
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-02 to be a material weakness.

Simpson County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Simpson County's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.



Windham and Lacey, PLLC  
May 31, 2010

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## 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, 2009. 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.

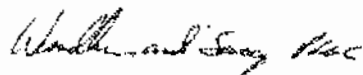
The Board of Supervisors of Simpson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing 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 of Simpson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC  
May 31, 2010

SIMPSON COUNTY  
 Schedule of Purchases Not Made From Lowest Bidder  
 For the Year Ended September 30, 2009

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for accepting other than the lowest bid</u>
04/15/2009	100kw mobile generator	\$38,808	Taylor Power Systems	\$38,695	Low bid failed to include transfer switch in the specifications at a cost of \$3,000. Service location twice as close from other than the the low bidder.

SIMPSON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2009

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, 2009

Schedule 3

<u>Date</u>	<u>Items Purchased</u>		<u>Amount</u>	<u>Vendor</u>
09/04/2009	Five multibaud portable radios	\$	25,855	Motorola
06/26/2009	Radio equipment		4,785	Hysio-Control, Inc.

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*Certified Public Accountants*

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Simpson County, Mississippi

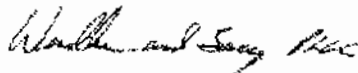
In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2009, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements 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 May 31, 2010, on the financial statements of Simpson County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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.

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.



Windham and Lacey, PLLC  
May 31, 2010

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                              | Unqualified |
| 2. | Internal control over financial reporting:  |             |
|    | a. Material weakness identified?  | No          |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes         |
| 3. | Noncompliance material to the financial statements?                                       | No          |

***Federal Awards:***

- |     |  |             |
|-----|--|-------------|
| 4.  | Internal control over major programs:  |             |
|     | a. Material weakness identified?   | No          |
|     | b. Significant deficiencies identified that are not considered to be material weaknesses?  | Yes         |
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | Community development block grants/state's program, CFDA #14.228   |             |
| 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 findings 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, 2009

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency

09-01. Finding

During the fiscal year, funds were expended for two construction projects, an industrial park and a building addition with the county acting as contractor. In each of these instances the amount capitalized was not added to the fixed asset records of the county in a timely manner. The failure to add these items to the fixed asset records causes an understatement of the county's net assets.

Recommendation

The county has a procedure to identify and record the additions to the fixed assets records. This procedure should be followed and modified to address the issue of not reporting the acquisition of this type capital expenditure. When brought to the attention of management, these projects were added to fixed assets.

Response

The county will implement a tickler file in both the County Administrator's Office and the Inventory Clerk's Office for capital expenditures to insure that construction in progress accounts and County-built construction projects are included on the county inventory records.

Section 3: Federal Award Findings and Questioned Costs

09-02. Finding

Program: CFDA #14.219 and 14.228 R-103-064-01-KED, 2008 Community Development Block Grants/State's Program  
United States Department of Housing and Urban Development/Passed-through  
Mississippi Development Authority

Compliance Requirement: Equipment and Real Property Management

During the fiscal year, funds were expended for the construction of an industrial park. This was a capital project, construction in progress. The amount expended for this project was not added to the fixed asset records of the county in a timely manner. The failure to add these items to the fixed asset records causes an understatement of the county's net assets and a failure to account for assets acquired with federal funds.

Questioned Costs

None

Recommendation

Management has a procedure to identify and record the additions to the fixed assets records. This procedure was not followed. This procedure should be followed and modified to address the issue of not reporting the acquisition of this type capital expenditure. When this issue was brought to the attention of management, this project was added to the fixed asset records.

**SIMPSON COUNTY, MISSISSIPPI**

**OFFICE OF THE  
BOARD OF SUPERVISORS**

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Harvey Blakeney  
District Two  
Pete Lowery  
District Three  
Mickey Berry  
District Four

Randy Moore  
District Five  
Danny Welch  
Attorney for the Board  
Rhuel P. Dickinson, Jr.  
County Administrator  
Tommy Joe Harvey  
Chancery Clerk

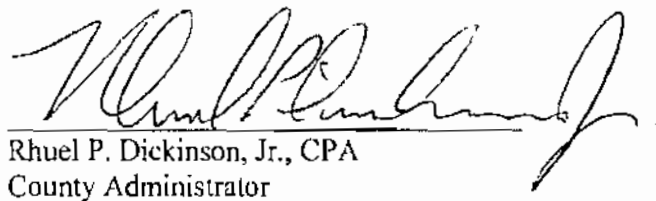
Simpson County  
Fiscal Year 2009 Corrective Action Plan

Section 3: Federal Award Finding

The County will implement a tickler file in both the County Administrator's Office and the Inventory Clerk's Office for capital expenditures to insure that construction in progress accounts are included on the county inventory records.

The County Administrator will be the person responsible for the implementation of the corrective action.

The corrective action was implemented May 1, 2010.



Rhuel P. Dickinson, Jr., CPA  
County Administrator