

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

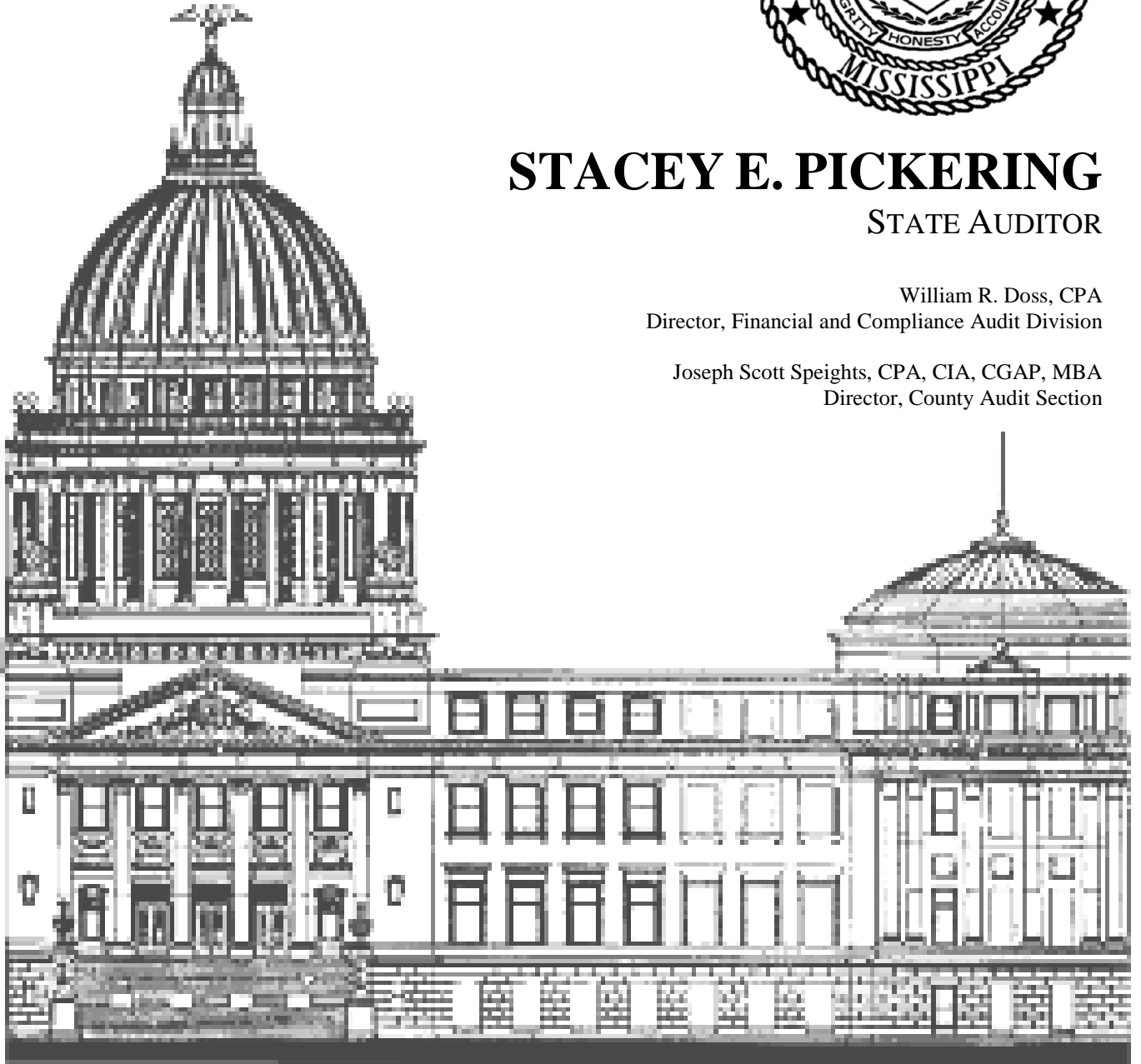


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

June 8, 2011

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

SIMPSON COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS.....	5
Statement of Net Assts	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Net Assets - Proprietary Fund	13
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	14
Statement of Cash Flows - Proprietary Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	33
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	34
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Countywide Road Maintenance Fund.....	35
Notes to the Required Supplementary Information.....	37
SUPPLEMENTAL INFORMATION	39
Schedule of Expenditures of Federal Awards	40
SPECIAL REPORTS	41
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	43
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	45
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))	47
Limited Internal Control and Compliance Review Management Report	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	55
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	59

SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

(This page left blank intentionally.)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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 aggregate 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, 2010, 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 percent of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the reports 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in Note 11 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Simpson County, Mississippi, as of September 30, 2010, the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

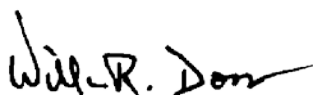
As discussed in Note 2, the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* are applicable to the county for the fiscal year ending September 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011, 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 the Schedule of Funding Progress – Other Postemployment Benefits that are not a required part of the basic financial statements but are 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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

June 8, 2011

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Simpson County Human Resource Agency
ASSETS				
Cash	\$ 7,474,772	235,014	7,709,786	
Property tax receivable	7,098,981		7,098,981	
Accounts receivable (net of allowance for uncollectibles of \$690,120)		235,166	235,166	
Fines receivable (net of allowance for uncollectibles of \$1,279,894)	409,927		409,927	
Intergovernmental receivables	170,202		170,202	
Grants and contracts receivable				94,428
Other receivables	30,935		30,935	17,418
Capital assets:				
Land and construction in progress	2,192,884		2,192,884	
Other capital assets, net	51,365,726	491,221	51,856,947	252,428
Total Assets	68,743,427	961,401	69,704,828	364,274
LIABILITIES				
Claims payable	435,544	31,178	466,722	139,073
Bank overdraft				161
Accrued salaries and withholdings				8,601
Intergovernmental payables	224,189		224,189	
Deferred revenue	7,098,981		7,098,981	
Unearned revenue		47,909	47,909	
Refundable Advance				4,645
Other payables	90,851		90,851	12,304
Long-term liabilities				
Due within one year:				
Capital debt	724,114		724,114	
Due in more than one year:				
Capital debt	3,789,320		3,789,320	
Non-capital debt	269,899	23,666	293,565	
Total Liabilities	12,632,898	102,753	12,735,651	164,784
NET ASSETS				
Invested in capital assets, net of related debt	49,045,176	491,221	49,536,397	252,428
Restricted:				
Expendable:				
General government	123,102		123,102	
Debt service	133,861		133,861	
Public safety	710,914		710,914	
Public works	1,238,265	367,427	1,605,692	
Culture and recreation	50,048		50,048	
Economic development	585,552		585,552	
Unrestricted	4,223,611		4,223,611	(52,938)
Total Net Assets	\$ 56,110,529	858,648	56,969,177	199,490

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Simpson County Human Resource Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type Activities	Total	
					Governmental Activities			
Primary government:								
Governmental activities:								
General government	\$ 2,647,900	689,309			(1,958,591)		(1,958,591)	
Public safety	3,159,826	488,735	180,952	361,442	(2,128,697)		(2,128,697)	
Public works	3,298,226		978,320	957,310	(1,362,596)		(1,362,596)	
Health and welfare	235,102		16,214	486,274	267,386		267,386	
Culture and recreation	184,028				(184,028)		(184,028)	
Conservation of natural resources	100,587				(100,587)		(100,587)	
Economic development and assistance	292,420			106,518	(185,902)		(185,902)	
Interest on long-term debt	138,096				(138,096)		(138,096)	
Total Governmental Activities	<u>10,056,185</u>	<u>1,178,044</u>	<u>1,175,486</u>	<u>1,911,544</u>	<u>(5,791,111)</u>	<u>0</u>	<u>(5,791,111)</u>	
Business-type activities:								
Garbage and Solid Waste	<u>828,358</u>	<u>793,280</u>				<u>(35,078)</u>	<u>(35,078)</u>	
Total Primary Government	<u>\$ 10,884,543</u>	<u>1,971,324</u>	<u>1,175,486</u>	<u>1,911,544</u>	<u>(5,791,111)</u>	<u>(35,078)</u>	<u>(5,826,189)</u>	
Component unit:								
Human Resource Agency	\$ <u>1,289,578</u>		<u>1,424,817</u>					<u>135,239</u>
Total Component Units	<u>\$ 1,289,578</u>		<u>1,424,817</u>					<u>135,239</u>
General revenues:								
Property taxes					\$ 6,840,503		6,840,503	
Road & bridge privilege taxes					310,320		310,320	
Grants and contributions not restricted to specific programs					827,391	14,367	841,758	
Unrestricted interest income					133,020	4,216	137,236	
Miscellaneous					931,108	639	931,747	89,122
Total General Revenues and Transfers					<u>9,042,342</u>	<u>19,222</u>	<u>9,061,564</u>	<u>89,122</u>
Changes in Net Assets					<u>3,251,231</u>	<u>(15,856)</u>	<u>3,235,375</u>	<u>224,361</u>
Net Assets - Beginning					<u>52,859,298</u>	<u>874,504</u>	<u>53,733,802</u>	<u>(29,837)</u>
Prior period adjustment								<u>4,966</u>
Net Assets - Beginning, as restated					<u>52,859,298</u>	<u>874,504</u>	<u>53,733,802</u>	<u>(24,871)</u>
Net Assets - Ending					<u>\$ 56,110,529</u>	<u>858,648</u>	<u>56,969,177</u>	<u>199,490</u>

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

SIMPSON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,435,526	990,153	2,049,093	7,474,772
Property tax receivable	4,453,584	964,527	1,680,870	7,098,981
Fines receivable (net of allowance for uncollectibles of \$1,279,894)	409,927			409,927
Intergovernmental receivables	132,982		37,220	170,202
Other receivables	5,903		25,032	30,935
Due from other funds		37,094	22,832	59,926
Advances to other funds	30,737		15,000	45,737
Total Assets	\$ 9,468,659	1,991,774	3,830,047	15,290,480
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 164,344	191,691	79,509	435,544
Intergovernmental payables	191,605		17,745	209,350
Due to other funds	74,765			74,765
Advances from other funds			45,737	45,737
Deferred revenue	4,863,511	964,527	1,680,870	7,508,908
Other Payables	90,851			90,851
Total Liabilities	5,385,076	1,156,218	1,823,861	8,365,155
Fund balances:				
Reserved for:				
Debt service			133,861	133,861
Advances	30,737		15,000	45,737
Unreserved - undesignated, reported in:				
General Fund	4,052,846			4,052,846
Special Revenue Funds		835,556	1,857,325	2,692,881
Total Fund Balances	4,083,583	835,556	2,006,186	6,925,325
Total Liabilities and Fund Balances	\$ 9,468,659	1,991,774	3,830,047	15,290,480

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

SIMPSON COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,925,325
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 \$90,959,305	53,558,610
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	409,927
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(4,783,333)</u>
Total Net Assets - Governmental Activities	\$ <u><u>56,110,529</u></u>

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

SIMPSON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 4,320,800	900,712	1,618,991	6,840,503
Road and bridge privilege taxes		310,320		310,320
Licenses, commissions and other revenue	262,061		14,660	276,721
Fines and forfeitures	683,501		34,284	717,785
Intergovernmental revenues	734,011	696,568	2,483,842	3,914,421
Charges for services	140,557		297,587	438,144
Interest income	95,004	18,818	33,109	146,931
Miscellaneous revenues	122,468	567,656	62,358	752,482
Total Revenues	<u>6,358,402</u>	<u>2,494,074</u>	<u>4,544,831</u>	<u>13,397,307</u>
EXPENDITURES				
Current:				
General government	2,406,864		160,315	2,567,179
Public safety	2,298,960		1,127,620	3,426,580
Public works		2,834,409	1,454,305	4,288,714
Health and welfare	231,654		466,985	698,639
Culture and recreation	184,028			184,028
Conservation of natural resources	100,587			100,587
Economic development and assistance	13,749		296,287	310,036
Debt service:				
Principal		114,433	523,910	638,343
Interest		18,834	119,262	138,096
Paying Agent Fees			4,440	4,440
Total Expenditures	<u>5,235,842</u>	<u>2,967,676</u>	<u>4,153,124</u>	<u>12,356,642</u>
Excess of Revenues over (under) Expenditures	<u>1,122,560</u>	<u>(473,602)</u>	<u>391,707</u>	<u>1,040,665</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		356,464		356,464
Proceeds from sale of capital assets	3,525			3,525
Transfers in	7,684		109,885	117,569
Transfers out	(81,736)		(35,833)	(117,569)
Total Other Financing Sources and Uses	<u>(70,527)</u>	<u>356,464</u>	<u>74,052</u>	<u>359,989</u>
Net Changes in Fund Balances	<u>1,052,033</u>	<u>(117,138)</u>	<u>465,759</u>	<u>1,400,654</u>
Fund Balances - Beginning	3,124,020	952,694	1,447,957	5,524,671
Prior period adjustment	(92,470)		92,470	
Fund Balances - Beginning, as restated	<u>3,031,550</u>	<u>952,694</u>	<u>1,540,427</u>	<u>5,524,671</u>
Fund Balances - Ending	\$ <u>4,083,583</u>	<u>835,556</u>	<u>2,006,186</u>	<u>6,925,325</u>

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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,400,654
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 \$2,754,021 exceeded depreciation of \$833,901 in the current period.	1,920,120
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 \$36,486 and the proceeds from the sale of \$3,525 in the current period.	(40,011)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(254,606)
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 \$638,343 exceeded debt proceeds of \$356,464.	281,879
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the increase in compensated absences.	<u>(56,805)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,251,231</u></u>

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

SIMPSON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Fund <u>Garbage and Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 235,014
Accounts receivable (net of allowance for uncollectibles of \$690,120)	235,166
Total Current Assets	<u>470,180</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	491,221
Total Noncurrent Assets	<u>491,221</u>
Total Assets	<u>961,401</u>
LIABILITIES	
Current liabilities:	
Claims payable	31,178
Unearned revenue	47,909
Total Current Liabilities	<u>79,087</u>
Noncurrent liabilities:	
Compensated absences payable	23,666
Total Noncurrent Liabilities	<u>23,666</u>
NET ASSETS	
Invested in capital assets, net of related debt	491,221
Restricted for:	
Public works	367,427
Total Net Assets	\$ <u><u>858,648</u></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, 2010

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Garbage and Solid Waste Fund
Operating Revenues	
Charges for services	\$ 793,280
Miscellaneous	639
Total Operating Revenues	<u>793,919</u>
Operating Expenses	
Personal services	357,673
Contractual services	224,061
Materials and supplies	167,708
Depreciation expense	78,916
Total Operating Expenses	<u>828,358</u>
Operating Loss	<u>(34,439)</u>
Nonoperating Revenues (Expenses)	
Interest income	4,216
State grants	14,367
Net Nonoperating Revenue	<u>18,583</u>
Changes in Net Assets	(15,856)
Net Assets - Beginning	<u>874,504</u>
Net Assets - Ending	<u>\$ 858,648</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, 2010

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Garbage and Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 808,849
Payments to suppliers	(393,686)
Payments to employees	(357,274)
Other operating cash receipts	639
Net Cash Provided (Used) by Operating Activities	<u>58,528</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	14,367
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,367</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(11,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,000)</u>
Cash Flows From Investing Activities	
Interest on deposits	4,217
Net Cash Provided (Used) by Investing Activities	<u>4,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	66,112
Cash and Cash Equivalents at Beginning of Year	<u>168,902</u>
Cash and Cash Equivalents at End of Year	<u>\$ 235,014</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (34,439)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	78,916
Provisions for uncollectibles	69,746
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(102,086)
Increase (decrease) in claims payable	(1,917)
Increase (decrease) in compensated absences liability	399
Increase (decrease) in unearned revenue	47,909
Total Adjustments	<u>92,967</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 58,528</u>

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

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 123,365
Due from other funds	14,839
Total Assets	<u>\$ 138,204</u>
LIABILITIES	
Amounts held in custody for others	\$ 10,297
Intergovernmental payables	127,907
Total Liabilities	<u>\$ 138,204</u>

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

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2010

(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 Unit

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

Simpson County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann, (1972). Its purpose is to foster, encourage and facilitate economic development in the county. The 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 mill tax levy.

Discretely Presented Component Unit

The component unit columns in the financial statements include the financial data of the following component unit 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 are 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 appoints 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, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2010

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 activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

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 the Financial Statements For the Year Ended September 30, 2010

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 TYPE

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

FIDUCIARY FUND TYPE

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

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2010

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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Simpson County meets this criteria and has elected 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.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

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 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 the Financial Statements For the Year Ended September 30, 2010

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.

(2) Changes in Accounting Standards.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*, are applicable to the county for the fiscal year ending September 30, 2010. See Note 11 for additional information related to other postemployment benefits offered by the county.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments are as follows:

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

Explanation	Amount
To reclassify the Reappraisal Fund from the General Fund to Other Governmental Funds.	
General Fund	\$ (92,470)
Other Governmental Funds	92,470
Total prior period adjustment	\$ 0

Component Unit:

Net assets at the beginning of 2010 have been adjusted for the write off of prior year refundable advances. The reclassification has no effect on the results of the current year’s activities; however, the cumulative effect increases net assets by \$4,966.

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$7,833,151, and the bank balance was \$8,284,371. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. 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 \$161 at September 30, 2010.

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, 2010, the Agency’s cash balances were totally insured.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance Fund	General Fund	\$ 37,094
Other Governmental Funds	General Fund	22,832
Agency Funds	General Fund	14,839
Total		\$ 74,765

The receivables represent errors in posting revenue during the year or tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advance from/to Other Fund:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 30,737
Other Governmental Funds	Other Governmental Funds	\$ 15,000
Total		\$ 45,737

The amount payable represents an interfund loan made to cover operating costs associated with the hire of an additional DUI officer.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General	Other Governmental Funds	\$ 7,684
Other Governmental Funds	Other Governmental Funds	28,149
Other Governmental Funds	General Fund	81,736
Total		\$ 117,569

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds for budgeted items. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tag credit	\$ 89,922
Department of Public Safety	29,536
Department of Corrections	18,960
Department of Homeland Security	31,504
City of Mendenhall	280
Total Governmental Activities	\$ 170,202

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,609,059	125,240		(8,400)	1,725,899
Construction in progress	621,997	526,878		(681,890)	466,985
Total non-depreciable capital assets	2,231,056	652,118	0	(690,290)	2,192,884
<u>Depreciable capital assets:</u>					
Infrastructure	128,842,630	1,049,983		8,400	129,901,013
Buildings	5,868,110	66,383			5,934,493
Improvements other than buildings				681,890	681,890
Mobile equipment	3,646,694	607,806	275,610		3,978,890
Furniture and equipment	956,268	21,267	7,500		970,035
Leased property under capital leases	502,246	356,464			858,710
Total depreciable capital assets	139,815,948	2,101,903	283,110	690,290	142,325,031
<u>Less accumulated depreciation for:</u>					
Infrastructure	83,895,492	324,337			84,219,829
Buildings	3,241,519	69,769			3,311,288
Improvements other than buildings		27,277			27,277
Mobile equipment	2,412,575	295,140	236,349		2,471,366
Furniture and equipment	761,409	30,535	6,750		785,194
Leased property under capital leases	57,508	86,843			144,351
Total accumulated depreciation	90,368,503	833,901	243,099	0	90,959,305

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments *	Balance Sept. 30, 2010
Total depreciable capital assets, net	49,447,445	1,268,002	40,011	690,290	51,365,726
Governmental activities capital assets, net	\$ 51,678,501	1,920,120	40,011	0	53,558,610
Business-type activities:					
	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Depreciable capital assets:</u>					
Buildings	164,260				164,260
Mobile equipment	1,094,747	11,000			1,105,747
Total depreciable capital assets	1,259,007	11,000	0	0	1,270,007
<u>Less accumulated depreciation for:</u>					
Buildings	36,146	3,286			39,432
Mobile equipment	663,724	75,630			739,354
Total accumulated depreciation	699,870	78,916	0	0	778,786
Total depreciable capital assets, net	559,137	(67,916)	0	0	491,221
Business-type activities capital assets, net	\$ 559,137	(67,916)	0	0	491,221

**Component Unit:
Simpson County Human Resource Agency**

<u>Depreciable capital assets:</u>	
Mobile equipment	\$ 707,499
Furniture and equipment	4,396
Total depreciable capital assets	711,895
<u>Less accumulated depreciation for:</u>	
Mobile equipment	459,467
Total accumulated depreciation	459,467
Component Unit capital assets, net	252,428

* Adjustments include transfer of completed projects from construction in progress and to reclassify road from land to infrastructure.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 97,693
Public safety	182,181
Public works	523,302
Health and welfare	3,448
Economic development and assistance	27,277
Total governmental activities depreciation expense	\$ 833,901
Business-type activities:	
Solid waste	\$ 78,916
Component Unit:	
Simpson County Human Resource Agency	\$ 23,030

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
DHS Building Addition	\$ 70,000	December, 2010

(8) 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) 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, 2010. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2011	\$ 45,000
2012	45,000
2013	45,000
2014	45,000
2015	45,000
2016 – 2018	135,000
Total Minimum Payments Required	\$ 360,000

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities
Mobile equipment	\$ 858,710
Less: Accumulated depreciation	<u>(144,351)</u>
Leased Property Under Capital Leases	<u>\$ 714,359</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 148,509	18,561
2012	408,797	6,383
2013	63,801	1,690
2014	23,056	492
2015	<u>1,957</u>	<u>5</u>
Total	<u>\$ 646,120</u>	<u>27,131</u>

(11) Other Postemployment Benefits.

Plan Description.

The Simpson County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Simpson County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The county does not issue a publicly available financial report for the Plan. The county also has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

(12) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA bond	\$ 690,000	2.00%	03/2016
Road and bridge bonds, Series 2003	395,000	3.00%	04/2012
Road and bridge bonds, Series 2004	2,005,000	3.84%	10/2019
Industrial development bonds of 2009	712,593	0.00%	05/2019
Total General Obligation Bonds	\$ 3,802,593		
B. Capital Leases:			
Two (2) Caterpillar motor graders	\$ 349,328	3.17%	10/2013
Two (2) tractors and related equipment	171,879	3.19%	04/2013
Excavator	89,679	3.39%	10/2014
Freightliner truck and trailer	35,234	3.24%	10/2012
Total Capital Leases	\$ 646,120		
C. Other Loans:			
Capital improvement revolving loan-fire truck	\$ 730	3.00%	10/2010
Capital improvement revolving loan-fire truck	63,991	2.00%	06/2018
Total Other Loans	\$ 64,721		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 567,222	99,351	8,383	1,210
2012	582,222	81,282	8,112	1,052
2013	397,222	66,745	8,123	890
2014	407,222	57,443	8,286	727
2015	422,222	47,744	8,453	560
2016 – 2020	1,426,483	94,596	23,364	671
Total	\$ 3,802,593	447,161	64,721	5,110

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, 2010, the amount of outstanding debt was equal to 1.82% of the latest property assessments.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2010

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 213,094	56,805			269,899	
General obligation bonds	4,300,000		497,407		3,802,593	567,222
Capital leases	404,089	356,464	114,433		646,120	148,509
Other loans	91,224		26,503		64,721	8,383
Total	\$ 5,008,407	413,269	638,343	0	4,783,333	724,114
Business-type Activities:						
Compensated absences	\$ 23,267	399			23,666	
Total	\$ 23,267	399	0	0	23,666	0

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Reappraisal Trust Fund, DUI Officers Grant Fund, Emergency 911 Fund, Seized Forfeited Fund, Road Maintenance Fund, Bridge and Culvert Fund and Garbage and Solid Waste Fund.

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(14) Joint Ventures.

The county participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the county's appropriation to the joint venture was \$144,028 in fiscal year 2010. 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 \$62,637 in fiscal year 2010. 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 the Financial Statements
For the Year Ended September 30, 2010

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$1,033,795 for the maintenance and support of the college in fiscal year 2010.

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 2010.

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 2010.

(16) 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. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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, 2010, 2009 and 2008 were \$421,351, \$409,316 and \$366,895, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/25/2010	3.45%	\$ 84,128	Capital Lease	Ad Valorem Taxes
11/01/2010	3.00-4.70%	7,740,000	Certificate of Participation	Ad Valorem Taxes
12/01/2010	5.39%	78,900	Capital Lease	Ad Valorem Taxes
01/26/2011	3.12%	130,304	Capital Lease	Ad Valorem Taxes

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,307,138	4,322,800	4,322,800	
Licenses, commissions and other revenue	217,750	255,162	255,162	
Fines and forfeitures	591,000	659,485	659,485	
Intergovernmental revenues	770,882	725,668	725,668	
Charges for services	50,000	121,317	121,317	
Interest income	100,000	96,617	96,617	
Miscellaneous revenues	74,500	88,023	88,023	
Total Revenues	<u>6,111,270</u>	<u>6,269,072</u>	<u>6,269,072</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,774,512	2,387,671	2,387,671	
Public safety	2,827,416	2,276,245	2,276,245	
Health and welfare	236,677	232,800	232,800	
Culture and recreation	184,028	184,028	184,028	
Conservation of natural resources	100,122	99,751	99,751	
Economic development and assistance	13,749	13,749	13,749	
Total Expenditures	<u>6,136,504</u>	<u>5,194,244</u>	<u>5,194,244</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(25,234)</u>	<u>1,074,828</u>	<u>1,074,828</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	50,000	36,727	36,727	
Transfers out	(24,695)	(45,236)	(45,236)	
Total Other Financing Sources and Uses	<u>25,305</u>	<u>(8,509)</u>	<u>(8,509)</u>	<u>0</u>
Net Change in Fund Balance	71	1,066,319	1,066,319	
Fund Balances - Beginning	<u>2,800,000</u>	<u>2,975,424</u>	<u>2,975,424</u>	
Fund Balances - Ending	<u>\$ 2,800,071</u>	<u>4,041,743</u>	<u>4,041,743</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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 911,036	898,808	898,808	
Road and bridge privilege taxes	310,000	309,986	309,986	
Intergovernmental revenues	668,600	696,268	696,268	
Interest income	16,000	18,821	18,821	
Miscellaneous revenues		563,320	563,320	
Total Revenues	<u>1,905,636</u>	<u>2,487,203</u>	<u>2,487,203</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,322,528	2,730,330	2,730,330	
Debt service:	66,712	114,433	114,433	
Principal		18,834	18,834	
Interest				
Total Expenditures	<u>2,389,240</u>	<u>2,863,597</u>	<u>2,863,597</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(483,604)</u>	<u>(376,394)</u>	<u>(376,394)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	75,000	361,100	361,100	
Total Other Financing Sources and Uses	<u>75,000</u>	<u>361,100</u>	<u>361,100</u>	<u>0</u>
Net Change in Fund Balance	(408,604)	(15,294)	(15,294)	
Fund Balances - Beginning	<u>800,000</u>	<u>1,005,447</u>	<u>1,005,447</u>	
Fund Balances - Ending	<u>\$ 391,396</u>	<u>990,153</u>	<u>990,153</u>	<u>0</u>

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

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

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 each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 1,066,319	(15,294)
Increase (Decrease)		
Net adjustments for revenue accruals	63,814	2,238
Net adjustments for expenditure accruals	(78,100)	(104,082)
GAAP Basis	\$ 1,052,033	(117,138)

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

SUPPLEMENTAL INFORMATION

SIMPSON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority/ State Administered Small Cities Program Cluster			
Community development block grants/state's program*	14.228	R-103-064-01-KED	\$ 44,893
Subtotal			<u>121,652</u>
Community development block grants/state's program*	14.228	1125-08-064-EM-01	76,759
ARRA Community development block grants/states program*	14.255	0008-08-064-PFR-01	466,985
Subtotal			<u>588,637</u>
HOME investment partnerships program	14.239	1220-M08-SG-280-141	<u>61,625</u>
Total U.S. Department of Housing and Urban Development			<u>650,262</u>
U.S. Department of Justice - Bureau of Justice Assistance/ Bulletproof vest partnership program (Direct Award)			
	16.607	N/A	<u>1,707</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation/ Highway planning and construction			
	20.205	BR NBIS 071 B (064)	<u>37,440</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety/ Division of Public Safety Planning			
Alcohol open container requirements	20.607	10TA1641	<u>99,599</u>
Total U. S. Department of Transportation			<u>137,039</u>
U. S. Department of Health and Human Services/ Passed-through the Mississippi Department of Health/ Public health emergency preparedness			
	93.069	0CCU416986	<u>10,000</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency/ Disaster grants - public assistance			
	97.036	FEMA 1837 DR MS	<u>151,496</u>
Emergency management performance grants	97.042	10EMPL00	<u>23,280</u>
Total U.S. Department of Homeland Security			<u>174,776</u>
Total Expenditures of Federal Awards			<u>\$ 973,784</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

SPECIAL REPORTS

SIMPSON COUNTY

(This page left blank intentionally.)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 8, 2011. Our report includes a reference to other auditors. The report is qualified on the governmental activities because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County, Mississippi's internal control over financial reporting 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 the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

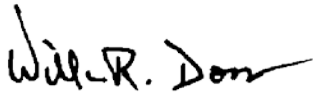
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-1 to be 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly slanted style.

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

June 8, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Simpson County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

June 8, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Simpson County, Mississippi, as of and for the year ended September 30, 2010. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

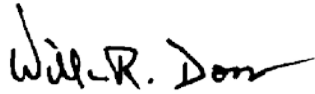
The Board of Supervisors of Simpson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Simpson County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

June 8, 2011

SIMPSON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

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

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

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, 2010

Schedule 3

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

SIMPSON COUNTY

(This page left blank intentionally.)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2010, 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 June 8, 2011, 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.

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

A handwritten signature in black ink that reads "Will R. Dooss".

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

June 8, 2011

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental activities	Qualified
	Business-type activities	Unqualified
	Aggregate discretely presented component units	Unqualified
	General Fund	Unqualified
	Countywide Road Maintenance Fund	Unqualified
	Aggregate remaining fund information	Unqualified
	Garbage and Solid Waste Fund	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	Yes
	b. Significant deficiency identified that is not considered to be a material weakness?	None Reported
3.	Noncompliance material to the financial statements noted?	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified that is not considered to be a material weakness?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
6.	Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?	No
7.	Federal programs identified as major programs:	
	State Administered Small Cities Custer:	
	a. Community development block grants/state's program, CFDA #14.228	
	b. ARRA Community development block grants/state's program, CFDA #14.255	
8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133?	Yes

SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

Liability for Other Post Employment Benefits Should Be Recorded.

10-1. Finding

Simpson County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. GASB Statement 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report for their health insurance plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

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

Board of Supervisors' Response

The Board determined that it is not cost effective to have an actuarial valuation performed annually for reporting other postemployment benefits.

Section 3: Federal Award Findings and Questioned Costs

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

SIMPSON COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SIMPSON COUNTY, MISSISSIPPI

**OFFICE OF THE
BOARD OF SUPERVISORS**

P.O. BOX 308
MENDENHALL, MS 39114
TELEPHONE (601) 847-1418 • FAX (601) 847-7004

Curtis Skiffer
District One

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2009

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Gentlemen:

The Simpson County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

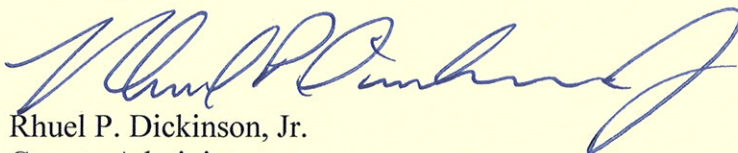
2009 – Finding Nos. 2: 2008 Community Development Block Grant Program/Passed through the Mississippi Development Authority, CFDA No. 14.228.

Condition: 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.

Recommendation: Management has a procedure to identify and record the additions to the fixed asset 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.

Current Status: Corrective action was taken.

Sincerely,



Rhuel P. Dickinson, Jr.
County Administrator
601-847-1418