

KEMPER COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

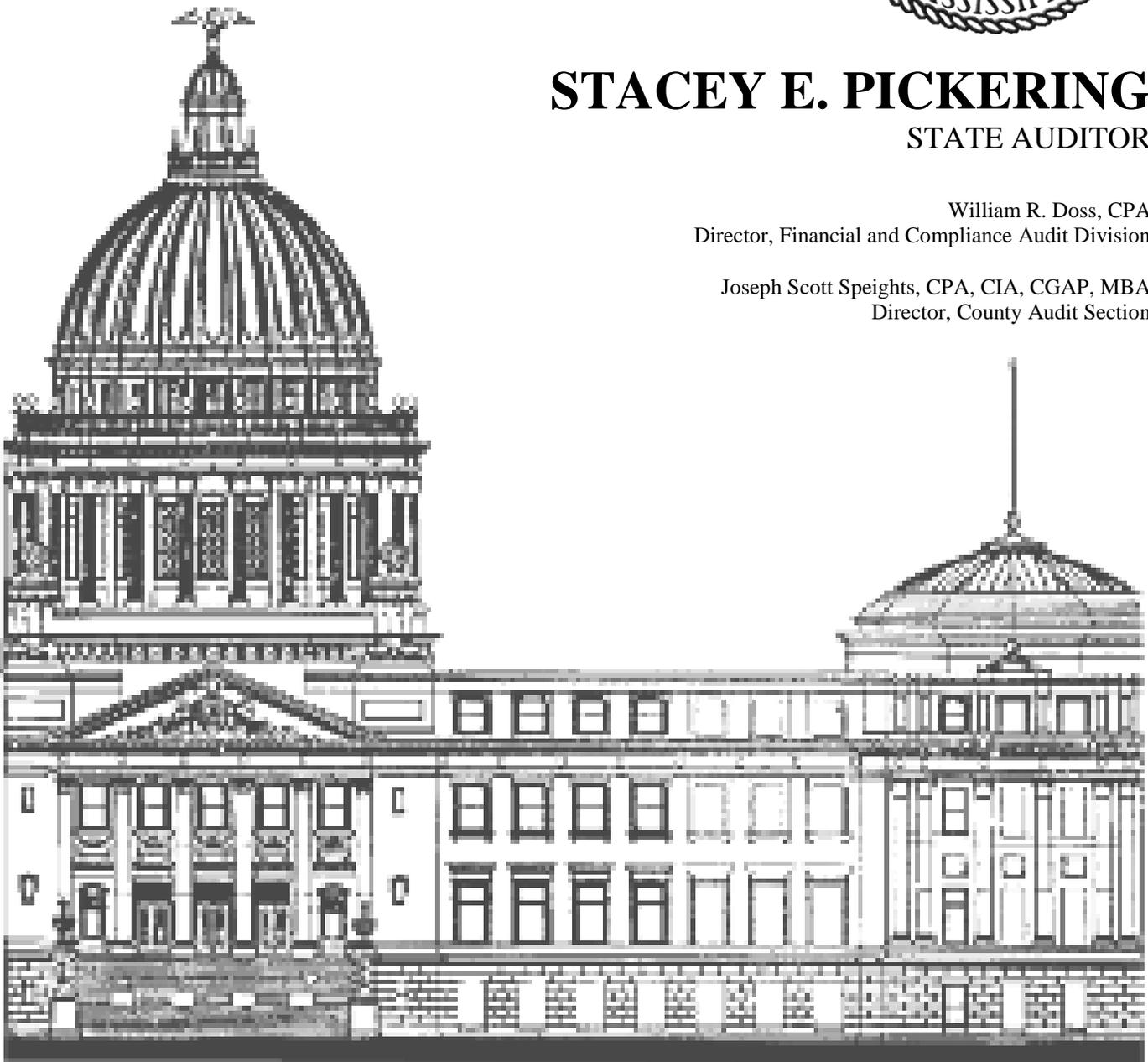


STACEY E. PICKERING

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

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

January 24, 2014

Members of the Board of Supervisors
Kemper County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Kemper 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 Kemper County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Kemper 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". The signature is fluid and cursive.

Stacey E. Pickering
State Auditor

KEMPER COUNTY

TABLE OF CONTENTS

FINANCIAL STATEMENTS 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 7

 Statement of Net Assets 9

 Statement of Activities 10

 Balance Sheet – Governmental Funds 11

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 12

 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 13

 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities 14

 Statement Net Assets – Proprietary Fund 15

 Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund 16

 Statement of Cash Flows – Proprietary Fund 17

 Statement of Fiduciary Assets and Liabilities 18

 Notes to Financial Statements 19

REQUIRED SUPPLEMENTARY INFORMATION 37

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund 39

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) –
 Countywide Road and Bridge Fund 40

 Notes to the Required Supplementary Information 41

OTHER INFORMATION 43

 Schedule of Surety Bonds for County Officials 45

SPECIAL REPORTS 47

 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* 49

 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)) 51

 Limited Internal Control and Compliance Review Management Report 57

SCHEDULE OF FINDINGS AND RESPONSES 67

KEMPER COUNTY

FINANCIAL SECTION

KEMPER COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Kemper County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government 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.

Except as discussed in the fifth paragraph, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 1 (I) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records must be maintained to document the existence, completeness and valuation of capital assets including the County's infrastructure, and also that the depreciation on capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses on the governmental activities is not reasonably determinable.

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court and the Circuit Court or the aging of these fines receivable. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported on the Statement of Net Assets and in the General Fund at \$215,369, as of September 30, 2012. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Kemper County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

Also, in our opinion, except for the effects of the matters discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities for Kemper County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the possible effects of such adjustments if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of the Justice Court and the Circuit Court fines receivable for the General Fund as described in the fifth paragraph, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

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, the Countywide Road and Bridge Fund, the G.O. Road and Bridge Project Fund, Regional Jail Fund, Regional Jail Women's Fund, and the aggregate remaining fund information of Kemper County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of Kemper 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Kemper County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

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

January 24, 2014

KEMPER COUNTY

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KEMPER COUNTY

FINANCIAL STATEMENTS

KEMPER COUNTY

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KEMPER COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,689,202	62,984	3,752,186
Restricted Assets - Investments		1,485,884	1,485,884
Property tax receivable	5,151,811	240,645	5,392,456
Accounts receivable (net of allowance for uncollectibles of \$447,944)		194,930	194,930
Fines receivable (net of allowance for uncollectibles of \$817,493)	215,369		215,369
Loans receivable	79,600		79,600
Intergovernmental receivables	44,979		44,979
Other receivables	3,958		3,958
Internal balances	74,321	(74,321)	
Deferred charges-bond issuance cost	128,487		128,487
Capital assets:			
Land and construction in progress	474,884		474,884
Other capital assets, net	9,289,401	7,782,248	17,071,649
Total Assets	<u>19,152,012</u>	<u>9,692,370</u>	<u>28,844,382</u>
LIABILITIES			
Claims payable	358,042	110,457	468,499
Intergovernmental payables	62,028		62,028
Accrued interest payable	29,481	36,181	65,662
Deferred revenue	5,151,811	240,645	5,392,456
Unearned revenue		11,251	11,251
Amounts held in custody for others	64,684		64,684
Long-term liabilities			
Due within one year:			
Capital debt	660,109	600,000	1,260,109
Due in more than one year:			
Capital debt	4,156,361	5,080,000	9,236,361
Non-capital debt	56,163	48,598	104,761
Total Liabilities	<u>10,538,679</u>	<u>6,127,132</u>	<u>16,665,811</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,947,815	2,102,248	7,050,063
Restricted:			
Expendable:			
General government	17,397		17,397
Public safety	210,020	1,406,317	1,616,337
Public works	2,044,884	88,502	2,133,386
Economic development and assistance	88,483		88,483
Debt service	19,909		19,909
Unrestricted	1,284,825	(31,829)	1,252,996
Total Net Assets	<u>\$ 8,613,333</u>	<u>3,565,238</u>	<u>12,178,571</u>

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

KEMPER COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,079,678	381,249	52,622	149,950	(1,495,857)		(1,495,857)
Public safety	1,552,143	83,904	104,164		(1,364,075)		(1,364,075)
Public works	2,496,857		537,552	158,291	(1,801,014)		(1,801,014)
Health and welfare	263,830		12,794		(251,036)		(251,036)
Culture and recreation	54,491				(54,491)		(54,491)
Conservation of natural resources	82,783				(82,783)		(82,783)
Economic development and assistance	337,685		142,302		(195,383)		(195,383)
Interest on long-term debt	96,075				(96,075)		(96,075)
Total Governmental Activities	<u>6,963,542</u>	<u>465,153</u>	<u>849,434</u>	<u>308,241</u>	<u>(5,340,714)</u>		<u>(5,340,714)</u>
Business-type activities:							
Regional Jail	3,311,792	3,882,705				570,913	570,913
Regional Jail Women's	168,593					(168,593)	(168,593)
Solid Waste	453,340	390,506	17,792			(45,042)	(45,042)
Total Business-type Activities	<u>3,933,725</u>	<u>4,273,211</u>	<u>17,792</u>			<u>357,278</u>	<u>357,278</u>
Total Primary Government	<u>\$ 10,897,267</u>	<u>4,738,364</u>	<u>867,226</u>	<u>308,241</u>	<u>(5,340,714)</u>	<u>357,278</u>	<u>(4,983,436)</u>
General revenues:							
Property taxes					\$ 3,926,323	115,603	4,041,926
Road & bridge privilege taxes					103,287		103,287
Grants and contributions not restricted to specific programs					316,997		316,997
Unrestricted interest income					6,597	268	6,865
Miscellaneous					531,979	30,119	562,098
Total General Revenues					<u>4,885,183</u>	<u>145,990</u>	<u>5,031,173</u>
Changes in Net Assets					<u>(455,531)</u>	<u>503,268</u>	<u>47,737</u>
Net Assets - Beginning of year, as previously reported					8,875,601	3,129,875	12,005,476
Prior period adjustments					193,263	(67,905)	125,358
Net Assets - Beginning of year, as restated					<u>9,068,864</u>	<u>3,061,970</u>	<u>12,130,834</u>
Net Assets - End of year					<u>\$ 8,613,333</u>	<u>3,565,238</u>	<u>12,178,571</u>

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

KEMPER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2012

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road & Bridge Fund	G.O. Road & Bridge Project Fund		
ASSETS					
Cash	\$ 1,283,141	13,977	1,935,779	456,305	3,689,202
Property tax receivable	2,923,897	1,975,979		251,935	5,151,811
Fines receivable (net of allowance for uncollectibles of \$817,493)	215,369				215,369
Loans receivable				79,600	79,600
Intergovernmental receivables	40,479			4,500	44,979
Other receivables	3,958				3,958
Due from other funds	75,615	23,844		1,665	101,124
Total Assets	\$ 4,542,459	2,013,800	1,935,779	794,005	9,286,043
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 124,059	130,664		103,319	358,042
Intergovernmental payables	59,983				59,983
Due to other funds	28,848				28,848
Deferred revenue	3,139,266	1,975,979		251,935	5,367,180
Amounts held in custody for others	64,684				64,684
Total Liabilities	3,416,840	2,106,643		355,254	5,878,737
Fund balances:					
Restricted for:					
General government				17,397	17,397
Public safety				210,020	210,020
Public works			1,935,779	73,461	2,009,240
Economic development and assistance				88,483	88,483
Debt service				49,390	49,390
Unassigned	1,125,619	(92,843)			1,032,776
Total Fund Balances	1,125,619	(92,843)	1,935,779	438,751	3,407,306
Total Liabilities and Fund Balances	\$ 4,542,459	2,013,800	1,935,779	794,005	9,286,043

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

KEMPER COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,407,306
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 \$5,287,997.	9,764,285
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	215,369
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,872,633)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(29,481)
Deferred charges bond issuance cost	<u>128,487</u>
Total Net Assets - Governmental Activities	\$ <u><u>8,613,333</u></u>

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

KEMPER COUNTY

Exhibit 4

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

For the Year Ended September 30, 2012

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road & Bridge Fund	G.O. Road & Bridge Project Fund		
REVENUES					
Property taxes	\$ 2,226,511	1,548,592		151,220	3,926,323
Road and bridge privilege taxes		103,287			103,287
Licenses, commissions and other revenue	52,858			4,501	57,359
Fines and forfeitures	170,565				170,565
Intergovernmental revenues	559,622	525,784		389,266	1,474,672
Charges for services				83,904	83,904
Interest income	6,111			487	6,598
Miscellaneous revenues	103,391	2,679		398,923	504,993
Total Revenues	<u>3,119,058</u>	<u>2,180,342</u>	<u>0</u>	<u>1,028,301</u>	<u>6,327,701</u>
EXPENDITURES					
Current:					
General government	2,084,137			1,061	2,085,198
Public safety	1,006,358			476,063	1,482,421
Public works		2,799,842	145,059	178,236	3,123,137
Health and welfare	234,936				234,936
Culture and recreation	47,533				47,533
Conservation of natural resources	82,783				82,783
Economic development and assistance	100,973			154,440	255,413
Debt service:					
Principal	4,980	317,528		238,182	560,690
Interest	440	38,898		43,761	83,099
Total Expenditures	<u>3,562,140</u>	<u>3,156,268</u>	<u>145,059</u>	<u>1,091,743</u>	<u>7,955,210</u>
Excess of Revenues over (under) Expenditures	<u>(443,082)</u>	<u>(975,926)</u>	<u>(145,059)</u>	<u>(63,442)</u>	<u>(1,627,509)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		752,795	2,000,000		2,752,795
Proceeds from sale of capital assets		29,109			29,109
Bond issuance cost			80,838		80,838
Compensation for loss of capital assets	5,452				5,452
Transfers in				6,348	6,348
Transfers out				(6,348)	(6,348)
Total Other Financing Sources and Uses	<u>5,452</u>	<u>781,904</u>	<u>2,080,838</u>	<u>(6,348)</u>	<u>2,868,194</u>
Net Changes in Fund Balances	<u>(437,630)</u>	<u>(194,022)</u>	<u>1,935,779</u>	<u>(63,442)</u>	<u>1,240,685</u>
Fund Balances - Beginning of year	1,563,249	101,179		502,193	2,166,621
Fund Balances - End of year	\$ <u>1,125,619</u>	<u>(92,843)</u>	<u>1,935,779</u>	<u>438,751</u>	<u>3,407,306</u>

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

KEMPER 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, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,240,685
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 \$775,517 exceeded depreciation of \$568,496 in the current period.	207,021
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 gain of \$21,535 and the proceeds from the sale of \$ 29,109 in the current period.	(7,574)
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.	153,325
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 proceeds of \$2,752,795 exceeded debt repayments of \$560,690.	(2,192,105)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Deferred bond issuance cost	131,782
Amortization of bond issuance cost	(3,295)
The amount of decrease in compensated absences liability.	27,606
The amount of increase in accrued interest payable.	<u>(12,976)</u>
Change in Net Assets of Governmental Activities	<u>\$ (455,531)</u>

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

Business-type Activities - Enterprise Funds				
Major Funds				
	Regional Jail Fund	Regional Jail - Women's Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash	\$ 61,392		1,592	62,984
Restricted Assets - Investments	1,485,884			1,485,884
Property tax receivable			240,645	240,645
Accounts receivable (net of allowance for uncollectibles of \$447,944)			194,930	194,930
Due from other funds			1,294	1,294
Total Current Assets	<u>1,547,276</u>	<u>0</u>	<u>438,461</u>	<u>1,985,737</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress				
Other capital assets, net	4,557,487	3,123,614	101,147	7,782,248
Total Noncurrent Assets	<u>4,557,487</u>	<u>3,123,614</u>	<u>101,147</u>	<u>7,782,248</u>
Total Assets	<u>6,104,763</u>	<u>3,123,614</u>	<u>539,608</u>	<u>9,767,985</u>
LIABILITIES				
Current liabilities:				
Claims payable	92,501		17,956	110,457
Due to other funds			75,615	75,615
Accrued interest payable	4,352	31,829		36,181
Deferred revenue			240,645	240,645
Unearned revenue			11,251	11,251
Capital debt:				
Other long-term liabilities	395,000	205,000		600,000
Non-capital debt:				
Total Current Liabilities	<u>491,853</u>	<u>236,829</u>	<u>345,467</u>	<u>1,074,149</u>
Noncurrent liabilities:				
Capital debt:				
Other long-term liabilities	2,525,000	2,555,000		5,080,000
Non-capital debt:				
Compensated absences payable	44,106		4,492	48,598
Total Noncurrent Liabilities	<u>2,569,106</u>	<u>2,555,000</u>	<u>4,492</u>	<u>5,128,598</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,637,487	363,614	101,147	2,102,248
Restricted for:				
Public safety	1,406,317			1,406,317
Public works			88,502	88,502
Unrestricted		(31,829)		(31,829)
Total Net Assets	<u>\$ 3,043,804</u>	<u>331,785</u>	<u>189,649</u>	<u>3,565,238</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			Totals
	Major Funds			
	Regional Jail Fund	Regional Jail Women's Fund	Solid Waste Fund	
Operating Revenues				
Charges for services	\$ 3,882,705		390,506	4,273,211
Miscellaneous	29,645		474	30,119
Total Operating Revenues	<u>3,912,350</u>	<u>0</u>	<u>390,980</u>	<u>4,303,330</u>
Operating Expenses				
Personal services	1,724,463		258,907	1,983,370
Contractual services	1,091,000		61,939	1,152,939
Materials and supplies	272,075		97,291	369,366
Depreciation expense	107,890	67,904	28,431	204,225
Indirect administrative cost			5,615	5,615
Total Operating Expenses	<u>3,195,428</u>	<u>67,904</u>	<u>452,183</u>	<u>3,715,515</u>
Operating Income (Loss)	<u>716,922</u>	<u>(67,904)</u>	<u>(61,203)</u>	<u>587,815</u>
Nonoperating Revenues (Expenses)				
Property tax			115,603	115,603
Interest income	268			268
Intergovernmental grants			17,792	17,792
Interest expense	(116,364)	(100,689)	(1,157)	(218,210)
Net Nonoperating Revenue (Expenses)	<u>(116,096)</u>	<u>(100,689)</u>	<u>132,238</u>	<u>(84,547)</u>
Net Income (Loss) Before Transfers	600,826	(168,593)	71,035	503,268
Transfers in		298,288		298,288
Transfers out	(298,288)			(298,288)
Changes in Net Assets	<u>302,538</u>	<u>129,695</u>	<u>71,035</u>	<u>503,268</u>
Net Assets - Beginning, as previously reported	2,741,266	269,995	118,614	3,129,875
Prior period adjustment		(67,905)		(67,905)
Net Assets - Beginning, as restated	<u>2,741,266</u>	<u>202,090</u>	<u>118,614</u>	<u>3,061,970</u>
Net Assets - Ending	<u>\$ 3,043,804</u>	<u>331,785</u>	<u>189,649</u>	<u>3,565,238</u>

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

KEMPER COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2012

Exhibit 7

<u>Business-type Activities - Enterprise Funds</u>				
<u>Major Funds</u>				
	<u>Regional Jail Fund</u>	<u>Regional Jail Women's Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities				
Receipts from customers	\$ 3,882,705		289,649	4,172,354
Payments to suppliers	(1,356,950)		(147,329)	(1,504,279)
Payments to employees	(1,729,669)		(263,046)	(1,992,715)
Other operating cash receipts	29,645		474	30,119
Net Cash Provided (Used) by Operating Activities	<u>825,731</u>	<u>0</u>	<u>(120,252)</u>	<u>705,479</u>
Cash Flows From Noncapital Financing Activities				
Intergovernmental grants received			17,792	17,792
Cash received from property taxes			115,603	115,603
Cash received from other funds:				
Operating transfers in		298,288		298,288
Loans from other funds			70,000	70,000
Interfund loan repayments			1,387	1,387
Cash paid to other funds:				
Operating transfers out	(298,288)			(298,288)
Loans made to other funds			(1,294)	(1,294)
Interfund loan repayments			(50,000)	(50,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(298,288)</u>	<u>298,288</u>	<u>153,488</u>	<u>153,488</u>
Cash Flows From Capital and Related Financing Activities				
Principal paid on long-term debt	(380,000)	(195,000)	(36,271)	(611,271)
Interest paid on debt	(116,882)	(103,288)	(1,158)	(221,328)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(496,882)</u>	<u>(298,288)</u>	<u>(37,429)</u>	<u>(832,599)</u>
Cash Flows From Investing Activities				
Interest on deposits	268			268
Net Cash Provided (Used) by Investing Activities	<u>268</u>			<u>268</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,829		(4,193)	26,636
Cash and Cash Equivalents at Beginning of Year	<u>1,516,447</u>		<u>5,785</u>	<u>1,522,232</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,547,276</u>	<u>0</u>	<u>1,592</u>	<u>1,548,868</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 716,922	(67,904)	(61,203)	587,815
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	107,890	67,904	28,431	204,225
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			(112,108)	(112,108)
Increase (decrease) in claims payable	6,125		11,901	18,026
Increase (decrease) in compensated absences liability	(5,206)		(4,139)	(9,345)
Increase (decrease) in unearned revenue			11,251	11,251
Increase (decrease) in interfund payables			5,615	5,615
Total Adjustments	<u>108,809</u>	<u>67,904</u>	<u>(59,049)</u>	<u>117,664</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 825,731</u>	<u>0</u>	<u>(120,252)</u>	<u>705,479</u>

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

KEMPER COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 312,854
Due from other funds	2,045
Total Assets	<u>\$ 314,899</u>
LIABILITIES	
Amounts held in custody for others	\$ 290,589
Intergovernmental payables	24,310
Total Liabilities	<u>\$ 314,899</u>

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

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Kemper 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 Kemper County to present these financial statements on the primary government and its component unit which has a significant operational or financial relationship with the county.

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

- Kemper County Economic Development Authority

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

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. 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. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

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

The County's Proprietary Funds and business-type activities 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.

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 and Bridge Fund - This fund is used to account for resources designated and used for maintenance of the county's infrastructure system.

G.O. Road and Bridge Project Fund - This fund is set up to account for expenditures of bond proceeds used for maintenance and construction of county roads.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The County reports the following major Enterprise Funds:

Regional Jail Fund - This fund is used to account for the county's activities of housing local and state inmates within the county's regional jail.

Regional Jail Women's Fund - This fund is used to account for the county's activities of housing local and state female inmates within the county's regional jail and currently the construction of said facility.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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 nonspendable fund balance 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."

H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" account is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "general" fund is used to accumulate funds to pay the principal and interest payments due on the county's enterprise fund revenue bonds. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

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. The County has not maintained records documenting the county's capital assets including construction in progress, infrastructure and for documenting depreciation on the county's capital assets. 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.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Kemper County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

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."

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

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

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

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

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

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

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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Governmental Activities	
To correctly categorize capital assets (See Note 8).	\$ <u>193,263</u>
Business-type Activities	
To correctly categorize capital assets (See Note 8.)	\$ <u>(67,905)</u>

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

<u>Explanation</u>	<u>Amount</u>
Enterprise funds	
To correctly categorize capital assets (See Note 8).	\$ <u>(67,905)</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$4,065,040, and the bank balance was \$4,711,323. 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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Kemper/Neshoba Regional Correctional Facility.

Investments balances at September 30, 2012, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Government Money Market Mutual Fund	Less than one year	\$ 1,485,884	AAAm

The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk – Investments: Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. All of the County's investments are in the Hancock Horizon Government Money Market Mutual Fund and are reported in the Regional Jail Fund.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road & Bridge Fund	General	\$ 23,844
Other Governmental Funds	General	1,665
Solid Waste Fund	General	1,294
Agency Funds	General	2,045
General Fund	Solid Waste Fund	<u>75,615</u>
Total		<u>\$ 104,463</u>

The receivables represent the tax revenue collected but not settled until October, 2012, short term loans, and indirect cost from Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	<u>\$ 6,348</u>

This transfer represents the closeout of a building project fund with remaining proceeds transferred to the corresponding debt service fund.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 32,335
Emergency Management Grant	8,144
Other	<u>4,500</u>
Total Governmental Activities	<u>\$ 44,979</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2012, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Pharma Pac	6/27/2003	0.05%	12/1/2013	\$ 79,600
Trans Tech	10/15/2002	3.00%	3/1/2010	<u>207,632</u>
Total				<u>287,232</u>
Less: Allowance for doubtful accounts*				<u>(207,632)</u>
Net Loans Receivable				<u>\$ 79,600</u>

* The Trans Tech loan receivable was determined to be uncollectible in fiscal year 2006.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(7) Restricted Assets.

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue fund	\$	541,879
General account		41,631
Debt service reserve fund		402,123
Depreciation and operating reserve fund		<u>500,251</u>
Total restricted assets	\$	<u><u>1,485,884</u></u>

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental Activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 474,884				474,884
Total non-depreciable capital assets	<u>474,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>474,884</u>
<u>Depreciable capital assets:</u>					
Infrastructure	4,665,266				4,665,266
Buildings	4,017,238				4,017,238
Mobile equipment	3,661,493	22,722	75,742	393,666	4,002,139
Furniture and equipment	142,382			14,403	156,785
Leased property under capital leases	<u>1,078,053</u>	<u>752,795</u>		<u>(94,878)</u>	<u>1,735,970</u>
Total depreciable capital assets	<u>13,564,432</u>	<u>775,517</u>	<u>75,742</u>	<u>313,191</u>	<u>14,577,398</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	546,257	123,055			669,312
Buildings	1,095,587	74,054		74,054	1,243,695
Mobile equipment	2,764,183	203,247	68,168	85,976	2,985,238
Furniture and equipment	127,372	3,364		2,593	133,329
Leased property under capital leases	<u>134,342</u>	<u>164,776</u>		<u>(42,695)</u>	<u>256,423</u>
Total accumulated depreciation	<u>4,667,741</u>	<u>568,496</u>	<u>68,168</u>	<u>119,928</u>	<u>5,287,997</u>
Total depreciable capital assets, net	<u>8,896,691</u>	<u>207,021</u>	<u>7,574</u>	<u>193,263</u>	<u>9,289,401</u>
Governmental activities capital assets, net	\$ <u>9,371,575</u>	<u>207,021</u>	<u>7,574</u>	<u>193,263</u>	<u>9,764,285</u>

*Adjustments were made to capital assets for the following: 1) transfer of a completed lease purchase to mobile equipment, 2) one additional year of depreciation expense not computed in prior audit periods, and 3) addition of eight capital assets not previously posted to county inventory records.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Buildings	8,536,964				8,536,964
Mobile equipment	351,615			105,484	457,099
Furniture and equipment	73,050				73,050
Leased property under capital leases	105,484			(105,484)	
Total depreciable capital assets	<u>9,067,113</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,067,113</u>
<u>Less accumulated depreciation for:</u>					
Buildings	649,982	170,739		67,905	888,626
Mobile equipment	282,511	20,142		37,974	340,627
Furniture and equipment	51,762	3,850			55,612
Leased property under capital leases	28,480	9,494		(37,974)	0
Total accumulated depreciation	<u>1,012,735</u>	<u>204,225</u>	<u>0</u>	<u>67,905</u>	<u>1,284,865</u>
Total depreciable capital assets, net	<u>8,054,378</u>	<u>(204,225)</u>	<u>0</u>	<u>(67,905)</u>	<u>7,782,248</u>
Business-type activities capital assets, net	<u>\$ 8,054,378</u>	<u>(204,225)</u>	<u>0</u>	<u>(67,905)</u>	<u>7,782,248</u>

**Adjustments were made to capital assets for the following:)1) transfer of a completed lease purchase to mobile equipment and 2) one additional year of depreciation expense not computed in prior audit periods.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 3,920
Public safety	150,228
Public works	355,286
Health and welfare	14,447
Culture and recreation	3,479
Economic Development	41,136
Total governmental activities depreciation expense	<u>\$ 568,496</u>
<u>Business-type activities:</u>	
Regional Jail	\$ 106,684
Regional Women's Jail	67,905
Solid Waste	29,636
Total business-type activities depreciation expense	<u>\$ 204,225</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(9) 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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,735,970
Less: Accumulated depreciation		(256,423)
Leased Property Under Capital Leases	\$	<u>1,479,547</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2013	\$ 376,463	34,695
2014	386,210	24,950
2015	381,914	14,938
2016	<u>251,267</u>	<u>6,183</u>
Total	<u>\$ 1,395,854</u>	<u>80,766</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(11) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G.O. Building Bonds	\$ 885,000	4.00 – 5.50%	11/2025
Industrial Development Bonds (Pharma Pac)	315,186	0.00%	10/2016
G.O. Road and Bridge Bonds	<u>2,000,000</u>	2.60 – 3.70%	05/2032
Total General Obligation Bonds	<u>\$ 3,200,186</u>		
B. Capital Leases:			
Used Caterpillar Wheel Loader	\$ 27,264	3.28%	06/2014
5 Caterpillar Motor Graders	708,623	3.09%	01/2016
2 Tractors and 1 Cutter	34,762	3.14%	06/2016
2 John Deere Backhoes	132,776	1.82%	08/2016
5 Mack Dump Trucks	<u>492,429</u>	2.08%	11/2015
Total Capital Leases	<u>\$ 1,395,854</u>		
C. Other Loans:			
Fire Truck	\$ 10,019	2.00%	08/2013
CDBG - Pharma Pac	79,601	0.05%	12/2013
Two Fire Trucks	69,631	2.00%	05/2016
Dodge Charger Sheriff	5,196	4.25%	04/2013
Pharma Pac Commercial Bank	<u>55,983</u>	3.00%	07/2015
Total Other Loans	<u>\$ 220,430</u>		
Business-type Activities:			
A. General Obligation Bonds:			
Women's - Regional Jail	\$ <u>2,760,000</u>	3.5 - 4.25%	06/2023
B. Limited Obligation Bonds:			
Urban Renewal Revenue - Refinance	\$ <u>2,920,000</u>	2.5 - 4.00%	09/2019

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,020,000 in limited obligation urban renewal revenue bonds issued in 2009. Proceeds from the bonds were used to refund bonds that provided financing for the construction of the Kemper/Neshoba County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through October 2019. Annual principal and interest payments on the bonds are expected to require less than 13% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$ 3,355,069. Principal and interest paid for the current year and total inmate housing net revenues were \$496,882 and \$3,882,705, respectively.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2013	\$ 167,222	91,407
2014	172,222	98,131
2015	172,222	94,651
2016	163,520	91,071
2017	95,000	87,391
2018 – 2022	740,000	362,547
2023 – 2027	945,000	199,993
2028 – 2032	745,000	69,990
Total	\$ 3,200,186	1,095,181

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 116,424	2,985
2014	55,664	1,671
2015	36,667	683
2016	11,675	81
Total	\$ 220,430	5,420

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 205,000	95,488	395,000	104,453
2014	210,000	87,800	410,000	91,695
2015	220,000	80,188	420,000	78,370
2016	230,000	72,488	430,000	64,301
2017	240,000	64,438	450,000	49,250
2018 – 2022	1,350,000	196,338	815,000	47,000
2023	305,000	10,675		
Total	\$ 2,760,000	607,415	2,920,000	435,069

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

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, 2012, the amount of outstanding debt was equal to 11.5% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustment	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 83,769			(27,606)	56,163	
General obligation bonds	1,327,408	2,000,000	127,222		3,200,186	167,222
Capital leases	960,587	752,795	317,528		1,395,854	376,463
Other loans	336,370		115,940		220,430	116,424
Total	\$ 2,708,134	2,752,795	560,690	(27,606)	4,872,633	660,109
Business-type Activities:						
Compensated absences	\$ 57,943			(9,345)	48,598	
General obligation bonds	2,955,000		195,000		2,760,000	205,000
Limited obligation bonds	3,300,000		380,000		2,920,000	395,000
Capital leases	36,271		36,271			
Total	\$ 6,349,214	0	611,271	(9,345)	5,728,598	600,000

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2012:

Fund	Deficit Amount
Unit Road and Bridge Fund	\$ (92,843)

(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.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(14) Joint Ventures.

The County participates in the following joint ventures:

Kemper County is a participant with Newton County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free library service to the citizens of the respective counties. The Kemper County Board of Supervisors alternatively appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$37,334 in fiscal year 2012. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$20,538 for financial support in fiscal year 2012.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Kemper County Board of Supervisors appoints two of the 12 members of the board of directors. The county appropriated \$186,440 for financial support in fiscal year 2012.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$10,222 for financial support in fiscal year 2012.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The agency was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Kemper County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding is derived from federal funds. The county appropriated \$2,500 for financial support in fiscal year 2012.

(16) Defined Benefit Pension Plan.

Plan Description. Kemper 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, 2012, 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, 2012 was 14.26% 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 to PERS for the years ending September 30, 2012, 2011 and 2010 were \$420,837, \$385,978 and \$369,108, respectively, equal to the required contributions for each year.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(17) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Kemper County evaluated the activity of the County through January 24, 2014 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
1/11/2013	2.29%	\$	123,320	Capital Lease	Ad valorem taxes
2/4/2013	1.69%		139,423	Capital Lease	Ad valorem taxes
2/8/2013	1.69%		114,540	Capital Lease	Ad valorem taxes
2/27/2013	1.71%		130,000	Capital Lease	Ad valorem taxes

KEMPER COUNTY

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KEMPER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY

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KEMPER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,175,665	2,175,665	2,239,264	63,599
Licenses, commissions and other revenue	60,800	60,800	52,858	(7,942)
Fines and forfeitures	133,000	133,000	170,334	37,334
Intergovernmental revenues	347,707	347,707	349,922	2,215
Interest income	10,000	10,000	6,107	(3,893)
Miscellaneous revenues	71,000	250,945	349,249	98,304
Total Revenues	<u>2,798,172</u>	<u>2,978,117</u>	<u>3,167,734</u>	<u>189,617</u>
EXPENDITURES				
Current:				
General government	1,951,982	2,156,463	2,052,625	103,838
Public safety	910,381	940,376	1,002,381	(62,005)
Health and welfare	227,958	227,958	221,962	5,996
Culture and recreation	46,034	46,034	44,159	1,875
Conservation of natural resources	89,827	89,827	78,559	11,268
Economic development and assistance	98,972	98,972	96,531	2,441
Total Expenditures	<u>3,325,154</u>	<u>3,559,630</u>	<u>3,496,216</u>	<u>63,414</u>
Excess of Revenues over (under) Expenditures	<u>(526,982)</u>	<u>(581,513)</u>	<u>(328,482)</u>	<u>253,031</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	43,243	43,243	43,243	
Transfers out		(70,000)	(113,409)	(43,409)
Total Other Financing Sources and Uses	<u>43,243</u>	<u>(26,757)</u>	<u>(70,166)</u>	<u>(43,409)</u>
Net Change in Fund Balance	(483,739)	(608,270)	(398,648)	209,622
Fund Balances - Beginning	<u>483,739</u>	<u>608,270</u>	<u>1,528,296</u>	<u>920,026</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>1,129,648</u>	<u>1,129,648</u>

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

KEMPER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road and Bridge Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,447,169	1,549,881	1,549,881	
Road and bridge privilege taxes	70,000	91,437	91,437	
Intergovernmental revenues	535,000	540,846	525,784	(15,062)
	<u>30,000</u>	<u>30,000</u>	<u>31,788</u>	<u>1,788</u>
Total Revenues	<u>2,082,169</u>	<u>2,212,164</u>	<u>2,198,890</u>	<u>(13,274)</u>
EXPENDITURES				
Public works	1,860,533	2,005,553	1,991,056	14,497
Debt service:	<u>221,636</u>	<u>356,426</u>	<u>356,426</u>	
Total Expenditures	<u>2,082,169</u>	<u>2,361,979</u>	<u>2,347,482</u>	<u>14,497</u>
Excess of Revenues over (under) Expenditures		<u>(149,815)</u>	<u>(148,592)</u>	<u>1,223</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources				
Other financing uses				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance		(149,815)	(148,592)	1,223
Fund Balances - Beginning		<u>149,815</u>	<u>149,815</u>	<u>0</u>
Fund Balances - Ending	\$ <u>0</u>	<u>0</u>	<u>1,223</u>	<u>1,223</u>

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

KEMPER COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

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:

KEMPER COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

	Governmental Fund Types	
	General Fund	Countywide Road and Bridge Fund
Budget (Cash Basis)	\$ (398,648)	(148,592)
Increase (Decrease)		
Net adjustments for revenue accruals	26,775	10,561
Net adjustments for expenditure accruals	(65,757)	(55,991)
GAAP Basis	\$ (437,630)	(194,022)

KEMPER COUNTY

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KEMPER COUNTY

OTHER INFORMATION

KEMPER COUNTY

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KEMPER COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
James Granger	Supervisor District 1	Western Surety	\$100,000
Johnny Whitsett	Supervisor District 2	Western Surety	\$100,000
John P. Darnell	Supervisor District 3	Western Surety	\$100,000
Michael Luke	Supervisor District 4	Western Surety	\$100,000
Christopher Cole	Supervisor District 5	Western Surety	\$100,000
Martin Oden	County Administrator	Western Surety	\$100,000
Marcus Wilson	County Administrator	Western Surety	\$100,000
Sherline Watkins	Chancery Clerk	Western Surety	\$100,000
Shelia Mattar	Purchase Clerk	Western Surety	\$75,000
Judith Sullivan	Assistant Purchase Clerk	Western Surety	\$50,000
Johnny Griffin	Receiving Clerk	Western Surety	\$75,000
Ashley Jennings	Assistant Receiving Clerk	Western Surety	\$50,000
Catherine Walton	Assistant Receiving Clerk	Western Surety	\$50,000
Vanessa Payne	Assistant Receiving Clerk	Western Surety	\$50,000
Shirley Jackson	Assistant Receiving Clerk	Western Surety	\$50,000
Patricia Jowers	Assistant Receiving Clerk	Western Surety	\$50,000
Robin Fulton	Assistant Receiving Clerk	Western Surety	\$50,000
Thomas M. Luke, II	Inventory Control Clerk	Western Surety	\$75,000
Gregory Williams	Road Manager	Western Surety	\$50,000
Ray Charles Williams	Constable	Western Surety	\$50,000
Mike Rush	Constable	Western Surety	\$50,000
Tracey Murray	Circuit Clerk	Western Surety	\$100,000
James Moore, Sr.	Sheriff	Western Surety	\$100,000
Reginald Spencer	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Orlando Clark	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Robert Joyner	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Arnold Jenkins	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Derrick Williams	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Wesley Stevens	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Byron Walker	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Michael Mattox	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Jeffery Jowers	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Stacey Deans	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Thomas West	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
John Haggard	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Allen Griffin	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Tracee Moore	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Charles Hazelwood	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Mary Gully	Justice Court Judge	Western Surety	\$50,000
Linda Wright	Justice Court Judge	Western Surety	\$50,000
Peggy Sue Davis	Justice Court Clerk	Western Surety	\$50,000
Margaret Willson	Justice Court Clerk	Western Surety	\$50,000
Ashley Jennings	Deputy Justice Court Clerk	Western Surety	\$50,000
Joycelyn Robertson	Tax Collector/Assessor	Western Surety	\$100,000
Judi Sullivan	Deputy Tax Collector	Western Surety	\$75,000
Shirley Jackson	Deputy Tax Collector	Western Surety	\$50,000

KEMPER COUNTY

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KEMPER COUNTY

SPECIAL REPORTS

KEMPER COUNTY

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**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
Kemper County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 24, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. The report is qualified on the General Fund because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of Justice Court and Circuit Court fines receivable as required by accounting principles generally accepted in the United States of America. Except for the limitations related to the Justice Court and Circuit Court fines receivables, 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Kemper 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 accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A 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 deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2, 12-3, 12-4, 12-5, 12-7 and 12-8 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-6 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kemper 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*.

However, we noted certain matters that we reported to the management of Kemper County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 24, 2014, included within this document.

Kemper County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Kemper County's responses and, accordingly, we express no opinion on them.

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



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

January 24, 2014



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
Kemper County, Mississippi

We have examined Kemper County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Kemper County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Kemper 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.

The County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk

The County should maintain adequate capital asset subsidiary records.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972) requires the Inventory Control Clerk to maintain an inventory system to account for all capital assets of the County. An effective system of internal control over capital assets should include adequate subsidiary records documenting the existence completeness and valuation of the governmental activities' capital assets as well as the depreciation of these assets. As reported in the prior years' audit report, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's capital assets including construction-in-progress, infrastructure and for documenting depreciation on the County's capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the governmental activities. The failure to maintain a proper inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The County should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting construction in progress.

Board of Supervisor's Response

Inventory Clerk will be in compliance for the 2013 budget. Records will be provided by the County Engineer.

Inventory reports should be filed timely.

2. Finding

Section 31-7-107, Miss. Code Ann (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year. The required inventory reports prepared by the Inventory Control Clerk were filed late with the Office of the State Auditor on November 7, 2012. Failure to prepare the annual reports timely increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

Recommendation

The Inventory Control Clerk should prepare inventory reports and file with the Board of Supervisors and forward copies to the Office of the State Auditor no later than October 15th of each fiscal year.

Inventory Clerk's Response

Inventory Clerk will file report by October 15th for the 2013 budget year.

Purchase Clerk / Board of Supervisors

All sole source purchases should be properly approved and spread on the board minutes.

3. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for the proceedings of the Board of Supervisors. A sole source purchase was made without a board order spread on the minutes. The failure to obtain approval of a sole source purchase could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should implement procedures to ensure that sole source purchases are properly approved and spread on the board minutes.

Board of Supervisors' Response

Kemper County will make sure sole source purchases are spread on the minutes.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Kemper County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Kemper 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, slightly slanted style.

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

January 24, 2014

KEMPER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Schedule 1

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

KEMPER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

KEMPER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/08/12	Memory Card; Smart Card-Voter Access; Encoder voter card	\$6,822.50	Election Systems and Software



**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
Kemper County, Mississippi

In planning and performing our audit of the financial statements of Kemper County, Mississippi for the year ended September 30, 2012, we considered Kemper 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 Kemper 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 January 24, 2014, on the financial statements of Kemper County, Mississippi.

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

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

Board of Supervisors

1. Cafeteria plan provider is not an approved provider.

Finding

Section 25-17-9, Miss. Code Ann. (1972), requires that all cafeteria plan providers must be approved by the State Auditor in order to provide administrative cafeteria plan benefits. During our audit, we noted that the provider used by the county was not on the 2012 approved list of cafeteria plan providers. The use of a non-approved provider could expose the county to unknown legal liabilities.

Recommendation

The Board of Supervisors should ensure that their cafeteria plan administrator has been approved by the State Auditor and is listed on the approved list of providers.

Board of Supervisors' Response

AFLAC will administer Kemper County's cafeteria plan beginning in May 2013.

2. State Treasurer's Report is not being reconciled to the bank statements quarterly.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public funds. However, the County is still required to perform certain duties related to the collateralization of public funds. As reported in the prior year's audit report, the county did not file an annual public depositor's report with the State Treasurer and bank statements are not being reconciled to the State Treasurer's report. Since the bank statements are not being reconciled to the State Treasurer's quarterly report and the annual depositor's report is not submitted, the county is not in compliance. Without reconciling the bank statements to the State Treasurer's reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Board of Supervisors should comply with state code and reconcile its bank statements with the State Treasurer's reports and submit the annual depositor's report with the State Treasurer.

Board of Supervisors' Response

2014 budget year will be reported on a quarterly basis.

3. Board of Supervisor's did not amend budget to actual at year end.

Finding

Section 19-11-11, Miss. Code Ann. (1972) states, the board of supervisors, not later than September 15th, shall then, by resolution, approve and adopt the budget as finally determined, and enter the same at length and in detail in its official minutes. Test work revealed that the county had multiple variances between the budgeted and actual cash basis revenues and expenditures at year end. Also, the final amended budget was not properly approved and spread on the minutes. Failure to accurately amend the county's budget could lead to disallowed expenditures, revenue shortfalls, and cash shortages.

Recommendation

The Board of Supervisors should comply with state code and accurately amend its final budget to include all actual revenues and expenditures.

Board of Supervisors' Response

Kemper County's 2013 budget will be actual and published in paper and recorded in minutes.

County Administrator

4. Interest income was not properly allocated among funds.

Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. The county only recorded interest earned from the county's combined checking account in the General, County Fire, Regional Jail, and Inmate Welfare funds instead of all funds from which the investment was made. Failure to prorate interest earned among funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The County Administrator should prorate the interest earned on the combined checking account among all funds that have cash in the checking account, as required by law.

County Administrator's Response

2014 budget year interest will be prorated to each fund according to fund balance.

Chancery Clerk

5. Board of Supervisors' minutes were not complete.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings. The board minutes were not complete in representation to the activity of the board proceedings throughout the year. Supporting documentation for approved board orders were not spread on the minutes. Incomplete board minutes are a misrepresentation of the year's activity along with noncompliance with state laws and regulations.

Recommendation

The Chancery Clerk should keep a complete record of all board minutes and supporting documentation for approved orders on the minutes such as bid and lease purchase documentation.

Chancery Clerk's Response

The Chancery Clerk will comply. The Chancery Clerk's office will ensure the maintaining of accurate records and documentations.

6. Multiple internal control weaknesses were noted in the Chancery Clerk's fee income accounting.

Finding

An effective system of internal control should include maintaining a proper fee journal, submitting the correct claim for payment of all statutory fees and the proper recording of them in the fee journal and other aspects of internal control related to the Chancery Clerk's fee income. During our test work we noted the following deficiencies in the Chancery Clerk's fee income accounting:

- a. Receipts are not being written or retained for fees collected over \$10.
- b. Daily deposits are not being made.
- c. Proper documentation for Schedule C expenses in the Clerk's fee journal is not being maintained.
- d. The fee journal is not being recorded properly. Entries to the fee journal are not properly detailed to show the type of revenues and expenses.
- e. Deposit slips are not detailed and could not be reconciled back to the daily collections.
- f. The Chancery Clerk was paid \$3,600 for restoration of records. However, a contract for this service did not exist between the Clerk and the Board of Supervisors.
- g. The Chancery Clerk was overpaid for homestead exemption service by \$43.51. Clerk was paid as if 219 new homestead applications were completed, but only 176 new applications were remitted.
- h. The Chancery Clerk was paid for 38 board meetings instead of the 37 accounted for, which, resulted in the overpayment of \$40 in fees.

Failure to maintain proper controls in the recording of the fee journal and other aspects of internal control in the Chancery Clerk's office could result in the loss of public funds.

Recommendation

The Chancery Clerk should reimburse the county in the amount of \$3,683.51 immediately, for overpayment of statutory fees associated with her fee journal. Also, the Clerk should take measures to ensure proper controls are established in her office related to her fee income accounting.

Chancery Clerk's Response

The Chancery Clerk will comply. The Chancery Clerk's office will ensure the maintaining of accurate records and documentations.

Auditor's Note:

On September 10, 2013, the clerk re-paid the County \$3,683.51 with check number 1533.

7. Weak internal controls were noted in land redemption accounting.

Finding

An effective system of internal control over land redemption funds should include adequate controls over the collection, custody, and settlement of these funds. A cash count on July 15, 2013 revealed a shortage of \$4,073.54 in the land redemption funds. Failure to implement adequate controls over the collection, custody, and settlement of land redemption funds could result in the loss of public funds.

Recommendation

The Chancery Clerk should establish adequate controls and procedures to account for land redemption collections and settlements. The Chancery Clerk should repay the shortage to the land redemption account immediately.

Chancery Clerk's Response

The land redemption cash count revealed a shortage because excess bids were being made to purchases from the land sale. The Kemper County Chancery Clerk no longer pays excess bids back to the purchasers. The Chancery Clerk was informed to include excess bids in settlement reports by the county's computer service provider. This was an erroneous error which was not intentional and has since been rectified. The Chancery Clerk has complied and all monies have been reimbursed to the Land Redemption account. The Chancery Clerk's office will ensure the maintaining of accurate records and documentation.

Auditor's Note:

On September 18, 2013, the Clerk deposited \$4,073.54 into the land redemption bank account.

Tax Assessor-Collector

8. Tax Collector did not make timely deposits.

Finding

Section 27-29-11, Miss. Code Ann. (1972), requires the Tax Collector to deposit all taxes into the county depository on the day after such taxes are collected or the next business day thereafter. The Tax Collector did not always make deposits within the time limits prescribed by this section. Failure to make timely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should make daily deposits of all taxes collected.

Tax Assessor-Collector's Response

The Tax Collector is keenly aware of the office procedures and will make a maximum effort to meet all deadlines and will adhere to all audit regulations.

9. Changes in assessed values are not being approved by the Board of Supervisors.

Finding

Section 27-35-149, Miss. Code Ann. (1972), states, no assessment shall be increased or decreased and no credit to or charge against the tax collector of any county on account of such increase or decrease shall be entered, except as shown by an order adopted by the board of supervisors as provided herein. All changes in assessment made under the provisions hereof shall be entered on the proper line and page of the assessment roll in force, and the clerk and tax collector shall keep the proper record of all such changes, increases or decreases. During our test work, we noted that changes in assessed values are not approved by the board and proper record is not kept of the changes by the Tax Collector to the tax roll. Failure to have the changes in assessed values approved by the Board of Supervisors and retain a proper listing of such changes could result in the loss of public funds.

Recommendation

The Tax Collector should distribute prescribed forms to taxpayers applying to change their assessed value and for the change to be approved by the Board of Supervisors and the Department of Revenue. We also suggest that the proper reports showing these changes be printed for each year and retained in the Tax Collector's office.

Tax Assessor-Collector's Response

In the future, assessment changes will be presented to the Board of Supervisor's for approval as they occur. The Tax Assessor and the deputy clerk will keep proper records of all such changes; increases and decreases. Reports showing these essential changes will also be printed each year and retained in the Tax Collector's office.

10. The Tax Collector did not prepare the distribution of funds report at September 30, 2012.

Finding

The Tax Collector must prepare a report at September 30th each year identifying the distributions of all funds held by the respective official in order to include these in the financial statements of the county. This report should specify the revenues that are due to the General Fund, other funds, state governments or others, and should be submitted to the Chancery Clerk by October 31st of each year. The Tax Collector did not prepare the distribution of funds report at September 30, 2012. By not preparing this report, there could be a risk of funds being misclassified in the financial statements.

Recommendation

In the future, the Tax Collector should prepare the report described above at September 30th of each year.

Tax Assessor/Collector's Response

The Tax Collector is accountable, and will keep fully abreast of all county and state procedure and regulations.

Circuit Clerk

11. Multiple weaknesses were noted in the internal control structure in Circuit Clerk's office.

Finding

An effective system of internal control should include properly maintaining a fee journal and reconciling bank statements to the fee journal monthly. However, during the test of the Circuit Clerk's fee journal, we noted the following deficiencies:

- a. Deposits are not being made daily.
- b. Fee journal is not being reconciled, footed, or cumulatively totaled. No ending cash balances or credit entries are recorded.
- c. Fee journal cannot be properly traced to the Annual Financial Report.
- d. On the Annual Financial Report, the clerk overstated revenues subject to salary limitation by \$3,852.80.
- e. Clerk receipts a "Miscellaneous Account" at the end of each month for copy and notary fees. These fees are deposited at the end of the month with no detailed record of who paid for the services.

Lack of effective internal controls in the accounting of the Circuit Clerk's fee journal could result in the loss or misappropriation of public funds.

Recommendation

Fee account deposits should be made daily when money is collected to ensure all fees collected are deposited. The fee journal should be totaled each month and cumulatively totaled throughout the year. Checks issued should be recorded as credit entries in order to obtain ending cash balances reconcilable to the fee account. All amounts reported on the annual financial report should be traceable to the Clerk's fee journal. The Clerk should keep a detailed listing of money received for copies and notaries.

Circuit Clerk's Response

- A. Will Comply.
- B. Fee journal tracking is now automated.
- C. Fee journal tracking is now automated.
- D. Circuit Clerk, does not agree with audit findings.
- E. Daily receipts for copies, etc. will be created in fee receipt book.

Auditor's Note:

The Circuit Clerk did not maintain her fee journal during the calendar year 2012. Per audit procedures the fee journal was recalculated and reflected \$3,852.80 less in payments received by the Circuit Clerk than what was reported on her annual report.

12. The Circuit Clerk did not prepare the distribution of funds report at September 30, 2012.

Finding

The Circuit Court Clerk must prepare a report at September 30th of each year identifying the distribution of all funds held by the respective official in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the General Fund, other funds state governments or others and should be submitted to the Chancery Clerk by October 31st of each year ended. The Circuit Clerk did not prepare the distribution of funds report at September 30, 2012. By not preparing this report, there could be a risk of funds being misclassified in the financial statements.

Recommendation

In the future, the Circuit Clerk should prepare the report described above at September 30th of each year.

Circuit Clerk's Response

Circuit Clerk will comply.

13. Controls over cash collections in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collection function in the Circuit Clerk's office was not adequately segregated for an effective internal control. The Circuit Clerk receipts cash, prepares deposit slips, takes deposits to the bank, posts to the cash journal, and signs the checks. Lack of segregation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Circuit Clerk's office or that there is external oversight over the operation of the Circuit Clerk's office.

Circuit Clerk's Response

The Circuit Clerk's office consists of two people, the Clerk and one deputy. It would be virtually impossible to segregate duties in an office of this size when attending to daily activities.

14. Weaknesses were noted in the Circuit Clerk's internal controls.

Finding

An effective system of internal control should include the maintaining of cash journals and reconciling bank statements to the cash journals. During our testing of internal controls related to cash in the Circuit Clerk's office, it was noted that:

- a. Criminal and Civil accounts are not being reconciled monthly. During our testing, a reconciling difference of \$5,802.40 was noted in the Criminal and Civil accounts.
- b. Criminal receipts do not include an itemized account as to the balance due, whether or not it is a partial or full payment and what fees are settled by the payment.

Failure to reconcile the bank statements to the cash journals and failure to itemize the receipts could result in the loss of public funds.

Recommendation

The Circuit Clerk should reconcile her Criminal and Civil cash accounts and itemize the criminal receipts.

Circuit Clerk's Response

I Circuit Clerk, contends that the monies listed above were unreconciled difference left in the Criminal and Civil accounts prior to taking office in January, 2012. Unless otherwise noted and detailed in Audit, all settlements are properly made monthly. Future demands for payments may reduce the unreconciled balances. Otherwise, all monies will remain in the accounts until Circuit Clerk, receives directions to disburse the funds to other sources.

Justice Court Clerk

15. The Justice Court Clerk did not prepare the distribution of funds report at September 30, 2012.

Finding

The Justice Court Clerk should prepare a report at September 30th of each year identifying the distribution of all funds held by the respective official in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the General Fund, other funds state governments or others and should be submitted to the Chancery Clerk by October 31st of each year ended. The Justice Court Clerk did not prepare the distribution of funds report at September 30, 2012. By not preparing this report, there could be a risk of funds being misclassified in the financial statements.

Recommendation

The Justice Court Clerk should prepare the report described above at September 30th of each year.

Justice Court Clerk's Response

I am the new Clerk and I am working to resolve these issues.

16. Multiple weaknesses were noted in the internal control structure in the Justice Court Clerk's office.

Finding

An effective system of internal control over the collection, recording, and disbursement of cash should include maintaining cash journals, and the proper supporting documentation. The following deficiencies were noted in the accounting for cash:

- a. The criminal cash journal, civil cash journal, and clearing cash journal were not reconciled to the corresponding bank accounts.
- b. Daily deposits are not being made.
- c. Daily deposit reports are not being reconciled to the deposits.
- d. Receipt books are not being retained.

Without adequate accounting records, inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should maintain cash journals and the supporting documentation. The cash journals should be reconciled to the bank accounts on a monthly basis. Daily deposits should be made and a daily deposit report should be reconciled to the deposits. The clerk should retain the carbon copies of the computer generated receipts.

Justice Court Clerk's Response

I am the new Clerk and I am working to resolve these issues.

17. Controls over cash collections in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. The cash collection function in the Justice Court Clerk's office was not adequately segregated for an effective internal control. Lack of segregation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Justice Court Clerk's office or that there is external oversight over the operation of the Justice Court Clerk's office.

Justice Court Clerk's Response

I am the new Clerk and I am working to resolve these issues.

Solid Waste Clerk.

18. Multiple internal control weaknesses were noted in the Solid Waste office.

Finding

An effective system of internal control over the collection, recording, and disbursement of funds should include individual cash drawers for each clerk and reconciliations of all cash accounts. During testing performed in the Solid Waste office, it was noted that multiple people including the County Administrator, the Comptroller, and the Solid Waste Clerk use one cash drawer to receipt collections in the Solid Waste office. Also, the Solid Waste Bank account was not being reconciled monthly. The lack of internal controls related to the collection, recording, reconciling, and disbursement of funds in the Solid Waste office could result in the loss of public funds.

Recommendation

Management should provide cash drawers for each clerk receipting money in the Solid Waste Office. The Solid Waste Clerk should deposit cash daily and reconcile the bank accounts monthly.

Solid Waste Clerk's Response

Solid Waste department will correct this problem and will reconcile bank statements.

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

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



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

January 24, 2014

KEMPER COUNTY

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KEMPER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

KEMPER COUNTY

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KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

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	Adverse
	General Fund	Qualified
	Countywide Road & Bridge Fund	Unqualified
	G.O. Road & Bridge Project Fund	Unqualified
	Regional Jail Fund	Unqualified
	Regional Jail Women’s Fund	Unqualified
	Aggregate remaining fund information	Unqualified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiency identified?	Yes
3.	Noncompliance material to the financial statements noted?	No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

12-1. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county’s component units to be reported with the financial data of the county’s primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county’s legally separate component units. The financial statements do not include the financial data for the county’s legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county’s financial statements.

Board of Supervisors’ Response

The County will make sure that in the next fiscal year that component units are included in the financial statements.

KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors.

Material Weakness

- 12-2. Investments were not accurately disclosed on the county's financial statements and note disclosures.

Finding

An effective system of internal control should include the proper classification of assets and their presentation in the financial statements. Investments in the amount of \$1,485,884 were not properly presented on the financial statements and were not disclosed in the related investment note. Failure to properly present and disclose investments in the financial statements and notes could result in material misstatements to the financial statements.

Recommendation

Management should ensure the correct presentation and disclosure in investments in the financial statements.

Board of Supervisors' Response

Kemper County will be in compliance for 2013 budget year.

Board of Supervisors.

Material Weakness

- 12-3. Controls over solid waste accounts receivable should be strengthened.

Finding

An effective system of internal controls over accounts receivable should include assurance that all receivables due to the county at the close of the fiscal year are booked as a receivable at year end and management has properly approved the allowance for doubtful accounts. Our test work indicated that the County failed to include inactive accounts in the Solid Waste accounts receivable and the allowance for doubtful accounts was not properly authorized by management. This resulted in the Solid Waste accounts receivable being materially understated by \$238,412. Adjustments were proposed by the auditor and made with management's approval to correct this understatement. The failure to properly calculate and record all accounts due the county at year-end could result in material misstatements being reported in the financial statements.

Recommendation

All accounts due to the county at year-end should be included in the calculation of accounts receivable and the related allowance account should be approved by management.

Board of Supervisors' Response

Kemper County will be in compliance for 2013 budget year.

KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors.

Material Weakness

- 12-4. The County should maintain adequate capital asset subsidiary records.

Finding

An effective system of internal control should include adequate subsidiary records documenting the existence, completeness, and valuation of governmental activities' capital assets as well as the depreciation of these assets. As reported in the prior years' audit report, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's capital assets including construction-in-progress, infrastructure and for documenting depreciation on the County's capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the Governmental Activities. The failure to maintain an accurate inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The County should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, records should be maintained documenting construction in progress.

Board of Supervisor's Response

Inventory Clerk will be in compliance for the 2013 budget. Records will be provided by the County Engineer.

Circuit Clerk.

Material Weakness

- 12-5. Fines receivable were not properly documented in financial statements.

Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors. Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable at the fiscal year end. The Independent Auditor's report is qualified on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable.

Recommendation

The Circuit Clerk should establish procedures documenting the existence and valuation of Circuit Court fines receivable, including the aging schedules for the fines receivables and also have the allowance for uncollectible accounts approved by the Board of Supervisors at the end of each fiscal year.

Circuit Clerk's Response

Circuit Clerk, will comply.

KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Tax Assessor/Collector.

Significant Deficiency

12-6. Tax Collector is not making accurate settlements to the County.

Finding

An effective system of internal control should include accurate settlement of funds collected and reconciling any differences noted in settlements. It was noted that the calculations for the Tax Collector's auto settlements were being performed manually and did not agree to the tag collections report provided by Delta Computer Systems. The differences of the settlement and collections are not being reconciled and the tax collector was holding an overage of \$11,150 in her bank account at September 30, 2012. Failure to establish and maintain effective internal controls over the settlement process could result in the loss of public funds and cause cash shortages to the general government.

Recommendation

The Tax Collector should implement internal controls to ensure the settlement process is completed accurately and employees are adequately trained to fulfill their duties.

Tax Assessor/Collector's Response

The overage that is in the Tax Collector's bank account noted by auditors has been re-reconciled, settled and paid in full to the county.

Auditor's Note

This overage was settled in the August 2013 monthly settlement.

Justice Court Clerk.

Material Weakness

12-7. Fines Receivable were not accurately documented in the financial statements.

Finding

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors. Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable at the fiscal year end. The Independent Auditor's report is qualified for the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedules for the fines receivables and also have the allowance for uncollectible accounts approved by the Board of Supervisors at the end of each fiscal year.

Justice Court Clerk's Response

I am the new Clerk and I am working to resolve these issues.

KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Board of Supervisors.

Material Weakness

12-8. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of restricted net assets and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Due to an outstanding revenue bond issued regarding the Regional Jail, all revenues received are pledged and held in investments until payment on the bond. The restricted investments in the amount of \$1,485,884 were misclassified as cash.
- b. Solid Waste user fees were not properly accrued to accurately account for the all outstanding accounts. This error resulted in the Accounts Receivable (net) being understated in the amount of \$101,403 for Other Enterprise Fund (Solid Waste Fund) and Business-Type activities.
- c. Intergovernmental revenues received were misclassified as miscellaneous revenues affecting the Governmental Activities, Business-Type Activities, General Fund, Other Aggregate funds, and Other Enterprise fund opinion units. This error resulted in intergovernmental revenues being understated in Governmental Activities by \$ 231,058 the General Fund by \$ 201,558, Other Aggregate funds by \$29,500, Business-Type Activities by \$17,792 and Other Enterprise funds by \$17,792.
- d. In the prior year the county made an adjustment to write off the Trans Tech loan receivable in the amount of \$207,632 and to remove the related allowance account from the books. Although no net effect was made to the financial statements, these adjustments are considered donations by the Mississippi constitution and therefore are illegal.
- e. In the Regional Jail Fund, Other Income was overstated by \$338,705, other revenue accounts were understated by \$81,245, expenses were overstated by \$257,460. Due to the material errors found in the Regional Jail Fund and the many erroneous adjustments recorded by the county, the financial statements for this opinion unit were recompiled.
- f. In the Regional Jail – Women's Fund expenses were understated by \$65,306. Due to the material errors found in the Regional Jail – Women's Fund and the many erroneous adjustments recorded by the county, the financial statements for this opinion unit were recompiled.
- g. Intergovernmental receivables were not booked in the General Fund and also in Other Aggregate Funds. The result of this error understated intergovernmental receivables in the General Fund by \$8,144 and \$4,500 in Other Aggregate Funds.
- h. The compensated absences liability was misstated in the Governmental Activities, Business-Type Activities, Regional Jail Fund and Other Enterprise Fund opinion units. The result of this error overstated the liability by \$19,292; \$12,010; \$10,446; & \$1,565 in the Governmental Activities, Business-Type Activities, Regional Jail-Men's, and Other Aggregate funds opinion units respectively.

KEMPER COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

- i. Notes to the financial statements did not adequately disclose accounting changes implemented by the county during the fiscal year.

Audit adjustments to correct these errors in the county's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures/expenses, proper classification of revenues and expenditures/expenses, proper posting of transactions, proper classification of net assets and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisor's Response

The Board of Supervisors will make every effort to comply with the general accounting principles.