

KEMPER COUNTY, MISSISSIPPI

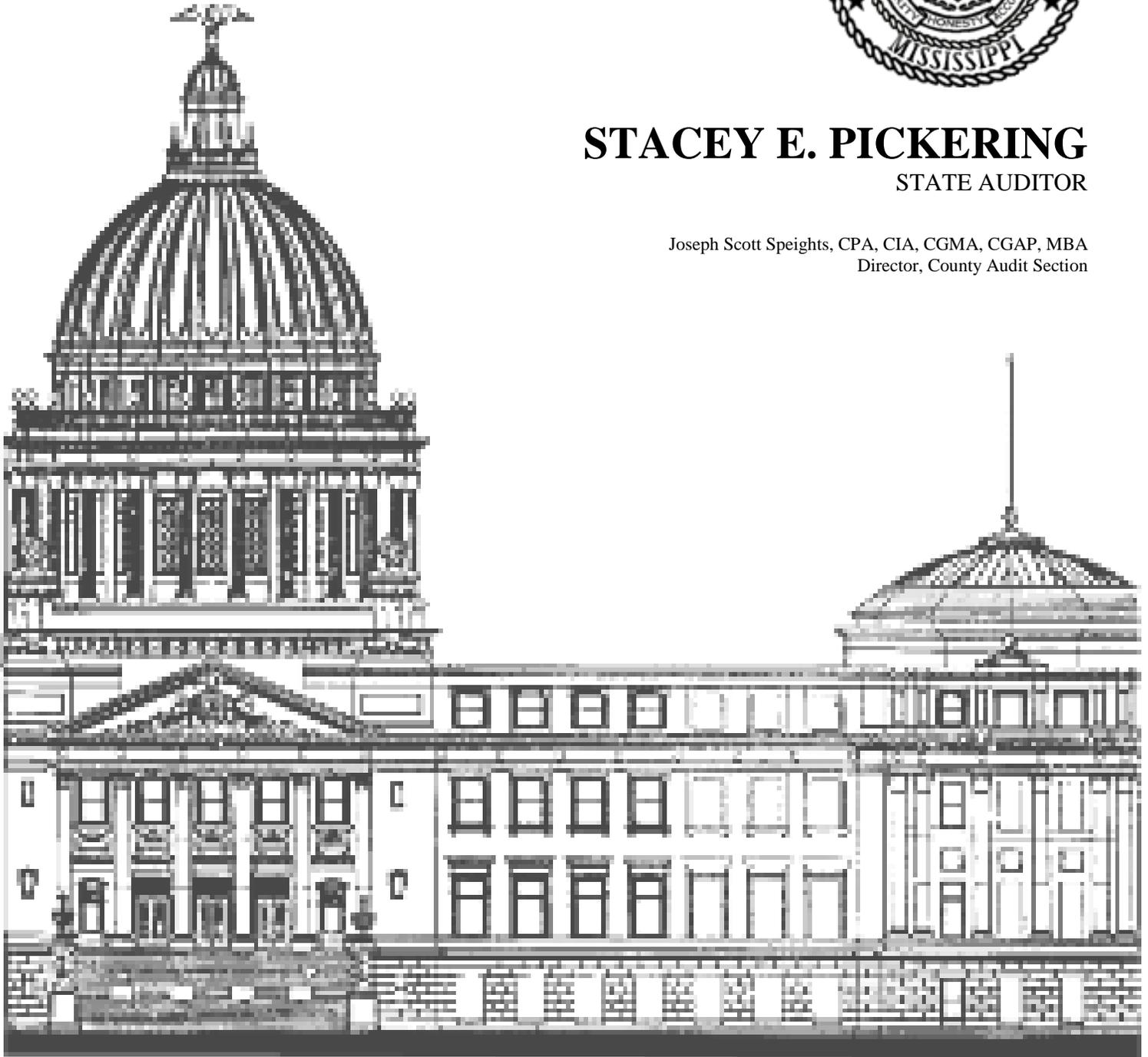
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013



STACEY E. PICKERING

STATE AUDITOR

Joseph Scott Speights, CPA, CIA, CGMA, 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

June 24, 2015

Members of the Board of Supervisors
Kemper County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 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

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Kemper County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities and General Fund

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 Circuit Clerk or the aging of the 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 in the General Fund at \$72,154, as of September 30, 2013. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as the fair presentation of the related transactions of the General Fund.

Qualified Opinions

Also, in our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities and General Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of Kemper County, Mississippi, as of September 30, 2013, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, 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, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, 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.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kemper County, Mississippi's internal control over financial reporting and compliance.



J. SCOTT SPEIGHTS, CPA
Director, County Audit Section

June 24, 2015

KEMPER COUNTY

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KEMPER COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

(UNAUDITED)

KEMPER COUNTY

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KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

INTRODUCTION

The discussion and analysis of Kemper County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2013. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Kemper County is located in East Mississippi along Highway 16. The population, according to the 2010 census, is 10,456. The local economic base is driven by retail, industrial, and service.

FINANCIAL HIGHLIGHTS

Kemper County remains financially stable. The County, through the Board of Supervisors and County Administrator's Office continues to excel in fiscal management by employing sound financial planning, disciplined budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

There was an increase in expenses of \$1,701,422 from the prior year.

Total net position decreased \$232,891, which includes a prior period adjustment of \$204,169. This represents a 1.91% decrease from the prior fiscal year.

The County had \$7,955,896 in total governmental activities revenues, which represents an increase of \$1,447,885 or a 22% increase from the prior year. Property tax revenues account for \$5,347,416 or 67% of total revenues. Revenues in the form of revenues operating and capital grants and contributions accounted for \$1,294,332 or 16% of total revenues. Revenues in the form of charges for service accounted for \$178,277 or 2% of total revenues.

The County had \$8,822,119 in total governmental fund expenditures, which represents an increase of \$866,909 or 11% increase from the prior fiscal year.

Among major funds, the General Fund had \$3,764,619 in revenues and \$3,821,622 in expenditures. The General Fund's fund balance increased \$811,523 over the prior year, which includes a prior period adjustment of \$16,216.

Capital assets, net of accumulated depreciation, decreased by \$297,462 over the prior year.

Long-term debt decreased by \$592,442.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basis financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements. 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplemental Information is included in addition to the basic financial statements.

Figure 1 - Required Components of the County's Annual Report

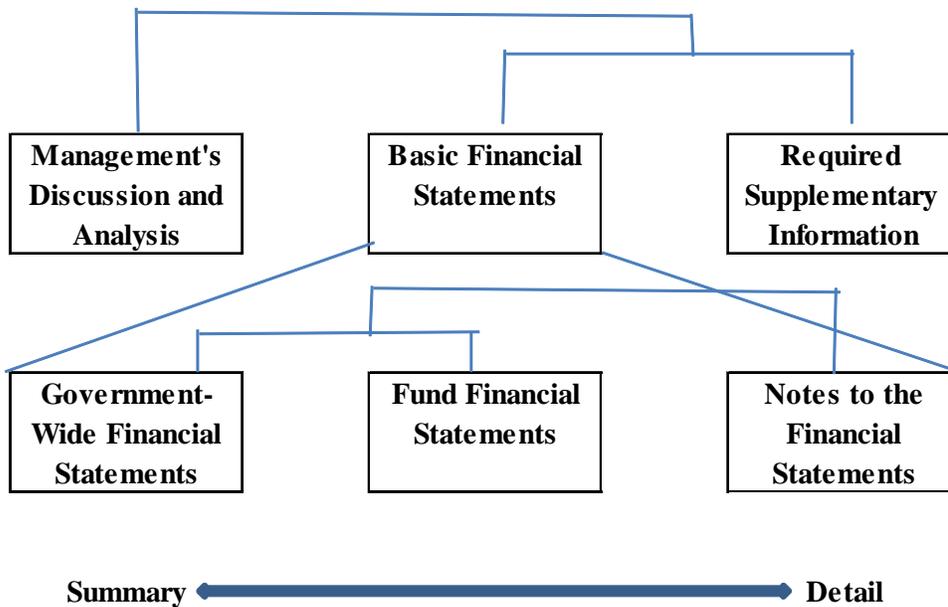


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net position ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net position ● Statement of revenues, expenses and changes in net position ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenues, debt service, and capital project funds.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

Proprietary 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 funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 29 of this report.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are not included in this report; however, we expect them to be included in the Audit Report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 51 through 52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net position may serve over time as a useful indicator of government's financial position. In the case of Kemper County, assets exceeded liabilities by \$11,945,680 as of September 30, 2013, of which \$7,991,153 was governmental activities and \$3,954,527 was business-type activities.

The largest portion of the County's net position, 61% reflects its net investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position at September 30, 2013, as compared to September 30, 2012.

	<u>Total Primary Government</u>	
	<u>Governmental & Business-type</u>	
	<u>Activities</u>	
	<u>2013</u>	<u>2012</u>
Current Assets	\$ 12,102,884	11,297,849
Non-Current Assets	<u>17,249,071</u>	<u>17,546,533</u>
Total Assets	<u>\$ 29,351,955</u>	<u>28,844,382</u>
Current Liabilities	7,379,419	6,064,580
Long-term Debt outstanding	<u>10,026,856</u>	<u>10,601,231</u>
Total Liabilities	<u>\$ 17,406,275</u>	<u>16,665,811</u>
Net Position:		
Net Investment in Capital Assets	7,345,043	7,050,063
Restricted	2,991,318	3,875,512
Unrestricted	<u>1,609,319</u>	<u>1,252,996</u>
Total Net Position	<u>\$ 11,945,680</u>	<u>12,178,571</u>

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

Changes in Net Position - Kemper County's total governmental activities revenues for the fiscal year ended September 30, 2013 were \$7,955,896. The total cost for all governmental activities services provided was \$8,373,907. The decrease in net position was \$(418,011). The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2013, as compared to fiscal year September 30, 2012.

	Governmental Activities	
	2013	2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 178,277	465,153
Operating Grants and Contributions	702,551	849,434
Capital Grants and Contributions	591,781	308,241
General Revenues:		
Property Taxes	5,347,416	3,926,323
Road and Bridge Privilege Taxes	105,223	103,287
Unrestricted Grants	313,814	316,997
Other Revenue	716,834	538,576
Total Revenues	<u>7,955,896</u>	<u>6,508,011</u>
Expenses:		
General Government	2,075,066	2,079,678
Public Safety	1,777,402	1,552,143
Public Works	377,720	249,685
Health and Welfare	237,117	263,830
Culture and Recreation	46,739	54,491
Conservation of Natural Resources	90,217	82,783
Economic Development	221,051	337,685
Interest on Long-Term Debt	148,408	96,075
Total Expenses	<u>8,373,207</u>	<u>6,963,542</u>
Increase (Decrease) in Net Position	<u>\$ (418,011)</u>	<u>(455,531)</u>

Governmental Activities - The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development, and Interest on Long-term debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Kemper County's taxpayers by each of these functions.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

	2013		2012	
	Total Costs	Net Costs	Total Costs	Net Costs
General Government	\$ 2,075,766	(1,983,265)	2,079,678	(1,495,857)
Public Safety	1,777,402	(1,538,505)	1,552,143	(1,364,075)
Public Works	3,777,207	(2,707,209)	2,496,857	(1,801,014)
Health and Welfare	237,117	(230,904)	263,830	(251,036)
Culture and Recreation	46,739	(46,739)	54,491	(54,491)
Conservation of Natural Resources	90,217	(65,217)	82,783	(82,783)
Economic Development	221,051	(181,051)	337,685	(195,383)
Interest on Long-term Debt	<u>148,408</u>	<u>(148,408)</u>	<u>96,075</u>	<u>(96,075)</u>
Total	<u>\$ 8,373,907</u>	<u>(6,901,298)</u>	<u>6,963,542</u>	<u>(5,340,714)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds - At the close of the fiscal year, Kemper County's governmental funds reported a combined fund balance of \$3,081,885, a decrease of \$(325,421). The primary reason for this decrease is highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$811,523, which includes a prior period adjustment of \$16,216.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Kemper County revised its annual operating budget on several occasions. At the end of the fiscal year, Kemper County amended its budget to reflect actual revenues received and expenditures made.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2013, Kemper County's total capital assets were \$17,249,071. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital leases.

Total accumulated depreciation as of September 30, 2013 was \$7,175,680, including \$769,376 of depreciation expense for the year.

Additional information on Kemper County's capital assets can be found in Note 8 on Page 40 of this report.

Debt Administration - At September 30, 2013, Kemper County had \$10,026,856 in long-term debt outstanding. This includes general obligation bonds, other loans, compensated absences and obligations under capital leases. Of this debt, \$1,574,152 is due within one year.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit.

LONG-TERM DEBT ANALYSIS

Additional information on Kemper County's long-term debt can be found in Note 11 on page 43 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional information, please contact the Kemper County Administrator's office at 14062 Highway 16W, Dekalb, MS 39328.

KEMPER COUNTY

FINANCIAL STATEMENTS

KEMPER COUNTY

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KEMPER COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,796,478	37,026	3,833,504
Restricted Assets - Investments		1,561,513	1,561,513
Property tax receivable	5,958,300	289,025	6,247,325
Accounts receivable (net of allowance for uncollectibles of \$481,223)		206,238	206,238
Fines receivable (net of allowance for uncollectibles of \$391,548)	72,154		72,154
Loans receivable	16,753		16,753
Intergovernmental receivables	42,795		42,795
Other receivables	704		704
Internal balances	116,837	(116,837)	0
Deferred charges - bond issuance cost	121,898		121,898
Capital assets:			
Land and construction in progress	474,884		474,884
Other capital assets, net	9,088,182	7,686,005	16,774,187
Total Assets	19,688,985	9,662,970	29,351,955
LIABILITIES			
Claims payable	748,089	136,146	884,235
Intergovernmental payables	54,999		54,999
Accrued interest payable	54,802	36,909	91,711
Deferred revenue	5,958,300	289,025	6,247,325
Unearned revenue		12,555	12,555
Amounts held in custody for others	88,594		88,594
Long-term liabilities			
Due within one year:			
Capital debt	925,962	648,190	1,574,152
Due in more than one year:			
Capital debt	3,799,752	4,530,124	8,329,876
Non-capital debt	67,334	55,494	122,828
Total Liabilities	11,697,832	5,708,443	17,406,275
NET POSITION			
Net investment in capital assets	4,837,352	2,507,691	7,345,043
Restricted for:			
Expendable:			
General government	66,467		66,467
Public safety	147,363	1,407,824	1,555,187
Public works	1,291,156	68,280	1,359,436
Economic development and assistance	1,064		1,064
Debt service	9,164		9,164
Unrestricted	1,638,587	(29,268)	1,609,319
Total Net Position	\$ 7,991,153	3,954,527	11,945,680

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

KEMPER COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,075,766	84,293	8,208		(1,983,265)		(1,983,265)
Public safety	1,777,402	93,984	84,270	60,643	(1,538,505)		(1,538,505)
Public works	3,777,207		538,860	531,138	(2,707,209)		(2,707,209)
Health and welfare	237,117		6,213		(230,904)		(230,904)
Culture and recreation	46,739				(46,739)		(46,739)
Conservation of natural resources	90,217		25,000		(65,217)		(65,217)
Economic development and assistance	221,051		40,000		(181,051)		(181,051)
Interest on long-term debt	148,408				(148,408)		(148,408)
Total Governmental Activities	<u>8,373,907</u>	<u>178,277</u>	<u>702,551</u>	<u>591,781</u>	<u>(6,901,298)</u>		<u>(6,901,298)</u>
Business-type activities:							
Regional Jail	3,685,085	4,154,387				469,302	469,302
Regional Jail Women's	67,904					(67,904)	(67,904)
Solid Waste	471,793	306,774	7,000			(158,019)	(158,019)
Total Business-type Activities	<u>4,224,782</u>	<u>4,461,161</u>	<u>7,000</u>	<u>0</u>		<u>243,379</u>	<u>243,379</u>
Total Primary Government	\$ <u>12,598,689</u>	<u>4,639,438</u>	<u>709,551</u>	<u>591,781</u>	<u>(6,901,298)</u>	<u>243,379</u>	<u>(6,657,919)</u>
General revenues:							
Property taxes					\$ 5,347,416	241,805	5,589,221
Road & bridge privilege taxes					105,223		105,223
Grants and contributions not restricted to specific programs					313,814		313,814
Unrestricted interest income					10,824	260	11,084
Miscellaneous					597,281	12,574	609,855
Transfers					108,729	(108,729)	0
Total General Revenues and Transfers					<u>6,483,287</u>	<u>145,910</u>	<u>6,629,197</u>
Changes in Net Position					<u>(418,011)</u>	<u>389,289</u>	<u>(28,722)</u>
Net Position - Beginning, as previously reported					8,613,333	3,565,238	12,178,571
Prior period adjustments					(204,169)		(204,169)
Net Position - Beginning, as restated					<u>8,409,164</u>	<u>3,565,238</u>	<u>11,974,402</u>
Net Position - Ending					\$ <u>7,991,153</u>	<u>3,954,527</u>	<u>11,945,680</u>

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

KEMPER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2013

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road & Bridge Fund	G.O. Road and Bridge Project Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 1,632,382	74,686	1,616,852	472,558	3,796,478
Property tax receivable	3,271,466	2,394,580		292,254	5,958,300
Fines receivable (net of allowance for uncollectibles of \$391,548)	72,154				72,154
Loans receivable				16,753	16,753
Intergovernmental receivables	38,295			4,500	42,795
Other receivables	704				704
Due from other funds	576,865	26,804		2,583	606,252
Advances to other funds	5,615				5,615
Total Assets	<u>\$ 5,597,481</u>	<u>2,496,070</u>	<u>1,616,852</u>	<u>788,648</u>	<u>10,499,051</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 141,702	55,948	477,500	72,939	748,089
Intergovernmental payables	53,227				53,227
Due to other funds	33,196	463,606			496,802
Deferred revenue	3,343,620	2,394,580		292,254	6,030,454
Amounts held in custody for others	88,594				88,594
Total Liabilities	<u>3,660,339</u>	<u>2,914,134</u>	<u>477,500</u>	<u>365,193</u>	<u>7,417,166</u>
Fund balances:					
Nonspendable:					
Advances	5,615				5,615
Restricted for:					
General government				66,467	66,467
Public safety				147,363	147,363
Public works			1,139,352	151,804	1,291,156
Economic development and assistance				1,064	1,064
Debt service				63,966	63,966
Unassigned	1,931,527	(418,064)		(7,209)	1,506,254
Total Fund Balances	<u>1,937,142</u>	<u>(418,064)</u>	<u>1,139,352</u>	<u>423,455</u>	<u>3,081,885</u>
Total Liabilities and Fund Balances	<u>\$ 5,597,481</u>	<u>2,496,070</u>	<u>1,616,852</u>	<u>788,648</u>	<u>10,499,051</u>

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

KEMPER COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,081,885
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,820,468.	9,563,066
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	72,154
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,793,048)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(54,802)
Deferred charges - bond issuance costs	<u>121,898</u>
Total Net Position - Governmental Activities	\$ <u><u>7,991,153</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road & Bridge Fund	G.O. Road & Bridge Project Fund		
REVENUES					
Property taxes	\$ 2,978,923	2,105,617		262,876	5,347,416
Road and bridge privilege taxes		105,223			105,223
Licenses, commissions and other revenue	57,428			4,064	61,492
Fines and forfeitures	166,016				166,016
Intergovernmental revenues	379,479	600,357		628,310	1,608,146
Charges for services				93,984	93,984
Interest income	10,135			689	10,824
Miscellaneous revenues	172,638	15,717		408,926	597,281
Total Revenues	<u>3,764,619</u>	<u>2,826,914</u>	<u>0</u>	<u>1,398,849</u>	<u>7,990,382</u>
EXPENDITURES					
Current:					
General government	2,061,830			2,109	2,063,939
Public safety	1,271,111			464,654	1,735,765
Public works		2,360,683	796,427	520,233	3,677,343
Health and welfare	222,670				222,670
Culture and recreation	39,457			3,803	43,260
Conservation of natural resources	90,217				90,217
Economic development and assistance	113,499			66,416	179,915
Debt service:					
Principal	20,839	408,991		262,682	692,512
Interest	1,999	36,102		78,397	116,498
Total Expenditures	<u>3,821,622</u>	<u>2,805,776</u>	<u>796,427</u>	<u>1,398,294</u>	<u>8,822,119</u>
Excess of Revenues over (under) Expenditures	<u>(57,003)</u>	<u>21,138</u>	<u>(796,427)</u>	<u>555</u>	<u>(831,737)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	264,124	130,000			394,124
Transfers in	588,186				588,186
Transfers out		(463,606)		(15,851)	(479,457)
Total Other Financing Sources and Uses	<u>852,310</u>	<u>(333,606)</u>	<u>0</u>	<u>(15,851)</u>	<u>502,853</u>
Net Changes in Fund Balances	<u>795,307</u>	<u>(312,468)</u>	<u>(796,427)</u>	<u>(15,296)</u>	<u>(328,884)</u>
Fund Balances - Beginning, as previously reported	1,125,619	(92,843)	1,935,779	438,751	3,407,306
Prior period adjustments	16,216	(12,753)			3,463
Fund Balances - Beginning, as restated	<u>1,141,835</u>	<u>(105,596)</u>	<u>1,935,779</u>	<u>438,751</u>	<u>3,410,769</u>
Fund Balances - Ending	<u>\$ 1,937,142</u>	<u>(418,064)</u>	<u>1,139,352</u>	<u>423,455</u>	<u>3,081,885</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, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (328,884)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$572,636 exceeded capital outlays of \$375,880 in the current period.	(196,756)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss.	(4,463)
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.	(143,215)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$692,512 exceeded debt proceeds of \$394,124.	298,388
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amortization of bond issuance costs.	(6,589)
The amount of increase in compensated absences liability.	(11,171)
The amount of increase in accrued interest payable.	<u>(25,321)</u>
Change in Net Position of Governmental Activities	\$ <u><u>(418,011)</u></u>

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

KEMPER COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Regional Jail Fund	Regional Jail - Women's Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash	\$ 21,834		15,192	37,026
Restricted Assets - Investments	1,561,513			1,561,513
Property tax receivable			289,025	289,025
Accounts receivable (net of allowance for uncollectibles of \$481,223)			206,238	206,238
Due from other funds			2,037	2,037
Total Current Assets	<u>1,583,347</u>	<u>0</u>	<u>512,492</u>	<u>2,095,839</u>
Noncurrent assets:				
Capital assets:				
Other capital assets, net	4,449,597	3,055,710	180,698	7,686,005
Total Noncurrent Assets	<u>4,449,597</u>	<u>3,055,710</u>	<u>180,698</u>	<u>7,686,005</u>
Total Assets	<u>6,032,944</u>	<u>3,055,710</u>	<u>693,190</u>	<u>9,781,844</u>
LIABILITIES				
Current liabilities:				
Claims payable	119,825		16,321	136,146
Due to other funds			113,259	113,259
Advances from other funds			5,615	5,615
Accrued interest payable	7,641	29,268		36,909
Deferred revenue			289,025	289,025
Unearned revenue			12,555	12,555
Capital debt:				
Capital leases payable			28,190	28,190
Other long-term liabilities	410,000	210,000		620,000
Total Current Liabilities	<u>537,466</u>	<u>239,268</u>	<u>464,965</u>	<u>1,241,699</u>
Noncurrent liabilities:				
Capital debt:				
Capital leases payable			70,124	70,124
Other long-term liabilities	2,115,000	2,345,000		4,460,000
Non-capital debt:				
Compensated absences payable	48,057		7,437	55,494
Total Noncurrent Liabilities	<u>2,163,057</u>	<u>2,345,000</u>	<u>77,561</u>	<u>4,585,618</u>
NET POSITION				
Net investment in capital assets	1,924,597	500,710	82,384	2,507,691
Restricted for:				
Public safety	1,407,824			1,407,824
Public works			68,280	68,280
Unrestricted		(29,268)		(29,268)
Total Net Position	<u>\$ 3,332,421</u>	<u>471,442</u>	<u>150,664</u>	<u>3,954,527</u>

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

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds			Totals
	Major Funds			
	Regional Jail Fund	Regional Jail - Women's Fund	Solid Waste Fund	
Operating Revenues				
Charges for services	\$ 4,154,387		306,774	4,461,161
Miscellaneous	24,056			24,056
Total Operating Revenues	<u>4,178,443</u>	<u>0</u>	<u>306,774</u>	<u>4,485,217</u>
Operating Expenses				
Personal services	2,038,278		279,582	2,317,860
Contractual services	1,020,936		51,134	1,072,070
Materials and supplies	314,672		114,540	429,212
Depreciation expense	107,890	67,904	20,946	196,740
Indirect administrative cost			4,530	4,530
Total Operating Expenses	<u>3,481,776</u>	<u>67,904</u>	<u>470,732</u>	<u>4,020,412</u>
Operating Income (Loss)	<u>696,667</u>	<u>(67,904)</u>	<u>(163,958)</u>	<u>464,805</u>
Nonoperating Revenues (Expenses)				
Property tax			241,805	241,805
Interest income	259		1	260
Intergovernmental grants			7,000	7,000
Gain (loss) on sale of capital assets			(14,043)	(14,043)
Interest expense	(107,821)	(92,927)	(1,061)	(201,809)
Net Nonoperating Revenue (Expenses)	<u>(107,562)</u>	<u>(92,927)</u>	<u>233,702</u>	<u>33,213</u>
Net Income (Loss) Before Transfers	589,105	(160,831)	69,744	498,018
Transfers in		300,488		300,488
Transfers out	(300,488)		(108,729)	(409,217)
Changes in Net Position	<u>288,617</u>	<u>139,657</u>	<u>(38,985)</u>	<u>389,289</u>
Net Position - Beginning	<u>3,043,804</u>	<u>331,785</u>	<u>189,649</u>	<u>3,565,238</u>
Net Position - Ending	<u>\$ 3,332,421</u>	<u>471,442</u>	<u>150,664</u>	<u>3,954,527</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, 2013

Exhibit 7

	Business-type Activities - Enterprise Funds			Totals
	Major Funds			
	Regional Jail Fund	Regional Jail - Women's Fund	Solid Waste Fund	
Cash Flows From Operating Activities				
Receipts from customers	\$ 4,154,387		296,770	4,451,157
Payments to suppliers	(1,308,284)		(165,674)	(1,473,958)
Payments to employees	(2,034,327)		(282,802)	(2,317,129)
Other operating cash receipts	24,056			24,056
Net Cash Provided (Used) by Operating Activities	<u>835,832</u>	<u>0</u>	<u>(151,706)</u>	<u>684,126</u>
Cash Flows From Noncapital Financing Activities				
Intergovernmental grants received			7,000	7,000
Cash received from property taxes			241,805	241,805
Cash received from other funds:				
Operating transfers in		300,488		300,488
Loans from other funds			113,259	113,259
Interfund loan repayments			1,294	1,294
Interest expense	95,488			95,488
Cash paid to other funds:				
Operating transfers out	(300,488)		(108,729)	(409,217)
Loans made to other funds			(2,037)	(2,037)
Interfund loan repayments			(70,000)	(70,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(205,000)</u>	<u>300,488</u>	<u>182,592</u>	<u>278,080</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds of long-term debt			114,540	114,540
Acquisition and construction of capital assets			(114,540)	(114,540)
Principal paid on long-term debt	(395,000)	(205,000)	(16,226)	(616,226)
Interest paid on debt	(200,020)	(95,488)	(1,061)	(296,569)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(595,020)</u>	<u>(300,488)</u>	<u>(17,287)</u>	<u>(912,795)</u>
Cash Flows From Investing Activities				
Interest on deposits	259		1	260
Net Cash Provided (Used) by Investing Activities	<u>259</u>	<u>0</u>	<u>1</u>	<u>260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	36,071	0	13,600	49,671
Cash and Cash Equivalents at Beginning of Year	<u>1,547,276</u>		<u>1,592</u>	<u>1,548,868</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,583,347</u>	<u>0</u>	<u>15,192</u>	<u>1,598,539</u>

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Funds			
	Major Funds			Totals
	Regional Jail Fund	Regional Jail - Women's Fund	Solid Waste Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 696,667	(67,904)	(163,958)	464,805
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	107,890	67,904	20,946	196,740
Provision for uncollectible accounts			33,279	33,279
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			(44,587)	(44,587)
Increase (decrease) in claims payable	27,324		(1,635)	25,689
Increase (decrease) in compensated absences liability	3,951		2,945	6,896
Increase (decrease) in unearned revenue			1,304	1,304
Total Adjustments	<u>139,165</u>	<u>67,904</u>	<u>12,252</u>	<u>219,321</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>835,832</u>	<u>0</u>	<u>(151,706)</u>	<u>684,126</u>

Noncash Capital Financing Activity:

Kemper County lease purchased mobile equipment for \$114,540 for 4 years at 1.69% interest.

Principal payments of \$16,226 were made on the lease during the year.

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

KEMPER COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 375,678
Due from other funds	<u>1,772</u>
Total Assets	<u><u>\$ 377,450</u></u>
LIABILITIES	
Amounts held in custody for others	359,463
Intergovernmental payables	<u>\$ 17,987</u>
Total Liabilities	<u><u>\$ 377,450</u></u>

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

KEMPER COUNTY

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KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(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 units which have significant operational or financial relationships 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 accordance 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 Position 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 Position 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 Position 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, 2013

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. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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 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 and report all financial resources not accounted for and reported in another fund.

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.

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.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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 the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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. 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 adequate records documenting the County's construction in progress, infrastructure, and for documenting depreciation on applicable 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.

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.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

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

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

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

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 Position.

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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.

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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 and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

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

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

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

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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.

O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities:

Explanation	Amount
To adjust long-term liabilities to include loans held for Trans Tech and the associated loans receivable at 9/30/13.	\$ (207,632)
To correct cash balance for Countywide Road & Bridge Fund due to Road and Bridge privilege tax being receipted into the wrong fund.	(12,753)
To correct Justice Court cash balance at 9/30/13.	16,216
Total prior period adjustments	\$ <u>(204,169)</u>

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

Explanation	Amount
To correct cash balance for Countywide Road & Bridge Fund due to Road and Bridge privilege tax being receipted into the wrong fund.	\$ (12,753)
To correct Justice Court cash balance at 9/30/13.	16,216
Total prior period adjustments	\$ <u>3,463</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$4,209,182, and the bank balance was \$4,338,453. 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, 2013, 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	\$ 1,561,513	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 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 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, 2013

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Countywide Road and Bridge Fund	\$ 463,606
General Fund	Solid Waste Fund	113,259
Countywide Road & Bridge Fund	General Fund	26,804
Other Governmental Funds	General Fund	2,583
Solid Waste Fund	General Fund	2,037
Agency Funds	General Fund	1,772
Total		\$ 610,061

The receivables represent operating loans and tax revenue collected in September, 2013, but not settled until October, 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste Fund	\$ 5,615

The purpose of the advances was indirect costs associated with garbage collection totaling \$5,615. All advances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Countywide Road & Bridge Fund	\$ 463,606
General Fund	Solid Waste Fund	108,729
General Fund	Other Governmental Funds	15,851
Regional Jail Women's Fund	Regional Jail Fund	300,488
Total		\$ 888,674

The principal purpose of interfund transfers was to provide funds for escrow or debt service payments. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 38,295
Triad Grant	4,500
Total Governmental Activities	\$ 42,795

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Pharma Pac	06/27/2003	0.05%	12/1/2013	\$ 16,753
Trans Tech	10/15/2002	3.00%	3/1/2010	207,632
Total				<u>224,385</u>
Less: Allowance for doubtful accounts*				<u>(207,632)</u>
Net Loans Receivable				\$ <u><u>16,753</u></u>

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

(7) Restricted Assets.

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

Revenue fund	\$ 617,238
General account	41,811
Debt service reserve fund	402,164
Depreciation and operating reserve fund	<u>500,300</u>
Total restricted assets	\$ <u><u>1,561,513</u></u>

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 474,884				474,884
Total non-depreciable capital assets	<u>474,884</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>474,884</u>
Depreciable capital assets:					
Infrastructure	4,665,266				4,665,266
Buildings	4,017,238				4,017,238
Mobile equipment	4,002,139	154,900	32,952		4,124,087
Furniture and equipment	156,785		11,676		145,109
Leased property under capital leases	<u>1,735,970</u>	<u>220,980</u>			<u>1,956,950</u>
Total depreciable capital assets	<u>14,577,398</u>	<u>375,880</u>	<u>44,628</u>	<u>0</u>	<u>14,908,650</u>
Less accumulated depreciation for:					
Infrastructure	669,312	123,055			792,367
Buildings	1,243,695	74,054			1,317,749
Mobile equipment	2,985,238	206,754	29,657		3,162,335
Furniture and equipment	133,329	2,592	10,508		125,413

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Leased property under capital leases	256,423	166,181			422,604
Total accumulated depreciation	5,287,997	572,636	40,165	0	5,820,468
Total depreciable capital assets, net	9,289,401	(196,756)	4,463	0	9,088,182
Governmental activities capital assets, net	\$ 9,764,285	(196,756)	4,463	0	9,563,066
Business-type activities:					
	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Depreciable capital assets:</u>					
Buildings	\$ 8,536,964				8,536,964
Mobile equipment	457,099		140,436		316,663
Furniture and equipment	73,050				73,050
Leased property under capital leases		114,540			114,540
Total depreciable capital assets	9,067,113	114,540	140,436	0	9,041,217
<u>Less accumulated depreciation for:</u>					
Buildings	888,626	170,739			1,059,365
Mobile equipment	340,627	16,997	126,393		231,231
Furniture and equipment	55,612	3,850			59,462
Leased property under capital leases		5,154			5,154
Total accumulated depreciation	1,284,865	196,740	126,393	0	1,355,212
Total depreciable capital assets, net	7,782,248	(82,200)	14,043	0	7,686,005
Business-type activities capital assets, net	\$ 7,782,248	(82,200)	14,043	0	7,686,005

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 3,920
Public safety	137,836
Public works	371,818
Health and welfare	14,447
Culture and recreation	3,479
Economic development and assistance	41,136
Total governmental activities depreciation expense	\$ 572,636

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Business-type activities:

Regional Jail	\$	107,890
Regional Jail Women's		67,904
Solid Waste		<u>20,946</u>
Total business-type activities depreciation expense	\$	<u><u>196,740</u></u>

(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, 2013, to January 1, 2014. 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, 2013:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,956,950	114,540
Less: Accumulated depreciation	<u>(422,604)</u>	<u>(5,154)</u>
Leased Property Under Capital Leases	<u>\$ 1,534,346</u>	<u>109,386</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 474,408	30,748	28,190	1,444
2015	485,849	19,308	28,670	964
2016	356,857	7,632	29,159	475
2017	39,565	577	12,295	115
2018	<u>8,664</u>	<u>41</u>		
Total	<u>\$ 1,365,343</u>	<u>58,306</u>	<u>98,314</u>	<u>2,998</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(11) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
G.O. Building Bonds	\$ 840,000	4.00-5.50%	11/2025
Industrial Development Bonds (Pharma Pac)	232,964	0.00%	10/2016
G.O. Road and Bridge Bonds	<u>1,960,000</u>	2.60-3.70%	05/2032
Total General Obligation Bonds	<u>\$ 3,032,964</u>		
B. Capital Leases:			
5 Caterpillar Motor Graders	\$ 539,470	3.09%	01/2016
2 Tractors and 1 Cutter	25,888	3.14%	06/2016
2 John Deere Backhoes	99,769	1.82%	08/2016
5 Mack Dump Trucks	340,148	2.08%	11/2015
Excavator	111,587	1.71%	02/2017
4 Patrol Cars	140,804	1.69%	05/2016
2-Way Radios	<u>107,677</u>	2.29%	01/2018
Total Capital Leases	<u>\$ 1,365,343</u>		
C. Other Loans:			
CDBG – Pharma Pac	\$ 32,311	0.05%	12/2013
Two Fire Trucks	50,700	2.00%	05/2016
Pharma Pac Commercial Bank	36,764	3.00%	07/2015
CDBG - Trans Tech	<u>207,632</u>	3.00%	03/2010*
Total Other Loans	<u>\$ 327,407</u>		
Business-type Activities:			
A. General Obligation Bonds:			
Women's – Regional Jail	<u>\$ 2,555,000</u>	3.50-4.25%	06/2023
B. Limited Obligation Bonds:			
Urban Renewal Revenue - Refinance	<u>\$ 2,525,000</u>	2.50-4.00%	09/2019
C. Capital Leases:			
Garbage Truck	<u>\$ 98,314</u>	1.69%	02/2017

*See Note (6)

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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 \$2,855,616. Principal and interest paid for the current year and total inmate housing net revenues were \$595,020 and \$4,154,387, respectively.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2014	\$ 172,222	98,131
2015	172,222	94,651
2016	163,520	91,071
2017	95,000	87,391
2018	140,000	83,611
2019 – 2023	780,000	333,634
2024 – 2028	905,000	167,825
2029 – 2033	605,000	47,460
Total	\$ 3,032,964	1,003,774

Year Ending September 30	Other Loans	
	Principal	Interest
2014	\$ 279,062	1,676
2015	36,669	683
2016	11,676	81
Total	\$ 327,407	2,440

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
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	250,000	56,638	455,000	32,600
2019 – 2023	1,405,000	150,375	360,000	14,400
Total	\$ 2,555,000	511,927	2,525,000	330,616

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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, 2013, the amount of outstanding debt was equal to 10.30% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 56,163	11,171			67,334	
General obligation bonds	3,200,186		167,222		3,032,964	172,222
Capital leases	1,395,854	394,124	424,635		1,365,343	474,408
Other loans	220,430		100,655	207,632	327,407	279,062
Total	\$ 4,872,633	405,295	692,512	207,632	4,793,048	925,962
Business-type Activities:						
Compensated absences	\$ 48,598	6,896			55,494	
General obligation bonds	2,760,000		205,000		2,555,000	210,000
Limited obligation bonds	2,920,000		395,000		2,525,000	410,000
Capital leases		114,540	16,226		98,314	28,190
Total	\$ 5,728,598	121,436	616,226	0	5,233,808	648,190

* To add Other Loan for Trans Tech which was removed in error in prior years.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Countywide Road and Bridge Fund, Regional Jail Fund, Women's Regional Jail Fund and Solid Waste Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2013:

Fund	Deficit Amount
Countywide Road and Bridge Fund	\$ (418,064)
Pharma Pac Fund	(7,209)

(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.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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

(14) Joint Venture.

The County participates in the following joint venture:

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 2013. 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 2013.

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 \$197,986 for financial support in fiscal year 2013.

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 \$12,722 for financial support in fiscal year 2013.

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 2013.

(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.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Funding Policy. At September 30, 2013, 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, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$530,103, \$420,837 and \$385,978, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Kemper County evaluated the activity of the County through June 24, 2015, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/20/2014	2.06%	\$	157,160	Capital lease	Ad valorem taxes
03/17/2014	3.20%		140,000	Capital lease	Ad valorem taxes
04/01/2014	2.10%		1,525,000	Other loan	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, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,923,897	3,000,647	3,000,647	
Licenses, commissions and other revenue	37,500	53,649	53,649	
Fines and forfeitures	152,600	154,632	154,632	
Intergovernmental revenues	441,477	1,454,427	1,453,384	(1,043)
Interest income	5,500	10,151	10,151	
Miscellaneous revenues	96,000	237,264	237,264	
Total Revenues	<u>3,656,974</u>	<u>4,910,770</u>	<u>4,909,727</u>	<u>(1,043)</u>
EXPENDITURES				
Current:				
General government	2,107,987	1,945,984	1,946,047	(63)
Public safety	1,034,489	1,126,897	1,129,799	(2,902)
Health and welfare	227,958	219,217	219,217	
Culture and recreation	45,734	39,555	39,555	
Conservation of natural resources	95,013	80,912	80,912	
Economic development and assistance	106,072	104,031	104,031	
Debt service:				
Principal	34,281	20,839	20,839	
Interest	440	1,999	1,999	
Total Expenditures	<u>3,651,974</u>	<u>3,539,434</u>	<u>3,542,399</u>	<u>(2,965)</u>
Excess of Revenues over (under) Expenditures	<u>5,000</u>	<u>1,371,336</u>	<u>1,367,328</u>	<u>(4,008)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	46,532	46,532	46,532	
Transfers out		(543,853)	(543,853)	
Total Other Financing Sources and Uses	<u>46,532</u>	<u>(497,321)</u>	<u>(497,321)</u>	<u>0</u>
Net Change in Fund Balance	51,532	874,015	870,007	(4,008)
Fund Balances - Beginning			1,129,648	1,129,648
Fund Balances - Ending	<u>\$ 51,532</u>	<u>874,015</u>	<u>1,999,655</u>	<u>1,125,640</u>

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

KEMPER COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Countywide Road and Bridge Fund
 For the Year Ended September 30, 2013
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,975,979	2,103,702	2,103,702	
Road and bridge privilege taxes	70,000	104,178	104,178	
Intergovernmental revenues	458,336	600,357	600,357	
Miscellaneous revenues	130,000	15,717	15,717	
Total Revenues	<u>2,634,315</u>	<u>2,823,954</u>	<u>2,823,954</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,222,303	2,305,399	2,305,399	
Debt service:				
Principal	412,012	408,506	408,506	
Interest		36,587	36,587	
Total Expenditures	<u>2,634,315</u>	<u>2,750,492</u>	<u>2,750,492</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>73,462</u>	<u>73,462</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(463,606)	(463,606)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(463,606)</u>	<u>(463,606)</u>	<u>0</u>
Net Change in Fund Balance	0	(390,144)	(390,144)	0
Fund Balances - Beginning			1,223	1,223
Fund Balances - Ending	<u>\$ 0</u>	<u>(390,144)</u>	<u>(388,921)</u>	<u>1,223</u>

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

KEMPER COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

	Governmental Fund Types	
	General Fund	Countywide Road and Bridge Fund
Budget (Cash Basis)	\$ 870,007	(390,144)
Increase (Decrease)		
Net adjustments for revenue accruals	(339,330)	132,960
Net adjustments for expenditure accruals	264,630	(55,284)
GAAP Basis	\$ 795,307	(312,468)

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, 2013
UNAUDITED

Name	Position	Company	Bond
James Granger	Supervisor District 1	Western Surety	\$100,000
Johnny Whitsett	Supervisor District 2	Western Surety	\$100,000
John 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
Marcus Wilson	County Administrator	Western Surety	\$100,000
Andrew Smith	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
Patricia Jowers	Assistant Receiving Clerk	Western Surety	\$50,000
Nicole Woods	Assistant Receiving Clerk	Western Surety	\$50,000
Jeanisha Rush	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
Totsseta Hearn	Deputy Circuit Clerk	Western Surety	\$50,000
Chrystal L. Granger	Deputy Circuit Clerk	Western Surety	\$50,000
James Moore, Sr.	Sheriff	Western Surety	\$100,000
Reginald Spencer	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Robert Joyner	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Arnold Jenkins	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Byron Walker	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Michael Mattox	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Jeffery Jowers	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Thomas West	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
John Haggard	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Allen Griffin	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Tracee Moore	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Charles Hazelwood	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Mike W. Rush	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Cadre J. Hampton	Sheriff's Deputy (hired under Section 45-5-9)	Western Surety	\$50,000
Chris McFarland	Sheriff's Deputy (hired under Section 45-5-9)	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
Shirley Jackson	Justice Court Clerk	Western Surety	\$50,000
Margaret Wilson	Justice Court Clerk	Western Surety	\$50,000
Tami L. Dawkins	Justice Court Clerk	Western Surety	\$50,000
Ashley Jennings	Deputy Justice Court Clerk	Western Surety	\$50,000
Cheryl L. Dial	Deputy Justice Court Clerk	Western Surety	\$50,000
Joycelyn Robertson	Tax Assessor-Collector	Western Surety	\$100,000
Judi Sullivan	Deputy Tax Assessor	Western Surety	\$75,000
Kim Wyche Lovette	Deputy Tax Assessor	Western Surety	\$75,000
Amber Young-Holliday	Deputy Tax Collector	Western Surety	\$50,000
Shirley Jackson	Deputy Tax Collector	Western Surety	\$50,000
Chrystal L. Granger	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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 24, 2015. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is 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 the Circuit Clerk fines receivable as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 2013-001, 2013-002, 2013-003 and 2013-005 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 deficiencies described in the accompanying Schedule of Findings and Responses as 2013-004, 2013-006, 2013-007 and 2013-008 to be significant deficiencies.

Compliance and Other Matters

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

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 June 24, 2015, included within this document.

Kemper County's Responses to Findings

Kemper County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Kemper County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



J. SCOTT SPEIGHTS, CPA
Director, County Audit Section

June 24, 2015



**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, 2013. 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.

1. The County should maintain adequate capital asset subsidiary records.

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 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 two years' audit

reports, 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.

Inventory Control Clerk's Response

Kemper County will work with the Office of the State Auditor to resolve the issue.

Purchase Clerk/Board of Supervisors.

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

Finding

Section 31-7-13 (m)(viii), Miss. Code Ann. (1972), requires that after certification and approval of a sole source purchase, it should be noted on the minutes of the Board of Supervisors at the next regular meeting thereafter. A sole source purchase was made without a board order spread on the minutes. The failure to obtain board approval of a sole source purchase could result in erroneous amounts being reported, increases the possibility of the loss or misuse of public funds, and resulted in noncompliance with the purchase law.

Recommendation

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

Purchase Clerk/Board of Supervisors' Response

Kemper County will comply.

3. Noncompliance with the central purchasing system.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-13, Miss. Code Ann. (1972), and except for purchases of not more than \$100. During our test work, we noted several individually significant purchases, from one vendor, that were made without the retention of a requisition, purchase order or a receiving report. Failure to complete and retain these documents could result in the loss or misappropriation of public funds.

Recommendation

The Purchase Clerk should ensure that the purchasing documents are present, and completed with sufficient detail and specific amounts, as required, prior to ordering the respective commodity.

Purchase Clerk/Board of Supervisors' Response

Kemper County will comply.

4. Purchases more than \$5,000 but not more than \$50,000 should be recorded in the official board minutes.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), specifies that purchases involving an expenditure of more than \$5,000 but not more than \$50,000 may be made from the lowest and best bidder and recorded in the official minutes of the governing authority. An effective system of internal control over expenditures should ensure that only bid amounts approved on the board minutes are paid. During our test work, it was noted that the purchase clerk accepted a bid for a used lowboy trailer of \$16,000. However, the purchase clerk failed to have the purchase approved by the Board of Supervisors and recorded in their minutes. The failure to only pay for authorized amounts entered into by the board could result in erroneous and unauthorized amounts being paid, increases the possibility of the loss or misappropriation of public funds, and resulted in noncompliance with the purchase law.

Recommendation

The Board of Supervisors should ensure that only amounts approved on the minutes for a bid are paid. Internal controls should be implemented to prevent this noncompliance from occurring in the future.

Purchase Clerk/Board of Supervisors' Response

Kemper County will comply.

Board of Supervisors/Assistant Receiving Clerk.

5. Assistant Receiving Clerk should be properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires Assistant Receiving Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. The Assistant Receiving Clerk was not bonded during the fiscal year 2013. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Assistant Receiving Clerk is properly bonded as required by state statute.

Board of Supervisors/Assistant Receiving Clerk's Response

Kemper County has corrected this issue.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Kemper County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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.



J. SCOTT SPEIGHTS, CPA
Director, County Audit Section

June 24, 2015

KEMPER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

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, 2013

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, 2013

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
01/24/2013	License/Initial setup for AlertFM	\$	25,000	Global Security Systems
02/13/2013	WAVE plus control panel		7,175	Secure Tech Systems

KEMPER COUNTY

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**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, 2013, 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 June 24, 2015, 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. As reported in the prior year's audit report, we noted that the provider used by the County was not on the 2013 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

The County has corrected this issue and is currently in compliance.

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

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 two years' audit reports, the County did not file an annual public depositors 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 report and the 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

Kemper County has complied.

3. Board of Supervisors did not amend the 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, approved and adopt the budget as finally determined and enter the same at length and in detail in its official minutes. As reported in the prior year's audit report, test work revealed that the County had variances in the General fund between the budgeted and actual cash basis revenues and expenditures at year end. 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 has corrected this issue.

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. As reported in the prior year's audit report, the County only recorded interest earned from the County's combined checking account in the General, Volunteer Fire, County Fire, Regional Jail, and Inmate Welfare funds instead of all funds from which the investment was made. Failure to prorate interest earned among the funds included in the combined checking account could result in the funds being spent for the wrong purpose.

Recommendation

The Board of Supervisors should ensure that interest earned on the combined checking account is prorated among all funds that have cash in the checking account, as required by law.

Board of Supervisors' Response

Kemper County has corrected this issue.

5. Multiple internal control weaknesses were noted in the payroll function.

Finding

An effective system of internal control over the payroll function should include proper authorization of employee raises and the proper calculation of employee overtime pay. Our test results revealed an increase in the rate of pay for some employees. These raises were not approved and documented in the minutes of the board of supervisors. Also, it was noted that an employee, whom is paid from multiple departments, was not compensated properly for overtime hours. The lack of authorization of employee pay increases and the lack of proper overtime calculations increases the possibility of inaccurate payroll checks and the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure that all pay raises are approved and recorded in the minutes and that employee overtime is calculated and paid accurately.

Board of Supervisors' Response

Kemper County has corrected this issue.

6. Kemper County should perform periodic logical access reviews.

Finding

During our review, we noted that Kemper County does not have a formal process for removing logical access for terminated employees. We also noted that Kemper County does not periodically review the levels of access that active users have and determine if the access is appropriate.

Recommendation

We recommend that Kemper County implement a periodic review of logical access for all individual users.

Board of Supervisors' Response

Kemper County will comply.

7. Kemper County should strengthen passwords.

Finding

During our review, we noted that Kemper County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for Kemper County Information Assets.

Recommendation

We recommend that Kemper County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

Kemper County will comply.

Board of Supervisors/County Administrator.

8. County Administrator should be properly bonded.

Finding

Section 19-4-9, Miss. Code Ann. (1972), requires the County Administrator to execute a bond to be payable, conditioned and approved as provided by law, in a penalty equal to three percent of the sum of all the state and County taxes shown by the assessment rolls and the levies to have been collectible in the County for the year immediately preceding the commencement of the term of office for such administrator, not to exceed \$100,000. The County Administrator was not properly bonded for the fiscal year 2013. Failure to bond the County Administrator as required by law could result in the loss of public funds.

Recommendation

The County should implement additional procedures to ensure the County Administrator is properly bonded as required by state law.

Board of Supervisors/County Administrator's Response

The current County Administrator is bonded appropriately, and has been since hired.

Chancery Clerk.

9. 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. As reported in the prior year's audit report, the board minutes were not complete in representation to the activity of the board proceeding 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 Clerk was never informed of certain supporting documentations; therefore these items were not spread upon the official board minutes. The Chancery Clerk will comply.

10. 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 fee journal, submitting the correct claim for payment of all statutory fees, the recording of them in the fee journal and other aspects of internal control related to the Chancery Clerk's fee income. As reported in the prior year's audit report, during our test work we noted the following deficiencies in the Chancery Clerk's office:

- a. Receipts are not being written or retained for fees collected over \$10.
- b. Daily deposits are not being made.
- c. Correct documentation for Schedule C expenses in the Clerk's fee journal is not being maintained.
- d. The fee journal is not being recorded and reconciled correctly. Entries to the fee journal are not correctly 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 overpaid for homestead exemption service by \$124. The clerk was paid for recording 300 new homestead applications; however, only 176 applications were submitted.
- g. The Chancery Clerk was paid for attending 31 board meetings instead of the 30 accounted for meetings. This resulted in the overpayment of \$40 in clerk fees.

Failure to maintain controls in the recording of the fee journal and other aspects of 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 \$164 immediately, for overpayment of statutory fees associated with her fee journal. Also, the clerk should take measures to ensure controls in her office related to her fee income accounting.

Chancery Clerk's Response

The Chancery Clerk immediately reimbursed the County for the overpayment of \$164. The Clerk will take all measures to ensure controls in her office related to her fee income accounting. A certified public accountant has always prepared the Clerk's fee journal, clerk will make sure the accountant is aware of the internal control weaknesses.

- 11. Chancery Clerk should file the annual financial report in a timely manner.

Finding

Section 9-1-45, Miss. Code Ann. (1972), states "that each Chancery and Circuit Clerk shall file, not later than April 15 of each year, with the State Auditor of Public Accounts a true and accurate annual report". The Chancery Clerk did not file the annual financial report in a timely manner. Failure to file the annual financial report in a timely manner could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Chancery Clerk should establish controls to ensure that the annual financial report is filed in a timely manner, as required by law.

Chancery Clerk's Response

The Chancery Clerk will ensure that the Annual Financial Report is filed in a timely manner.

- 12. Land redemption funds should be settled in a timely manner.

Finding

An effective system of internal control over land redemption funds should include the timely settlement of these funds. During our test work, we noted that the land redemption funds were not being settled in a timely manner. Failure to perform timely settlements of funds collected could result in the loss or misuse of public funds.

Recommendation

The Chancery Clerk should settle all land redemption funds in a timely manner.

Chancery Clerk's Response

The Chancery Clerk will comply; all land redemption funds are being settled in a timely manner.

Tax Assessor/Collector.

13. The Deputy Tax Collector should be properly bonded.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires that the Deputy Tax Collectors be bonded for a minimum of \$50,000. As a result of audit procedures performed, it was determined that the Deputy Tax Collector was not properly bonded for the fiscal year 2013. Failure to bond the Deputy Tax Collector as required by law could result in the loss of public funds.

Recommendation

The Tax Collector should implement additional procedures to ensure that all officials required by state statute are properly bonded.

Tax Assessor/Collector's Response

The Tax Office is in compliance with Section 27-1-9(a), Mississippi Code (1972). The Tax Office will comply with having deputy clerk bonded.

14. 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. As reported in the prior year's audit report, 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 each year and retained in the Tax Collector's office.

Tax Assessor/Collector's Response

This report has never been introduced or enforced in the Kemper County Tax Assessor/Collector office. The Tax Collector clearly understands and recognizes the significance of this form and will immediately implement it. Distributions collected will be well maintained and properly recorded to submit this form for each year's end. The Tax Collector is accountable, and will keep fully abreast of all County and state procedures and regulations. The Tax Office will comply.

The Tax Collector is fully conscious and knowledgeable that all assessment changes such as increases, decreases, credits or any other type of change must be approved by the Board of Supervisors. In the past these changes were presented and approved annually and all changes are assessed and entered in the computer in the Tax Collector's office. In the future, assessment changes will be presented to the Board of Supervisors 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.

15. The Tax Collector did not prepare the distribution of funds report at September 30, 2013.

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. As reported in the prior year's audit report, the Tax Collector did not prepare the distribution of funds report at September 30, 2013. 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

This report has never been introduced or enforced in the Kemper County Tax Assessor/Collector office. The Tax Collector clearly understands and recognizes the significance of this form and will immediately implement it. Distributions collected will be well maintained and properly recorded to submit this form for each year's end. The Tax Collector is accountable, and will keep fully abreast of all County and state procedures and regulations. The Tax Office will comply.

16. Multiple weaknesses were noted in the internal control structure in the Tax Collector's office.

Finding

An effective system of internal control over the collection and recording of funds should include receipts generated in sequential order, making timely deposits, and preparing daily check-up sheets. 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. As reported in the prior year's audit report, during testing performed in the Tax Collector's office, it was noted that the Tax Collector did not always make deposits within the time limits prescribed by this section. Also, the Tax Collector's receipts were not generated in a sequential order and daily check-up sheets were not being prepared. The lack of internal controls related to the collection and recording of funds could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should ensure that receipts are generated in a sequential order, daily check-up sheets are prepared, and that daily deposits are made.

Tax Assessor/Collector's Response

The Tax Office is not in compliance with generating receipts in sequential order. We are preparing daily checkup sheets and making daily deposits when time allows.

All deposits require meticulous attention. To make an accurate daily deposit the Tax Collector has to combine and compare daily generated reports for County and state; which include property taxes, tags, and other various collections. Deputy clerks' daily revenue totals are also combined and calculated. On extremely busy days of the month and federal tax season some deposits may be completed later in the day due to an extensive amount of deposit preparation and other responsibilities within the office. A deposit that is incomplete before bank's closing hours is always stored and secured in the office vault until the following business day. 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 regulation. The Tax Office will comply.

Circuit Clerk.

17. Deputy Circuit Clerks should be properly bonded.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As a result of audit procedures performed, it was determined that the Deputy Circuit Clerk was not properly bonded for the fiscal year 2013. Failure to bond the Deputy Circuit Clerk as required by law could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement additional procedures to ensure that all officials required by state statute are properly bonded.

Circuit Clerk's Response

I will comply.

18. Multiple weaknesses were noted in the internal control structure in Circuit Clerk's fee accounting.

Finding

An effective system of internal control should include properly reconciling bank statements to the fee journal monthly. As reported in the prior year's audit report, we noted the following deficiencies:

- a. Deposits are not being made daily.
- b. Fee journal is not being reconciled monthly.
- c. Clerk receipts a "Miscellaneous Account" at the end of each month for copy and notary fees. These fees are 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 reconciled monthly. The Clerk should keep a detailed listing of money received for copies and notaries.

Circuit Clerk's Response

- a. I will comply.
- b. I disagree with audit findings.
- c. I will comply.

Auditor's Note

Auditor's Note: Regarding part B: The fee journal is not being reconciled monthly. One instance documenting this is the fact that the Circuit Clerk did not deposit or properly record three payroll checks in her fee clearing account resulting in an unreconciled difference of \$4,079.33. An effective bank reconciliation would have most likely detected the error.

19. 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. As reported in the prior year's audit report, 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, 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 Court 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.

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

Finding

An effective system of internal controls should include the maintaining of cash journals and reconciling bank statements to the cash journals. As reported in the prior year's audit report, 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 to the cash journals monthly.
- b. The criminal cash bond listing does not agree with the amount recorded in the criminal cash journal.

Failure to reconcile the bank statements to the cash journals and failure to keep an accurate cash bond listing could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the Criminal and Civil bank statements are reconciled to the cash journals and keep an accurate cash bond listing.

Circuit Clerk's Response

I disagree with the audit finding.

Auditor's Note

At September 30, 2013, the Circuit Clerk Criminal account had an unreconciled difference of \$2,221 and the Civil account had an unreconciled difference of \$1,686. Both of these differences were caused by the Clerk back dating settlement checks. Also, the detail cash bond listing did not tie to the Criminal cash journal by \$224 and there were negative amounts on the listing at year end.

21. Unauthorized fee being charged should be ceased.

Finding

Section 25-7-13 and 41-57-48, Miss. Code Ann. (1972), provides for the fees for marriage licenses. Under both of these code sections, the Circuit Clerk should charge a \$21 fee for marriage licenses. During our test work, it was noted the Circuit Clerk was charging a total of \$22 for each marriage license. Therefore, the Clerk has been erroneously collecting an additional \$1 on all marriage licenses, thus resulting in an overage in the Clerk's fees collected. The failure to collect the correct amount for marriage licenses could result in the loss of public funds.

Recommendation

We recommend that the Circuit Clerk charge the proper amount for each marriage license as required by law.

Circuit Clerk's Response

I will comply.

Justice Court Clerk.

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

Finding

An effective system to internal control over the collection, recording, and disbursement of cash should include maintaining cash journals, and the proper supporting documentation. As reported in the prior year's audit report, 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 deposit.
- d. Receipt books are not being retained

Without adequate accounting records, inaccurate information may be reported and will increase 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

As noted in the finding this was for prior year. The current clerk and deputy have followed the prescribed accounting procedures.

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

Finding

An effective system to internal controls should include an adequate segregation of duties. As reported in the prior year's audit report, 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

The duties of the Justice Court have been segregated as requested by the Audit Department.

Solid Waste Clerk.

24. 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 fund should include individual cash drawers for each clerk and reconciliations of all cash accounts. As reported in the prior year's audit report, 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 account monthly.

Solid Waste Clerk's Response

Billing Clerk will comply.

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.



J. SCOTT SPEIGHTS, CPA
Director, County Audit Section

June 24, 2015

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, 2013

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	Unmodified
	Aggregate discretely presented component unit	Adverse
	General Fund	Qualified
	Countywide Road and Bridge Fund	Unmodified
	G.O. Road & Bridge Project Fund	Unmodified
	Regional Jail Fund	Unmodified
	Regional Jail Women's Fund	Unmodified
	Aggregate remaining fund information	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	Yes
3.	Noncompliance material to the financial statements noted?	No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. 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 for the County's primary government unless the County also issues financial statements for the financial reporting entity that include financial data for the County's legally separate component units. As reported in the prior year's audit report, the financial statements do not include the financial data for the County's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for the inclusion in the County's financial statements.

Board of Supervisors' Response

Kemper County will comply.

KEMPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2013

Material Weakness

2013-002. 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 two years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting 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 Supervisors' Response

Kemper County will work with the Office of the State Auditor to resolve this issue.

Material Weakness

2013-003. 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 fund 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 position 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. Accrued interest payable was understated by \$10,744 in Governmental Activities and \$3,820 in the Regional Jail Fund and Business-type Activities opinion units.
- b. Fines receivable was overstated by \$45,565 in the General Fund and Governmental Activities' opinion units.
- c. Circuit Clerk criminal and civil account's cash in the amount of \$3,907 was not reported in the financial statements. The amount of \$30,682 was incorrectly accrued as amounts held in custody for others instead of various revenues.
- d. Justice Court clearing account cash in the amount of \$10,454 was not reported in the financial statements. Justice Court cash of \$45,714 for criminal, civil, and clearing accounts under the prior clerk (being investigated) was not reported in the financial statements.
- e. Prior year Justice Court cash reversing entry was not booked for the total amount of \$54,504, which understated beginning fund balance in the General Fund. Only \$31,630 was booked in the reversing entry against amounts held in custody for others. A prior period adjustment of \$16,216 was made to correct the beginning fund balance of the General Fund.

KEMPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2013

- f. Compensated absences were understated by \$54,454 in Governmental Activities and by \$20,764 in the Regional Jail fund and Business-type Activities, \$6,070 in the Solid Waste fund and Business-type Activities' opinion units. Compensated absences were incorrectly reported as general government expenditures in the financial statements, which resulted in general governmental expenditures being overstated by \$36,622, public safety expenditures being understated by \$21,377 and public works expenditures being understated by \$15,245.
- g. Accounts receivable was overstated by \$30,000 in the Solid Waste fund and the Business-type Activities' opinion units.
- h. Transfers between the General Funds were not eliminated.
- i. Long-term debt liabilities were adjusted for other loans of \$15,766 in principal paid during the fiscal year not the amount required on the amortization schedule. The old outstanding loan with Trans Tech was taken off the financial statements in error which resulted in a prior period adjustment to include the old debt of \$207,632 in Governmental Activities.
- j. Road and Bridge privilege tax was receipted into the General Fund instead of the Countywide Road and Bridge Fund, understating Road and Bridge privilege taxes by \$7,973. Road and bridge privilege tax cannot be used for general county purposes.
- k. Claims payable was overstated affecting the Governmental Activities, General Fund and the Countywide Road and Bridge Fund opinion units. This error resulted in claims payable being overstated in Governmental Activities by \$26,968, the General Fund by \$3,528, Countywide Road and Bridge Fund by \$25,440.
- l. Interfund loans of \$572,335 were erroneously booked as advances and the interfund loan repayment of \$70,000 between the Solid Waste Fund and the General Fund was erroneously booked as a transfer.
- m. A new garbage truck with a value of \$114,540 was incorrectly booked on capital assets twice, which overstated the capital assets in the Solid Waste Fund and the Business-Type Activities opinion units.
- n. Intergovernmental payables of \$1,772 in Governmental Activities was misclassified as internal balances.
- o. Women's Regional Jail Fund bond interest payments of \$95,488 were misclassified as bond interest payments in the Regional Jail Fund.
- p. A prior period adjustment of \$12,753 was booked to correct the beginning fund balance of the Countywide Road and Bridge Fund due to road and bridge privilege taxes being misclassified in the prior year between General Fund and Countywide Road and Bridge Fund.
- q. Various fund balance classifications were not correctly classified in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as required by the standard.

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

KEMPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2013

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 position and fund balances, accurate reporting of debt and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisors' Response

County staff met with representatives of the State Auditor's Office. It was determined that some of these "were not findings." It was also determined that the financial statement preparer and the State Auditor's Office needed to compare work documents/papers and information provided to the State Auditor's Office. The County is working to resolve all noted items.

Auditor's Note

When meeting with County officials and discussing the draft findings, we agreed to remove some items from the finding which were less material in nature, which were subsequently removed. The items listed in this finding still constitute deficiencies in financial statement reporting and are noted as findings.

Significant Deficiency

2013-004. Kemper County should implement a formal information security policy.

Finding

Kemper County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of a robust information security policy may be an economic challenge for Kemper County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Kemper County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

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Board of Supervisors' Response

Kemper County will comply.

Circuit Clerk.

Material Weakness

2013-005. Fines receivable were not properly 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 for the Board of Supervisors. As reported in the prior year's audit report, 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 the fair presentation of the Circuit Court fines receivable.

Recommendation

The Circuit Clerk should establish procedures documenting the existence and valuation of the 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 year.

Circuit Clerk's Response

Aged receivable reports were turned over to all relevant parties.

Auditor's Note

The Circuit Clerk did not run the report at September 30, 2013, and due to the fact that it is a "live system" it cannot be created after the fact. Also, the Board of Supervisors did not receive it for approval and no approval is reflected in their minutes.

Tax Assessor/Collector.

Significant Deficiency

2013-006. 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. As reported in the prior year's audit report, it was noted that the calculations for the Tax Collector's auto settlements were being performed manually and did not agree to the tax collections report provided by Delta Computer Systems. The differences of the settlement and collections are not being reconciled. The December 2014 cash count revealed a net cash overage of \$90,166 in the bank account. 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.

KEMPER COUNTY
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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

All County funds collected and entered by the Tax Collector's office are electronically submitted to the state. At the end of each month all transaction are retrieved and composed into a settlement report, a report which is provided to us by Delta Computer System (County's computer system provider). This report reflects the summation of all transactions collected. We were not working with the most current settlement system in the County nor had been updated to the new settlement report that is referred to as the "Auto Settlement Report." This new report will correct any variances in the totaling of auto collections and auto settlement distributions to the County. The Tax Office will comply and has been using the printout provided by Delta Computer System. The Tax Office is working with a financial advisor to properly settle funds collected.

The Tax Collector will also assure the County citizens that the office employees are competent and uniquely qualified to fulfill their duties.

Sheriff.

Significant Deficiency

2013-007. Controls over cash collections and disbursements in the Sheriff's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Sheriff's office are not adequately segregated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response

Being the duty/responsibility of the office manager to collect/handle the funds of the department, it is not feasible to hire someone else to handle such responsibility.

Board of Supervisors.

Significant Deficiency

2013-008. Kemper County should expire all individual passwords on a periodic basis.

Finding

A review of Kemper County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Kemper County.

KEMPER COUNTY
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Recommendation

We recommend that a policy be implemented to insure that passwords are expired on a regular basis. In addition, Kemper County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Kemper County will implement a system that will periodically change passwords.