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KEMPER COUNTY, MISSISSIPPI
Audited Financial
Statements and Special Reports
For the Year Ended September 30, 2008

KEMPER COUNTY

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KEMPER COUNTY

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Kemper County, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

In my opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Kemper County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 02, 2009, on my consideration of Kemper County, Mississippi's internal control over financial reporting and on my 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 my testing of internal control over financial report-

ing and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express not opinion on it.

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



MARCUS J. MARTIN
Certified Public Accountant
September 02, 2009

KEMPER COUNTY

FINANCIAL STATEMENTS

Kemper County
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 2,608,798	3,254,947	5,863,745
Investments		3,115,314	3,115,314
Property tax receivable	3,825,632	111,979	3,937,611
Accounts receivable		51,165	51,165
Fines receivable (net of allowance for uncollectibles of (\$210,471))	52,486		52,486
Loans receivable	539,142		539,142
Intergovernmental receivables	38,979		38,979
Other receivable	19,754		19,754
Internal balances	(1,650)	1,650	0
Capital assets, Net	9,369,555	5,358,312	14,727,867
Total Assets	<u>16,452,696</u>	<u>11,893,367</u>	<u>28,346,063</u>
LIABILITIES			
Claims payable	248,740	314,545	563,285
Intergovernmental payables	40,824		40,824
Accrued interest	19,365	19,172	38,537
Short term loan payable	603,912		603,912
Deferred revenue	3,825,632	111,979	3,937,611
Other payable	108,720		108,720
Long-term liabilities			
Due within one year:			
Capital debt	564,970	460,000	1,024,970
Due in more than one year:			
Capital debt	2,954,703	7,215,000	10,169,703
Non-capital debt	44,948	28,839	73,787
Total Liabilities	<u>8,411,814</u>	<u>8,149,535</u>	<u>16,561,349</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,849,882	(2,316,688)	3,533,194
Restricted:			
Expendable:			
Debt service	22,113		22,113
Public safety	56,148	5,969,814	6,025,962
Public works	(8,391)	90,706	82,315
Economic development	368,658		368,658
Unrestricted	1,752,472		1,752,472
Total Net Assets	<u>\$ 8,040,882</u>	<u>3,743,832</u>	<u>11,784,714</u>

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

Kemper County
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,743,170	252,298	282,312		(1,208,560)	(1,208,560)
Public safety	1,295,048	156,270	18,873	205,700	(914,205)	(914,205)
Public works	2,323,758		722,727	56,380	(1,544,651)	(1,544,651)
Health and welfare	215,086		15,501		(199,585)	(199,585)
Culture and recreation	56,374				(56,374)	(56,374)
Conservation of natural resources	76,058				(76,058)	(76,058)
Economic development and assistance	324,168			1,141,305	817,137	817,137
Interest on long-term debt	94,096				(94,096)	(94,096)
Total Governmental Activities	6,127,758	408,568	1,039,413	1,403,385	(3,276,392)	(3,276,392)
Business-type activities:						
Regional Jail	2,772,529	3,285,434			512,905	512,905
Regional Jail Womens					0	0
Solid Waste	424,978	282,528			(142,450)	(142,450)
Total Business-type Activities	3,197,507	3,567,962	0	0	370,455	370,455
Total Primary Government	\$ 9,325,265	3,976,530	1,039,413	1,403,385	(3,276,392)	(2,905,937)
General revenues:						
Property taxes		\$			3,656,114	103,322
Road & bridge privilege taxes					105,905	105,905
Unrestricted interest income					26,490	70,387
Miscellaneous					511,469	15,464
Gain (loss) on loss of capital assets					45,121	45,121
Total General Revenues					4,345,099	189,173
Changes in Net Assets					1,068,707	559,628
Net Assets - Beginning					6,972,175	3,184,204
Net Assets - Ending					\$ 8,040,882	3,743,832
						11,784,714

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

Kemper County
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds				Total
	General Fund	County wide Road & Bridge Fund	Pharma Pac Fund	Other Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 1,996,104	26,266	454,114	132,314	2,608,798
Property tax receivable	2,374,969	1,361,783		88,880	3,825,632
Fines receivable (net of allowance for uncollectibles of \$210,471)	52,486				52,486
Loans receivable			331,510	207,632	539,142
Intergovernmental receivables	38,979				38,979
Due from other funds		29,466		2,243	31,709
Other receivables	19,754				19,754
Total Assets	<u>4,482,292</u>	<u>1,417,515</u>	<u>785,624</u>	<u>431,069</u>	<u>7,116,500</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	107,635	68,642	24,818	47,645	248,740
Intergovernmental payables	38,144				38,144
Due to other funds	36,039				36,039
Deferred revenue	2,427,455	1,361,783		88,880	3,878,118
Short term loans payable			603,912		603,912
Other payables	108,720				108,720
Total Liabilities	<u>2,717,993</u>	<u>1,430,425</u>	<u>628,730</u>	<u>136,525</u>	<u>4,913,673</u>
Fund balances:					
Reserved for:					
Debt service				22,113	22,113
Loans receivable			331,510	207,632	539,142
Unreserved - undesignated, reported in:					
General Fund	1,764,299				1,764,299
Special Revenue Funds		(12,910)	(174,616)	64,799	(122,727)
Total Fund Balances	<u>1,764,299</u>	<u>(12,910)</u>	<u>156,894</u>	<u>294,544</u>	<u>2,202,827</u>
Total Liabilities and Fund Balances	\$ <u>4,482,292</u>	<u>1,417,515</u>	<u>785,624</u>	<u>431,069</u>	<u>7,116,500</u>

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

Kemper County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,202,827
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,612,375.	9,369,555
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	52,486
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(3,564,621)
Accrued interest payable is not due and payable in the current-period and, therefore, is not reported in the funds.	<u>(19,365)</u>
Total Net Assets - Governmental Activities	\$ <u>8,040,882</u>

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

Kemper County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

Exhibit 4

	Major Funds				
	General Fund	Countywide Road and Bridge Fund	Pharma Pac Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,187,522	1,329,590		139,002	3,656,114
Road and bridge privilege taxes		105,905			105,905
Licenses, commissions and other revenue	69,798			5,273	75,071
Fines and forfeitures	167,978				167,978
Intergovernmental revenues	440,663	636,339	956,460	409,336	2,442,798
Charges for services	78,767			77,503	156,270
Interest income	25,605		885		26,490
Miscellaneous revenues	45,292	4,117	85,845	376,215	511,469
Total Revenues	<u>3,015,625</u>	<u>2,075,951</u>	<u>1,043,190</u>	<u>1,007,329</u>	<u>7,142,095</u>
EXPENDITURES					
Current:					
General government	1,652,217				1,652,217
Public safety	971,152			538,921	1,510,073
Public works		1,834,470		80,258	1,914,728
Health and welfare	206,505				206,505
Culture and recreation	43,553			9,342	52,895
Conservation of natural resources	76,058				76,058
Economic development and assistance	96,609		1,918,554	312,601	2,327,764
Debt service:					
Principal	30,454	306,113	147,772	57,809	542,148
Interest	4,265	39,636	701	49,301	93,903
Total Expenditures	<u>3,080,813</u>	<u>2,180,219</u>	<u>2,067,027</u>	<u>1,048,232</u>	<u>8,376,291</u>
Excess of Revenues over (under) Expenditures	<u>(65,188)</u>	<u>(104,268)</u>	<u>(1,023,837)</u>	<u>(40,903)</u>	<u>(1,234,196)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	23,924	94,878	130,000		248,802
Compensation for loss of capital assets		170,634			170,634
Transfers in		542			542
Transfers out				(542)	(542)
Total Other Financing Sources and Uses	<u>23,924</u>	<u>266,054</u>	<u>130,000</u>	<u>(542)</u>	<u>419,436</u>
Net Changes in Fund Balances	<u>(41,264)</u>	<u>161,786</u>	<u>(893,837)</u>	<u>(41,445)</u>	<u>(814,760)</u>
Fund Balances - Beginning	<u>1,805,563</u>	<u>(174,696)</u>	<u>1,050,731</u>	<u>335,989</u>	<u>3,017,587</u>
Fund Balances - Ending	<u>\$ 1,764,299</u>	<u>(12,910)</u>	<u>156,894</u>	<u>294,544</u>	<u>2,202,827</u>

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

Kemper County
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008

Exhibit 4-1

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ (814,760)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,357,674 exceeded depreciation of \$658,132 in the current period.	1,699,542
In the Statement of Activities, only gains and losses from the loss of capital assets are reported, whereas in the Governmental Funds, insurance from the loss of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$45,121 and the insurance proceeds from the loss of \$ 170,634 in the current period.	(125,513)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting	9,249
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$248,802 was less than debt repayments of \$542,148.	293,346
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Decrease in compensated absences liability	7,036
Increase in accrued interest payable	(193)
Change in Net Assets of Governmental Activities	\$ 1,068,707

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

Kemper County
Statement of Net Assets - Proprietary Funds
September 30, 2008

Exhibit 5

	Business-type Activities - Enterprise Funds			Total
	Major Fund Regional Jail Fund	Major Fund Regional Jail Womens	Non-Major Fund Solid Waste Fund	
ASSETS				
Current assets:				
Cash	\$ 69,983	3,128,589	56,375	3,254,947
Investments	3,115,314			3,115,314
Property tax receivable			111,979	111,979
Accounts receivable (net of allowance for uncollectibles of \$430,313)			51,165	51,165
Due from other funds			1,650	1,650
Total Current Assets	<u>3,185,297</u>	<u>3,128,589</u>	<u>221,169</u>	<u>6,535,055</u>
Noncurrent assets:				
Capital assets, Net	<u>4,697,347</u>	<u>586,044</u>	<u>74,921</u>	<u>5,358,312</u>
Total Noncurrent Assets	<u>4,697,347</u>	<u>586,044</u>	<u>74,921</u>	<u>5,358,312</u>
Total Assets	<u>7,882,644</u>	<u>3,714,633</u>	<u>296,090</u>	<u>11,893,367</u>
LIABILITIES				
Current liabilities:				
Claims payable	99,269	201,458	13,818	314,545
Accrued interest payable	19,172			19,172
Deferred revenue			111,979	111,979
Capital debt:				
Other long-term liabilities	<u>285,000</u>	<u>175,000</u>		<u>460,000</u>
Total Current Liabilities	<u>403,441</u>	<u>376,458</u>	<u>125,797</u>	<u>905,696</u>
Noncurrent liabilities:				
Capital debt:				0
Other long-term liabilities	3,890,000	3,325,000		7,215,000
Non-capital debt:				0
Compensated absences payable	<u>24,173</u>		<u>4,666</u>	<u>28,839</u>
Total Noncurrent Liabilities	<u>3,914,173</u>	<u>3,325,000</u>	<u>4,666</u>	<u>7,243,839</u>
NET ASSETS				0
Invested in capital assets, net of related debt	522,347	(2,913,956)	74,921	(2,316,688)
Restricted for:				0
Public works			90,706	90,706
Public safety	<u>3,042,683</u>	<u>2,927,131</u>		<u>5,969,814</u>
Total Net Assets	<u>\$ 3,565,030</u>	<u>13,175</u>	<u>165,627</u>	<u>3,743,832</u>

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

Kemper County
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2008

Exhibit 6

	Business-type Activities - Enterprise Funds			Total
	Major Fund Regional Jail Fund	Major Fund Regional Jail Womens	Non-Major Fund Solid Waste Fund	
Operating Revenues				
Charges for services	\$ 3,285,434		282,528	3,567,962
Miscellaneous	6,317		9,147	15,464
Total Operating Revenues	<u>3,291,751</u>	<u>0</u>	<u>291,675</u>	<u>3,583,426</u>
Operating Expenses				
Cost of sales				
Personal services	1,344,104		257,387	1,601,491
Contractual services	762,826		70,993	833,819
Materials and supplies	264,879		87,828	352,707
Depreciation expense	156,789		8,770	165,559
Total Operating Expenses	<u>2,528,598</u>	<u>0</u>	<u>424,978</u>	<u>2,953,576</u>
Operating Income (Loss)	<u>763,153</u>	<u>0</u>	<u>(133,303)</u>	<u>629,850</u>
Nonoperating Revenues (Expenses)				
Property tax			103,322	103,322
Interest income	57,212	13,175		70,387
Interest expense	(243,931)			(243,931)
Net Nonoperating Revenue (Expenses)	<u>(186,719)</u>	<u>13,175</u>	<u>103,322</u>	<u>(70,222)</u>
Changes in Net Assets	<u>576,434</u>	<u>13,175</u>	<u>(29,981)</u>	<u>559,628</u>
Net Assets - Beginning	<u>2,988,596</u>	<u>0</u>	<u>195,608</u>	<u>3,184,204</u>
Net Assets - Ending	<u>\$ 3,565,030</u>	<u>13,175</u>	<u>165,627</u>	<u>3,743,832</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, 2008

Exhibit 7

	Business-type Activities - Enterprise Funds			Total
	Major Fund Regional Jail Fund	Major Fund Regional Jail Womens	Non-Major Fund Solid Waste Fund	
Cash Flows From Operating Activities				
Receipts from customers	\$ 3,285,434		282,528	3,567,962
Other operating cash receipts	6,317		9,147	15,464
Payments to suppliers	(1,049,503)		(157,164)	(1,206,667)
Payments to employees	(1,344,104)		(257,387)	(1,601,491)
Net Cash Provided (Used) by Operating Activities	898,144	0	(122,876)	775,268
Cash Flows From Noncapital Financing Activities				
Property tax			103,322	103,322
Net Cash Provided (Used) by Noncapital Financing Activities	0	0	103,322	103,322
Cash Flows From Capital and Related Financing Activities				
Proceeds of long-term debt		3,500,000		3,500,000
Acquisition of capital assets	(185,459)	(384,586)		(570,045)
Principal paid on long-term debt	(272,752)			(272,752)
Interest paid on debt	(243,931)			(243,931)
Net Cash Provided (Used) by Capital and Related Financing Activities	(702,142)	3,115,414	0	2,413,272
Cash Flow From Investing Activities				
Interest on investments	57,212	13,175		70,387
Net Cash Provided by Investing Activities	57,212	13,175	0	70,387
Net Increase (Decrease) in Cash and Cash Equivalents	253,214	3,128,589	(19,554)	3,362,249
Cash and Cash Equivalents at Beginning of Year	2,932,083	0	75,929	3,008,012
Cash and Cash Equivalents at End of Year	\$ 3,185,297	3,128,589	56,375	6,370,261
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 763,153	0	(133,303)	629,850
Depreciation expense	156,789		8,770	165,559
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			12,038	12,038
(Increase) decrease in intergovernmental receivables			3,552	3,552
(Increase) decrease in due from other funds			39	39
Increase (decrease) in claims payable	(11,637)		4,010	(7,627)
Increase (decrease) in compensated absences liability	(7,144)		(729)	(7,873)
Increase (decrease) in accrued interest	(3,017)			(3,017)
Increase (decrease) in unearned revenue			(17,253)	(17,253)
Total Adjustments	134,991	0	10,427	145,418
Net Cash Provided (Used) by Operating Activities	\$ 898,144	0	(122,876)	775,268

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

Kemper County
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 8

		Agency Funds
ASSETS		
Cash and investments	\$	227,276
Due from other funds		2,680
Total Assets		<u>229,956</u>
LIABILITIES		
Amounts held in custody for others		192,480
Intergovernmental payables		37,476
Total Liabilities	\$	<u>229,956</u>

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

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(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 relationships with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

◆ Kemper County Economic Development Authority

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary 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.

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

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

The county reports the following major Governmental Funds:

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

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

Pharma Pac Fund – This fund is used to account for the county's economic development activities on behalf of this local industry including federal and state grants, state loans and their repayment.

The county reports the following major Proprietary 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, 2008

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

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

H. Capital Assets.

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

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.

	<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 will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

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

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the Proprietary Fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$6,091,021 and the bank balance was \$6,226,513. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

The county's investments at year-end consisted entirely of money market mutual funds held by the Hancock Bank trust department. At year-end, the carrying amount of the county's investments was \$3,115,314 and the cost was \$3,115,314. All the county's investments are uninsured and unregistered. The money market mutual fund investments are not backed by the full faith and credit of the federal government. As of September 30, 2008, the county's investment in Hancock Horizon Treasury Securities Money Market Mutual Fund was rated AAAm by Standard and Poors.

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. The weighted maturity of the securities in the Hancock Horizon Treasury Securities Money Market Mutual Fund was less 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 investment 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.

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2008:

A. Due from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road and Bridge Fund	General Fund	\$ 29,466
Other Governmental Funds	General Fund	2,243
Nonmajor Proprietary Fund	General Fund	1,650
Agency Fund	General Fund	<u>2,680</u>
Total		<u>\$ 36,039</u>

The receivables represent the tax revenue collected but not settled until October 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road and Bridge Fund	Nonmajor Governmental Funds	<u>\$ 542</u>

The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2008 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tag Credit	<u>\$ 38,979</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2008, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Trans Tech	10-15-02	3.00%	03-01-10	\$ 207,632
Phama Pac	06-27-03	0.50%	12-01-13	<u>331,510</u>
Total				<u>\$ 539,142</u>

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental Activities:	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<i>Non-depreciable capital assets:</i>					
Land	\$ 419,884				\$ 419,884
Construction in progress	222,747	2,008,876			2,231,423
Total non-depreciable capital assets	642,631	2,008,876	-	-	2,651,307
<i>Depreciable capital assets:</i>					
Infrastructure	3,178,711				3,178,711
Buildings	3,279,660				3,279,660
Mobile equipment	2,979,558	194,120	(180,134)	215,216	3,208,760
Furniture and equipment	80,717	60,000		51,861	192,578
Leased property under capital leases	1,643,113	94,878		(267,077)	1,470,914
Total depreciable capital assets	11,161,759	348,998	(180,134)	-	11,330,623
<i>Less accumulated depreciation for:</i>					
Infrastructure	(482,893)	(147,492)			(630,385)
Buildings	(975,555)	(59,302)			(1,034,857)
Mobile equipment	(1,978,216)	(226,642)	54,621	(147,207)	(2,297,444)
Furniture and equipment	(72,645)	(10,800)		(51,861)	(135,306)
Leased property under capital leases	(499,555)	(213,896)		199,068	(514,383)
Total accumulated depreciation	(4,008,864)	(658,132)	54,621	-	(4,612,375)
Total depreciable capital assets, net	7,152,895	(309,134)	(125,513)	-	6,718,248
Governmental activities capital assets, net	\$ 7,795,526	\$ 1,699,542	\$ (125,513)	\$ -	\$ 9,369,555

The adjustment to capital assets consists of lease purchases which were paid off during the year and transferred to other appropriate categories.

Business-type Activities:	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<i>Non-depreciable capital assets:</i>					
Construction in progress	\$ -	760,481			\$ 760,481
Total non-depreciable capital assets	0	760,481			760,481
<i>Depreciable capital assets:</i>					
Buildings	5,141,731				5,141,731
Mobile equipment	341,172			23,651	364,823
Furniture and equipment	43,106	11,022			54,128
Leased property under capital leases	23,651			(23,651)	-
Total depreciable capital assets	5,549,660	11,022	0	0	5,560,682
<i>Less accumulated depreciation for:</i>					
Buildings	(514,173)	(102,835)			(617,008)
Mobile equipment	(231,553)	(52,225)		(21,286)	(305,064)
Furniture and equipment	(38,795)	(1,984)			(40,779)
Leased property under capital leases	(12,771)	(8,515)		21,286	0
Total accumulated depreciation	(797,292)	(165,559)	-	-	(962,851)
Total depreciable capital assets, net	4,752,368	(154,537)	-	-	4,597,831
Business-type activities capital assets, net	\$ 4,752,368	605,944	-	-	\$ 5,358,312

The adjustment to capital assets consists of lease purchases which were paid off during the year and transferred to other appropriate categories.

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 93,989
Public safety	40,595
Public works	506,408
Health and welfare	8,581
Culture and recreation	3,479
Economic development	5,080
Total	<u>\$ 658,132</u>
Business-type Activities:	
Solid Waste	\$ 43,455
Correctional facility	122,104
	<u>\$ 165,559</u>

(7) Claims and Judgments

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ 1,470,914
Less: Accumulated Depreciation	<u>(514,383)</u>
Leased Property Under Capital Leases	<u>\$ 956,531</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$141,276	\$33,271
2010	124,787	28,401
2011	666,319	12,088
2012	4,287	22
	<u>\$ 936,669</u>	<u>\$ 73,782</u>

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(9) Long-term Debt

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligations Bonds:			
G. O. building bonds	\$ 1,055,000	4.00/5.50	11-25
Industrial development bonds (Pharma Pac)	644,074	0.00	0-16
Total General Obligation Bonds	<u>\$ 1,699,074</u>		
B. Capital Leases:			
Two John Deere Tractors	\$ 19,417	2.99	05-09
Five Caterpillar motor graders	546,392	3.74	12-10
F150 Ford truck	9,988	3.92	12-10
Two Crown Victoria patrol cars	1,788	3.92	12-10
Three Mack dump trucks	282,724	4.01	09-10
2008 sprayer truck	76,360	4.06	11-10
Total Capital Leases	<u>\$ 936,669</u>		
C. Other Loans			
Fire Truck	\$ 51,813	2.00	08-13
CDBG – Trans Tech	207,632	3.00	03-10
CDBG – Pharm Pac	331,510	.50	12-13
Two Fire Trucks	141,703	2.00	05-16
Dodge Charger Sheriff	23,924	4.25	04-13
Pharma Pac Commercial Bank	127,348	3.00	12-10
Total Other Loans	<u>\$ 883,930</u>		
Business-type Activities:			
A. General Obligation Bonds:			
Womens – Regional Jail	<u>\$ 3,500,000</u>	4.25/3.50	06-23
B. Limited Obligation Bonds:			
Urban renewal revenue bonds – regional jail	<u>\$ 4,175,000</u>	5.20/6.25	09-10

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2009	\$ 122,222	\$ 45,386	\$ 301,472	\$ 28,422
2010	122,222	43,186	131,298	7,225
2011	127,222	40,848	114,539	5,748
2012	127,222	38,373	115,902	4,397
2013	127,222	35,898	116,503	2,986
2014-2018	502,964	147,300	104,216	1,999
2019-2023	330,000	86,574		
2024-2028	240,000	15,724		
	<u>\$ 1,699,074</u>	<u>\$ 453,289</u>	<u>\$ 883,930</u>	<u>\$ 50,777</u>

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 175,000	\$ 122,825	\$ 285,000	\$ 230,064
2010	180,000	118,536	300,000	213,876
2011	190,000	110,888	320,000	198,076
2012	195,000	103,288	335,000	181,276
2013	205,000	95,488	355,000	163,522
2014-2018	1,150,000	361,552	2,090,000	506,956
2019-2023	1,405,000	150,379	490,000	28,420
2024-2028				
	<u>\$ 3,500,000</u>	<u>\$ 1,062,956</u>	<u>\$ 4,175,000</u>	<u>\$ 1,521,990</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to 11.49% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 51,984		7,036	\$ 44,948	-
General obligation bonds	1,816,296	-	117,222	1,699,074	122,222
Capital leases	1,174,134	94,878	332,343	936,669	141,276
Other loans	822,589	153,924	92,583	883,930	301,472
Total	<u>\$ 3,865,003</u>	<u>248,802</u>	<u>549,184</u>	<u>\$ 3,564,621</u>	<u>564,970</u>
Business-type Activities:					
Compensated absences	\$ 36,712		7,873	\$ 28,839	-
General obligation bonds		3,500,000		3,500,000	175,000
Limited obligation bonds	4,445,000		270,000	4,175,000	285,000
Capital leases	2,752		2,752	-	
Total	<u>\$ 4,484,464</u>	<u>3,500,000</u>	<u>280,625</u>	<u>\$ 7,703,839</u>	<u>460,000</u>

(10) Contingencies

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

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

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(11) Joint Ventures

The county participates in the following joint ventures:

Kemper County is a participant with Newton County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free library service to the citizens of the respective counties. The Kemper County Board of Supervisors alternately 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 2008. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(12) 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 commissioners. The county provided \$20,538 for support of the commission in fiscal year 2008.

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 college board of trustees. The county appropriated \$164,458 for maintenance and support of the college in fiscal year 2008.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$10,222 for support of the district in fiscal year 2008.

The Multi-County Community Service Agency operates in a district of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity 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 for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

(13) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 11.85% 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, 2008, 2007 and 2006 were \$338,812, \$327,036, and \$293,868, respectively, equal to the required contributions for each year.

KEMPER COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(14) Subsequent Events

Subsequent to September 30, 2008, Kemper County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05/04/09	3.38%	65,000	Capital lease	Road/Bridge Revenue
05/18/09	3.39%	47,500	Capital lease	Road/Bridge Revenue
05/18/09	3.19%	105,484	Capital lease	Garbage Revenue

KEMPER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Kemper County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2008

	General Fund			Variance with
	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,178,878	2,150,700	2,188,781	38,081
Licenses, commissions and other revenue	42,500	35,000	69,798	34,798
Fines and forfeitures	132,000	124,000	167,978	43,978
Intergovernmental revenues	357,000	332,350	408,051	75,701
Charges for services	80,000	61,480	121,320	59,840
Interest income	20,000	20,000	25,605	5,605
Miscellaneous revenues	16,000	41,764	78,169	36,405
Total Revenues	2,826,378	2,765,294	3,059,702	294,408
EXPENDITURES				
Current:				
General government	1,886,145	1,830,511	1,664,366	166,145
Public safety	863,993	862,909	972,580	(109,551)
Public works				-
Health and welfare	230,528	194,265	206,612	(12,347)
Culture and recreation	48,334	44,584	43,553	1,031
Education	44,500	44,500		44,500
Conservation of natural resources	91,265	85,350	76,058	9,282
Economic development and assistance	100,722	100,722	97,031	3,691
Debt service principal, interest, and fees			34,719	(34,719)
Total Expenditures	3,265,487	3,162,841	3,094,899	67,942
Excess of Revenues over (under) Expenditures	(439,109)	(397,547)	(35,197)	362,350
OTHER FINANCING SOURCES (USES)				
Other financing sources			68,217	68,217
Other financing uses			(44,558)	(44,558)
Total Other Financing Sources and Uses	-	-	23,659	23,659
Net Change in Fund Balance	(439,109)	(397,547)	(11,538)	386,009
Fund Balances - Beginning	439,109	397,547	1,805,563	1,408,016
Fund Balances - Ending	\$ -	-	1,794,025	1,794,025

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

Kemper County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road and Bridge Fund
For the Year Ended September 30, 2008

	Countywide Road and Bridge Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive Negative
REVENUES				
Property taxes	\$ 1,317,347	1,303,500	1328376	24,876
Licenses, commissions and other revenue	95,000	95,000	105,905	10,905
Fines and forfeitures				-
Intergovernmental revenues	538,000	553,000	547,107	(5,893)
Charges for services				-
Interest income	500	1,300		(1,300)
Miscellaneous revenues	2,000	203,881	174,751	(29,130)
Total Revenues	<u>1,952,847</u>	<u>2,156,681</u>	<u>2,156,139</u>	<u>(542)</u>
EXPENDITURES				
Current:				
General government				-
Public safety				-
Public works	1,774,345	1,998,751	1,856,823	141,928
Health and welfare				-
Culture and recreation				-
Education				-
Conservation of natural resources				-
Economic development and assistance				-
Debt service principal, interest, and fees	178,502	203,822	345,749	(141,927)
Total Expenditures	<u>1,952,847</u>	<u>2,202,573</u>	<u>2,202,572</u>	<u>1</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(45,892)</u>	<u>(46,433)</u>	<u>(541)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources			542	542
Other financing uses				-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>542</u>	<u>542</u>
Net Change in Fund Balance	<u>-</u>	<u>(45,892)</u>	<u>(45,891)</u>	<u>1</u>
Fund Balances - Beginning		45,892	(174,896)	(220,588)
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>(220,587)</u>	<u>(220,587)</u>

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

Kemper County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Pharma Pac Fund
For the Year Ended September 30, 2008

	Pharma Pac Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual (Budgetary Basis)	
REVENUES				
Property taxes	\$			-
Licenses, commissions and other revenue				-
Fines and forfeitures				-
Intergovernmental revenues				-
Charges for services				-
Interest income			885	885
Miscellaneous revenues	500,000	1,302,210	1,839,115	536,905
Total Revenues	<u>500,000</u>	<u>1,302,210</u>	<u>1,840,000</u>	<u>537,790</u>
EXPENDITURES				
Current:				
General government				-
Public safety				-
Public works				-
Health and welfare				-
Culture and recreation				-
Education				-
Conservation of natural resources				-
Economic development and assistance	400,000	1,979,191	1,893,736	85,455
Debt service principal, interest, and fees	100,000	63,019	148,473	(85,454)
Total Expenditures	<u>500,000</u>	<u>2,042,210</u>	<u>2,042,209</u>	<u>1</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(740,000)</u>	<u>(202,209)</u>	<u>537,791</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources				-
Other financing uses				-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(740,000)	(202,209)	537,791
Fund Balances - Beginning		740,000	1,050,731	310,731
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>848,522</u>	<u>848,522</u>

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

KEMPER COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

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 & Bridge Fund	Phama Pac
Budget (Cash Basis)	\$ (11,538)	(45,891)	(202,209)
Increase (Decrease)			
Net adjustments for revenue accruals	(88,370)	185,324	(666,810)
Net adjustments for expenditure accruals	58,644	22,353	(24,818)
GAAP Basis	\$ (41,264)	161,786	(893,837)

KEMPER COUNTY

SUPPLEMENTAL INFORMATION

KEMPER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Commerce/ Economic Development Administration/ Economic Adjustment Assistance	11.307	N/A	<u>815,452</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community Development Block Grants/States Program	14.228	112306035ED01	<u>183,352</u>
Community Development Block Grants/States Program	14.228	112003035ED01	<u>141,008</u>
Total Community Development Block Grants/States Program			<u>324,360</u>
Total Expenditures of Major Federal Awards			<u>1,139,812</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME Investment Partnerships Program	14.239	M01-SG-280-101	<u>21,786</u>
Appalachian Regional Commission/ Appalachian Area Development	23.002	N/A	<u>32,332</u>
U.S. Department of Transportation-Federal Highway/ Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR NBIS 068 B(35)	<u>19,090</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency Management Performance Grants	97.042	10838136	<u>2,905</u>
Total Expenditures of Other Federal Awards			<u>76,113</u>
Total Expenditures of Federal Awards			<u>1,215,925</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Significant Accounting Policies

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

KEMPER COUNTY

SPECIAL REPORTS

**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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued my report thereon dated September 02, 2009. My report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Kemper County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kemper County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the county's ability to initiate, authorize, record, process, or report financial data reliable in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. I consider the deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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


My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 08-1, 08-2, 08-3 and 08-4 to be material weaknesses.

Kemper County's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Kemper County's responses and, accordingly, I express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kemper County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


MARCUS J. MARTIN
Certified Public Accountant
September 02, 2009

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

Members of the Board of Supervisors
Kemper County, Mississippi

Compliance

I have audited the compliance of Kemper County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Kemper County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Kemper County, Mississippi's management. My responsibility is to express an opinion on Kemper County, Mississippi's compliance based on my audit.

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

In my opinion, Kemper County, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.


Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to its major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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


MARCUS J. MARTIN
Certified Public Accountant
September 02, 2009

**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

I have made a study and evaluation of the central purchasing system and inventory control system of Kemper County, Mississippi, as of and for the year ended September 30, 2008. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

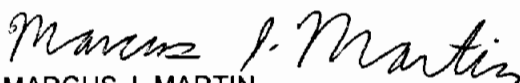
The Board of Supervisors of Kemper County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of 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.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of 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.


MARCUS J. MARTIN
Certified Public Accountant
September 02, 2009

KEMPER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

Schedule 1

My 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, 2008

Schedule 2

My test results did not identify any emergency purchases.

KEMPER COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

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

KEMPER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEMPER COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unqualified |
| Business-type activities | Unqualified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unqualified |
| Countywide Road and Bridge Fund | Unqualified |
| Pharma Pac Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Economic Adjustment Assistance | CFDA # 11.307 |
| b. Community Development Block Grants/
States Program | CFDA # 14.228 |
| 8. The dollar threshold used to distinguish between type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

KEMPER COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

08-1. Finding

As reported in the prior audit report, a critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

At the present time, the county does not have the money or resources necessary to employ an independent accounting firm.

Significant Deficiency – Material Weakness

08-2 Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. 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 County should provide the financial data for its discretely presented component unit for the inclusion in the county's financial statements.

Board of Supervisors' Response

Until audit year 2006, Kemper County was in compliance with generally accepted accounting principle regarding the treatment of component units. Changes by the Governmental Accounting Standards Board, in the standards applicable to governmental accounting, have caused Kemper County to not be in compliance regarding the treatment of the component units. This has been presented to county officials and we are aware of the finding. However, at the present time, the county does not have the money or resources necessary to include component unit financial data with that of the county's financial statements.

KEMPER COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Significant Deficiency – Material Weakness

08-3 Finding

Subsidiary records to document and control the county's fixed assets are necessary to maintain timely and accurate asset records. The subsidiary records supporting capital assets were not accurate or complete. Several deficiencies existed:

- a. County was unable to present listing of fixed assets exceeding the threshold amount for capitalization.
- b. Additions and deletions report was found to include activity that was inaccurate.
- c. Depreciation calculations were not part of the depreciation reports.
- d. Reports were not provided for construction in progress.

Further work performed by the inventory clerk and audit analysis was able to resolve these deficiencies for fair presentation in audit report but did not allow for an ongoing ability of county officials to determine proper amounts of fixed assets at any point in time. This lack of accurate and timely information may cause a misreporting of fixed assets in county records and in financial statements.

Recommendation

The Board should instruct the inventory clerk to develop necessary reports to resolve listed deficiencies. All reports should be updated timely to provide appropriate information to county officials.

Board of Supervisors' Response

We will require that the inventory control clerk develop all appropriate reports.

Tax Collector.

Significant Deficiency – Material Weakness

08-4 Finding

A timely cash journal is an important control function for revenues collected. The tax collector was approximately one year behind in posting to the required cash journal, posting September 08 during the audit field work. The late posting eliminates the function of the cash journal as a check for the tax collector to verify that settlements are settled correctly. This increases the risk that cash collections will not be reported correctly resulting in misreporting in the financial statements.

Recommendation

The tax collector should post the cash journal to current status and then make remaining current a high priority.

KEMPER COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Tax Collector's Response

We are in the process of bringing the cash journal to a current status and will strive to remain current in the future.

Section 3: Federal Award Findings and Questioned Costs

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

**LIMITED INTERNAL CONTROL AND COMPLIANCE
REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors
Kemper County, Mississippi

In planning and performing my audit of the financial statements of Kemper County, Mississippi, for the year ended September 30, 2008, I considered Kemper County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for audit areas not considered material to Kemper County, Mississippi's financial reporting, I 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. My 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, I do not express such an opinion. This report does not affect my report dated September 02, 2009, on the financial statements of Kemper County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, my 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 my review procedures and compliance tests identified no immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency.

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


MARCUS J. MARTIN
Certified Public Accountant
September 02, 2009