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

Fortenberry & Ballard, PC
Certified Public Accountants

Kemper County Location in Mississippi



The county seat of Kemper is DeKalb. Kemper County was named for Reuben Kemper, who led a company of men from the Mississippi Territory against Spanish Mobile in 1811. The County was formed in 1833, covers 767 square miles and has an approximate population of 10,453.

Kemper County, Mississippi
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Kemper County, Mississippi

We have audited the accompanying financial statements of the governmental activities, 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, 2010, which collectively comprise the county's basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 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 this 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 discretely presented component unit is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of Kemper County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

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

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, 601-992-5292, Fax 601-992-2033

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2011, on our consideration of Kemper County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 11, 2011

Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

**Kemper County, Mississippi
Management's Discussion & Analysis
For the Year Ended September 30, 2010**

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, 2010. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$915,975, including a prior period adjustment in the amount of \$713,718, which represents an 8% increase from the prior fiscal year.
- The County had \$11,827,274 in total revenues. Program revenues in the amount of \$6,882,283 represent a 58% of total revenues. Tax revenues account for \$3,626,337 or 31% of total revenues. Revenues in the form of interest income, other revenue and grants not restricted, were \$1,318,654 or 11% of total revenues.
- The County had \$11,625,017 in total expenses. Expenses in the amount of \$11,625,017 were offset by charges for services, grants, or outside contributions. General revenues of \$4,944,991 were adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$3,321,879 in revenues and \$3,362,867 in expenditures. The General Fund's fund balance decreased \$40,988 over the prior year. Last year's revenues were \$3,055,465, and expenditures were \$3,167,614. The fund balance increased \$120,920 in the previous year.
- Among major funds, the Countywide Road & Bridge Fund had \$2,147,626 in revenues and \$2,120,920 in expenditures. The Countywide Road & Bridge Fund's fund balance increased \$26,706 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$726,257 in the governmental activities primarily due to additions to buildings, infrastructure and mobile equipment and increased \$309,164 in the business-type activities due to additions to construction in progress and adjustments made to accumulated depreciation to properly reflect capital assets at year end.

- Long-term debt decreased by \$384,239 in the governmental activities mainly due to principal payments made during the year and decreased \$420,205 in the business-type activities due to the refunding of bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic 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 Supplementary Information is included in addition to the basic financial statements.

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

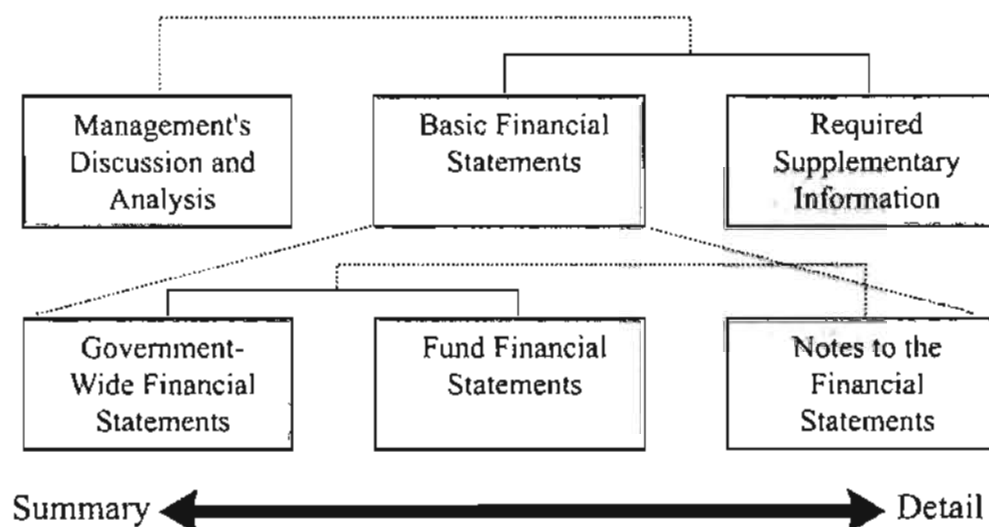


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

The next page 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.

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

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.

The County has one (1) component unit that is not reported in the Kemper County's report:

Kemper County Economic Development Authority

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 two categories: governmental funds and fiduciary funds.

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 revenue, and capital projects funds.

Because 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.

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.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County's 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.

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. 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 special revenue major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Kemper County, assets exceeded liabilities by \$12,492,520 as of September 30, 2010.

A portion of the County's net assets (80%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital leases) 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 assets for governmental activities at September 30, 2010 as compared to September 30, 2009.

	09/30/10 Governmental Activities	09/30/09 Governmental Activities
Assets:		
Current assets	\$ 6,507,923	6,604,113
Capital assets, net	9,608,367	8,882,110
Total Assets	<u>16,116,290</u>	<u>15,486,223</u>

Liabilities:		
Current liabilities	3,923,928	4,232,469
Long-term debt outstanding	3,024,364	3,408,603
Total Liabilities	<u>6,948,292</u>	<u>7,641,072</u>
Net Assets:		
Invested in capital assets, net of related debt	7,321,131	5,548,977
Restricted assets	711,350	442,653
Unrestricted	1,135,517	1,853,521
Total Net Assets	<u>\$ 9,167,998</u>	<u>7,845,151</u>

This table presents a summary of the County's net assets for the business-type activities at September 30, 2010 as compared to September 30, 2009.

	09/30/10 Business-Type Activities	09/30/09 Business-Type Activities
Assets:		
Current assets	\$ 2,247,149	3,409,792
Capital assets, net	8,275,456	7,966,292
Total Assets	<u>10,522,605</u>	<u>11,376,084</u>
Liabilities:		
Current liabilities	249,270	275,671
Long-term debt outstanding	6,948,814	7,369,019
Total Liabilities	<u>7,198,084</u>	<u>7,644,690</u>
Net Assets:		
Invested in capital assets, net of related debt	1,384,035	645,808
Restricted for public safety	1,873,009	2,995,228
Restricted for public works	67,478	90,358
Total Net Assets	<u>\$ 3,324,522</u>	<u>3,731,394</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Limited obligation bonds were refunded during the year in the amount of \$4,020,000 in the business-type activities.
- \$386,982 of long-term debt was retired during the year in the governmental activities and \$559,063 in the business-type activities.

Changes in Net Assets - Kemper County's total revenues for the fiscal year ended September 30, 2010 were \$11,827,274. The total cost for all services provided was \$11,625,017 and the increase in net assets was \$915,975, including a prior period adjustment in the amount of \$713,718. The following table presents a summary of the changes in net assets for the governmental activities for the fiscal year ended September 30, 2010, as compared to fiscal year ended September 30, 2009.

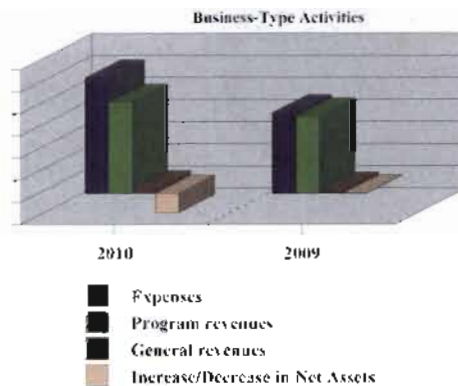
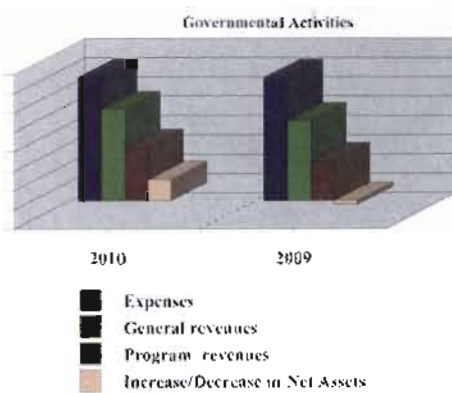
	Fiscal Year Ended 09/30/10	Fiscal Year Ended 09/30/09
Revenues:		
Program revenues:		
Charges for services	\$ 1,209,014	569,681
Operating grants & contributions	393,374	1,218,435
Capital grants & contributions	1,159,276	263,536
General revenues:		
Property taxes	3,424,265	3,508,553
Road and bridge privilege taxes	104,446	104,031
Grants and Contributions not Restricted	665,747	
Unrestricted interest income	26,474	27,166
Other	517,311	478,829
Gain (Loss) on sale of capital assets		19,093
Total Revenues	\$ 7,499,907	6,189,324
Expenses:		
General government	2,273,598	1,797,898
Public safety	1,513,829	1,362,063
Public works	1,703,068	2,526,103
Health & welfare	238,689	228,112
Culture & recreation	51,044	45,603
Conservation of natural resources	461,615	92,084
Economic development and assistance	81,551	244,717
Interest on long-term debt	84,043	88,475
Total Expenses	6,407,437	6,385,055
Increase/ (Decrease) in Net Assets	\$ 1,092,470	(195,731)

The following are significant current year transactions that had an impact on the Statement of Activities:

- Start-up of the CDBG Rush Hospital Grant.
- The KNCRF Women's Unit was completed and started full operations.

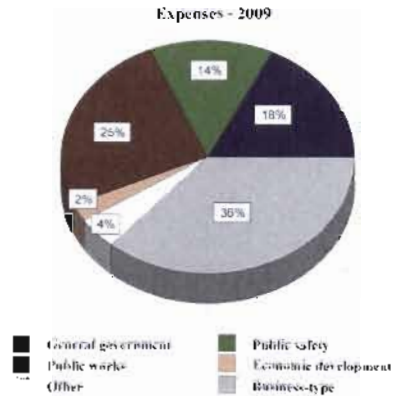
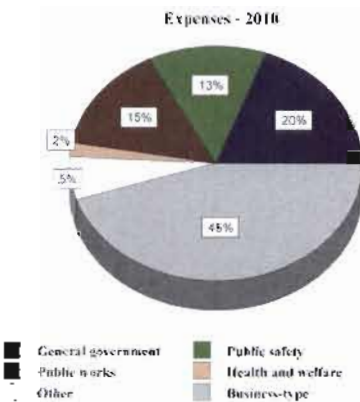
The following table presents a summary of the changes in net assets for the business-type activities for the fiscal year ended September 30, 2010, as compared to fiscal year ended September 30, 2009.

	Fiscal year ended 09/30/10	Fiscal year ended 09/30/09
Revenues:		
Program revenues:		
Charges for services	\$ 4,120,619	3,483,678
General revenues:		
Property taxes	97,626	106,851
Road and bridge privilege taxes		
Interest income	773	20,345
Miscellaneous	108,349	4,396
Total Revenues	\$ 4,327,367	3,615,270
Expenses:		
Regional Jail	4,016,311	3,022,727
Regional Jail Women	726,280	162,337
Solid Waste	474,989	442,644
Total expenses	5,217,580	3,627,708
Increase/ (Decrease) in Net Assets	\$ (890,213)	(12,438)



Governmental Activities – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development & Assistance and Interest on Long Term Debt for the governmental activities and Garbage and solid waste for the business-type activities. 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.

	2010 Total Cost	2010 Net Cost	2009 Total Cost	2009 Net Cost
Governmental Activities:				
General government	\$ 2,273,598	(1,031,931)	1,797,898	(1,179,952)
Public safety	1,513,829	(730,262)	1,362,063	(884,586)
Public works	1,703,068	(1,647,247)	2,526,103	(1,848,001)
Health and welfare	238,689	(213,384)	228,112	(213,521)
Culture and recreation	51,044	43,386	45,603	(45,603)
Conservation of natural resources	461,615	(461,615)	92,084	(92,084)
Economic development and assistance	81,551	479,323)	244,717	18,819
Interest on long term debt	84,043	(84,043)	88,475	(88,475)
Business-type Activities:				
Regional Jail	4,016,311	(1,051,844)	3,022,727	171,919
Regional Jail Women	726,280	157,580	162,337	(162,337)
Solid waste	474,989	(202,697)	442,644	(153,612)
Total Expenses	\$ 11,625,017	(4,742,734)	10,012,763	(4,477,433)



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 \$2,557,542, an increase of \$229,670 from the prior year. The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$40,988.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Kemper County revised its annual operating budget on several occasions. Budgeted revenues were increased as better estimates became available.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities:

Capital Assets - As of September 30, 2010, Kemper County's total capital assets were \$14,405,659. This includes land, infrastructure, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase from the previous year of \$321,558. The majority of this increase is attributable to additions to buildings, infrastructure and mobile equipment as well as adjustments that were made to properly reflect capital assets at year end. Total accumulated depreciation as of September 30, 2010 was \$4,797,292, including \$525,335 of depreciation expense for the year. The balance in total net capital assets was \$9,608,367 at year-end.

	<u>September 30, 2010</u>	<u>September 30 2009</u>	<u>Change</u>
Land	\$ 474,884	419,884	13%
Construction in progress		2,173,194	-100%
Infrastructure	4,432,335	3,401,458	30%
Buildings	4,250,169	2,986,361	42%
Mobile equipment	3,615,887	3,420,624	6%
Furniture and equipment	142,382	192,578	-26%
Leased property under capital leases	1,490,002	1,490,002	0%
Accumulated depreciation	(4,797,292)	(5,201,991)	-8%
Total Capital Assets, net	<u>\$ 9,608,367</u>	<u>8,882,110</u>	8%

Business-type Activities:

Capital Assets - As of September 30, 2010, Kemper County's total capital assets were \$9,067,113. This includes land, infrastructure, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases. Total accumulated depreciation as of September 30, 2010 was \$791,657, including \$221,077 of depreciation expense for the year. The balance in total net capital assets was \$8,275,456 at year-end.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>Change</u>
Construction in progress	\$	3,348,333	-100%
Buildings	8,536,964	5,141,731	66%
Mobile equipment	351,615	364,823	-4%
Furniture and equipment	73,050	147,284	-50%
Leased property under capital leases	105,484	105,484	0%
Accumulated depreciation	(791,657)	(1,141,363)	-31%
Total Capital Assets, net	\$ <u>8,275,456</u>	<u>7,966,292</u>	4%

Governmental Activities:

Debt Administration – At September 30, 2010, Kemper County had \$3,024,364 in long-term debt outstanding. This includes obligations under capital leases, and other loans. Of this debt, \$1,143,707 is due within one year.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>Change</u>
General obligation bonds	\$ 1,454,630	1,576,852	-8%
Capital leases payable	833,042	984,294	-15%
Other loans	658,573	771,987	-15%
Compensated absences	78,119	75,470	4%
Total Long-Term Debt	\$ <u>3,024,364</u>	<u>3,408,603</u>	-11%

Business-type Activities:

Debt Administration – At September 30, 2010, Kemper County had \$6,948,813 in long-term debt outstanding. This includes obligations under capital leases, and other loans. Of this debt, \$600,150 is due within one year.

	<u>September 30, 2010</u>	<u>September 30, 2009</u>	<u>Change</u>
General obligation bond payable	\$ 3,145,000	3,325,000	-5%
Limited obligation bond payable	3,675,000	3,890,000	-6%
Capital leases payable	71,421	105,484	-32%
Compensated absences	57,393	48,535	18%
Total Long-Term Debt	\$ <u>6,948,814</u>	<u>7,369,019</u>	-6%

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 financial information, please contact the Kemper County, Chancery Clerk's office at the following number: (601) 743-2754 or by mail at 102 Industrial Park Drive, DeKalb, Mississippi 39328.

FINANCIAL STATEMENTS

KEMPER COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
<i>Cash</i>	\$ 2,389,296	\$ 1,118,417	\$ 3,507,713
<i>Investments</i>	--	947,760	947,760
<i>Property tax receivable</i>	3,581,588	108,973	3,690,561
<i>Accounts receivable, net</i>	--	70,505	70,505
<i>Fines receivable, net</i>	43,989	--	43,989
<i>Loans receivable</i>	413,252	--	413,252
<i>Intergovernmental receivables</i>	53,267	--	53,267
<i>Other receivables</i>	28,025	--	28,025
<i>Internal balances</i>	(1,494)	1,494	--
<i>Capital Assets</i>			
<i>Land and construction in progress</i>	474,884	--	474,884
<i>Other capital assets, net</i>	9,133,483	8,275,456	17,408,939
Total Assets	16,116,290	10,522,605	26,638,895
Liabilities:			
<i>Claims payable</i>	215,974	97,955	313,929
<i>Amounts held in custody for others</i>	55,656	--	55,656
<i>Intergovernmental payables</i>	53,174	--	53,174
<i>Accrued interest payable</i>	17,536	42,341	59,877
<i>Deferred revenue</i>	3,581,588	108,973	3,690,561
<i>Long term liabilities</i>			
<i>Due within one year:</i>			
<i>Capital debt</i>	821,504	600,150	1,421,654
<i>Non-capital debt</i>	322,203	--	322,203
<i>Due in more than one year:</i>			
<i>Capital debt</i>	1,465,732	6,291,271	7,757,003
<i>Non-capital debt</i>	414,925	57,393	472,318
Total Liabilities	6,948,292	7,198,083	14,146,375
NET ASSETS			
<i>Invested in Capital Assets, Net of Related Debt</i>	7,321,131	1,384,035	8,705,166
<i>Restricted For:</i>			
<i>Health & welfare</i>	5,035	--	5,035
<i>Public safety</i>	197,845	1,873,009	2,070,854
<i>Debt service</i>	6,253	--	6,253
<i>Culture and recreation</i>	9,313	--	9,313
<i>Economic development</i>	422,951	--	422,951
<i>Capital projects</i>	235	--	235
<i>Public works</i>	378	67,478	67,856
<i>General government</i>	69,340	--	69,340
<i>Unrestricted</i>	1,135,517	--	1,135,517
Total Net Assets	\$ 9,167,998	\$ 3,324,522	\$ 12,492,520

The accompanying notes are an integral part of this statement.

KEMPER COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 2,273,598	\$ 827,166	\$ 84,167	\$ 330,334	\$ (1,031,931)		\$ (1,031,931)
Public safety	1,513,829	381,848	228,081	173,638	(730,262)		(730,262)
Public works	1,703,068	—	55,821	—	(1,647,247)		(1,647,247)
Health and welfare	238,689	—	25,305	—	(213,384)		(213,384)
Culture and recreation	51,044	—	—	94,430	43,386		43,386
Conservation of natural resources	461,615	—	—	—	(461,615)		(461,615)
Economic development and assistance	81,551	—	—	560,874	479,323		479,323
Interest on long term debt	84,043	—	—	—	(84,043)		(84,043)
Total Governmental Activities	6,407,437	1,209,014	393,374	1,159,276	(3,645,773)		(3,645,773)
Business-type Activities:							
Regional Jail	4,016,311	2,964,467	—	—	—	\$ (1,051,844)	(1,051,844)
Regional Jail Womens	726,280	863,860	—	—	—	157,580	157,580
Solid Waste	474,989	272,292	—	—	—	(202,697)	(202,697)
Total Business-type Activities	5,217,580	4,120,619	—	—	—	(1,096,961)	(1,096,961)
Total Primary Government	\$ 11,625,017	\$ 5,329,633	\$ 393,374	\$ 1,159,276	(3,645,773)	(1,096,961)	(4,742,734)
General Revenues:							
Property taxes					3,424,265	97,626	3,521,891
Road and bridge privilege taxes					104,446	—	104,446
Grants and Contributions Not Restricted to specific programs					665,747	—	665,747
Unrestricted interest income					26,474	773	27,247
Miscellaneous					517,311	108,349	625,660
Total General Revenues					4,738,243	206,748	4,944,991
Change in Net Assets					1,092,470	(890,213)	202,257
Net Assets - Beginning					7,845,151	3,731,394	11,576,545
Prior Period Adjustment					230,377	483,341	713,718
Net Assets - Restated					8,075,528	4,214,735	12,290,263
Net Assets - Ending					\$ 9,167,998	\$ 3,324,522	\$ 12,492,520

The accompanying notes are an integral part of this statement

KEMPER COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS**
SEPTEMBER 30, 2010

	Major Funds			
	General Fund	Countywide Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash	\$ 2,022,378	\$ 20,332	\$ 346,586	\$ 2,389,296
Property tax receivable	2,100,507	1,344,866	136,215	3,581,588
Fines receivable, net	43,989	--	--	43,989
Loans receivable	--	--	413,252	413,252
Intergovernmental receivables	26,045	--	27,222	53,267
Other receivables	28,025	--	--	28,025
Due from other funds	--	27,860	1,964	29,824
Total Assets	\$ 4,220,944	\$ 1,393,058	\$ 925,239	\$ 6,539,241
Liabilities and Fund Balances:				
Liabilities:				
Claims payable	\$ 92,069	\$ 65,584	\$ 58,321	\$ 215,974
Amounts held in custody for others	55,656	--	--	55,656
Intergovernmental payables	50,807	--	--	50,807
Due to other funds	33,685	--	--	33,685
Deferred revenue	2,144,496	1,344,866	136,215	3,625,577
Total Liabilities	2,376,713	1,410,450	194,536	3,981,699
Fund Balances:				
Reserved for:				
Debt service	--	--	23,789	23,789
Loans receivable	--	--	413,252	413,252
Unreserved:				
Undesignated, reported in:				
General Fund	1,844,231	--	--	1,844,231
Special Revenue Fund	--	(17,392)	293,427	276,035
Capital Project Funds	--	--	235	235
Total Fund Balances	1,844,231	(17,392)	730,703	2,557,542
Total Liabilities and Fund Balances	\$ 4,220,944	\$ 1,393,058	\$ 925,239	\$ 6,539,241

The accompanying notes are an integral part of this statement.

KEMPER COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Total fund balances - governmental funds balance sheet	\$ 2,557,542
Amounts reported for governmental activities in the Statement of Net Assets are different because	
Capital assets used in governmental activities are not reported in the funds	9,608,367
Liabilities due in one year are not recognized in the funds.	(1,143,707)
Payables for bond principal not due in the current period are not reported in the funds.	(1,327,408)
Payables for capital leases not due in the current period are not reported in the funds.	(138,760)
Payables for bond interest not due in the current period are not reported in the funds.	(17,536)
Payables for notes not due in the current period are not reported in the funds.	(336,370)
Payables for compensated absences not due in the current period are not reported in the funds	(78,119)
Court fines receivable unavailable to pay for current expenditures are deferred in the funds.	43,989
Net assets of governmental activities - Statement of Net Assets	\$ 9,167,998

The accompanying notes 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, 2010**

	Major Funds			
	General Fund	Countywide Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 1,945,382	\$ 1,349,005	\$ 129,878	\$ 3,424,265
Road and bridge privilege taxes	--	104,446	--	104,446
Licenses, commissions and other revenues	49,215	--	4,162	53,377
Fines and forfeitures	159,166	--	49,048	208,214
Intergovernmental revenues	792,740	538,592	1,424,852	2,756,184
Charges for services	332,800	--	76,836	409,636
Interest income	25,141	--	1,333	26,474
Miscellaneous revenues	17,435	155,583	344,293	517,311
Total Revenues	3,321,879	2,147,626	2,030,402	7,499,907
Expenditures:				
General government	1,804,345	--	498,809	2,303,154
Public safety	1,097,358	--	470,792	1,568,150
Public works	--	1,939,058	178,711	2,117,769
Health and welfare	224,242	--	--	224,242
Culture and recreation	43,370	--	4,195	47,565
Conservation of natural resources	87,263	--	--	87,263
Economic development and assistance	96,531	--	353,624	450,155
Debt service:				
Principal	8,755	147,340	230,887	386,982
Interest	1,003	34,522	49,432	84,957
Total Expenditures	3,362,867	2,120,920	1,786,450	7,270,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,988)	26,706	243,952	229,670
Fund balances				
Beginning	1,885,219	(44,098)	486,751	2,327,872
Ending	\$ 1,844,231	\$ (17,392)	\$ 730,703	\$ 2,557,542

The accompanying notes 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, 2010*

Net change in fund balances - total governmental funds	\$ 229,670
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because	
Capital outlays are not reported as expenses in the SOA	1,032,555
The depreciation of capital assets used in governmental activities is not reported in the funds.	(525,335)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds	(11,434)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	386,982
(Increase) decrease in accrued interest from beginning of period to end of period	914
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(2,649)
Revenues in SOA for court fines not providing current financial resources are not reported in the funds.	(18,233)
Change in net assets of governmental activities - Statement of Activities	\$ 1,092,470

The accompanying notes are an integral part of this statement

KEMPER COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

Business-type Activities - Enterprise Funds

	Major Funds		Nonmajor Fund	Total
	Regional Jail Fund	Regional Jail Womens	Solid Waste Fund	Enterprise Funds
Assets:				
Current assets:				
Cash	\$ 1,049,536	\$ 54,767	\$ 14,114	\$ 1,118,417
Investments	947,760	--	--	947,760
Property tax receivable	--	--	108,973	108,973
Accounts receivable	--	--	70,505	70,505
Due from other funds	--	--	1,494	1,494
Total Current Assets	1,997,296	54,767	195,086	2,247,149
Noncurrent assets				
Capital assets, net	4,790,120	3,327,328	158,008	8,275,456
Total Noncurrent Assets	4,790,120	3,327,328	158,008	8,275,456
Total Assets	\$ 6,787,416	\$ 3,382,095	\$ 353,094	\$ 10,522,605
Liabilities:				
Claims payable	\$ 87,097	\$ --	\$ 10,858	\$ 97,955
Accrued interest payable	5,378	36,963	--	42,341
Deferred revenue	--	--	108,973	108,973
Long-term liabilities				
Due within one year:				
Capital Debt	375,000	190,000	35,150	600,150
Due beyond one year:				
Capital Debt	3,300,000	2,955,000	36,271	6,291,271
Non-capital Debt	49,616	--	7,777	57,393
Total Liabilities	3,817,091	3,181,963	199,029	7,198,083
Net Assets:				
Investment in capital assets, net of related debt	1,115,120	182,328	86,587	1,384,035
Restricted for public safety	1,855,205	17,804	--	1,873,009
Restricted for public works	--	--	67,478	67,478
Total Net Assets	2,970,325	200,132	154,065	3,324,522
Total Liabilities and Net Assets	\$ 6,787,416	\$ 3,382,095	\$ 353,094	\$ 10,522,605

KEMPER COUNTY
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Business-type Activities - Enterprise Funds

	Major Fund Regional Jail Fund	Major Fund Regional Jail Womens	Nonmajor Fund Solid Waste Fund	Total Enterprise Funds
Operating Revenues:				
Charges for services	\$ 2,964,467	\$ 883,861	\$ 272,292	\$ 4,120,620
Total Operating Revenues	2,964,467	883,861	272,292	4,120,620
Operating Expenses:				
Personal services	1,884,230	--	289,656	2,173,886
Contractual services	1,476,715	542,387	80,750	2,099,852
Materials and supplies	360,858	--	72,788	433,646
Depreciation expense	124,742	67,905	28,430	221,077
Total Operating Expenses	3,846,545	610,292	471,624	4,928,461
Operating Income (Loss)	(882,078)	273,569	(199,332)	(807,841)
Non-Operating Revenues (Expenses):				
Property tax	--	--	97,626	97,626
Interest income	582	191	--	773
Interest expense	(111,881)	(115,989)	(3,365)	(231,235)
Other income (expenses)	(37,360)	--	87,824	50,464
Total Non-operating Revenues (Expenses)	(148,659)	(115,798)	182,085	(82,372)
Net income	(1,030,737)	157,771	(17,247)	(890,213)
Net Assets - Beginning	3,744,604	(132,076)	118,866	3,731,394
Prior Period Adjustment	256,458	174,437	52,446	483,341
Net Assets - Restated	4,001,062	42,361	171,312	4,214,735
Net Assets - Ending	\$ 2,970,325	\$ 200,132	\$ 154,065	\$ 3,324,522

The accompanying notes are an integral part of this statement.

KEMPER COUNTY**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds			
	Regional Jail Fund	Regional Jail Womens	Solid Waste Fund	Total
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 2,964,467	\$ 883,861	\$ 272,292	\$ 4,120,620
<i>Cash Payments to Employees for Services</i>	(1,884,230)	--	(289,656)	(2,173,886)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,851,835)	(544,936)	(171,017)	(2,567,788)
Net Cash Provided (Used) by Operating Activities	(771,598)	338,925	(188,381)	(621,054)
Cash Flows from Non-capital Financing Activities:				
<i>Property tax</i>	--	--	97,626	97,626
<i>Other income (expenses)</i>	47,640	(93,800)	87,824	41,664
Net Cash Provided (Used) by Non-capital Financing Activities	47,640	(93,800)	185,450	139,290
Cash Flows from Capital and Related Financing Activities:				
<i>Principal and Interest Paid</i>	(411,881)	(295,989)	(37,428)	(745,298)
<i>Acquisition or Construction of Capital Assets</i>	--	46,900	--	46,900
Net Cash Provided (Used) for Capital & Related Financing Activities	(411,881)	(249,089)	(37,428)	(698,398)
Cash Flows from Investing Activities:				
<i>Interest and Dividends on Investments</i>	582	191	--	773
Net Cash Provided (Used) for Investing Activities	582	191	--	773
Net Increase (Decrease) in Cash and Cash Equivalents	(1,135,257)	(3,773)	(40,359)	(1,179,389)
Cash and Cash Equivalents at Beginning of Year	3,132,553	58,540	54,473	3,245,566
Cash and Cash Equivalents at End of Year	\$ 1,997,296	\$ 54,767	\$ 14,114	\$ 2,066,177
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (882,078)	\$ 273,569	\$ (199,332)	\$ (807,841)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	124,742	67,905	28,430	221,077
Change in Assets and Liabilities:				
<i>Decrease (Increase) in Receivables</i>	--	--	(20,072)	(20,072)
<i>Decrease (Increase) in due from other funds</i>	--	--	145	145
<i>Increase (Decrease) in Claims Payable</i>	(10,563)	--	2,319	(8,244)
<i>Increase (Decrease) in Compensated Absences</i>	8,729	--	129	8,858
<i>Increase (Decrease) in Accrued Interest Payable</i>	(12,428)	(2,549)	--	(14,977)
Total Adjustments	110,480	65,356	10,951	186,787
Net Cash Provided (Used) by Operating Activities	\$ (771,598)	\$ 338,925	\$ (188,381)	\$ (621,054)

The accompanying notes are an integral part of this statement

KEMPER COUNTY**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****FIDUCIARY FUNDS****SEPTEMBER 30, 2010**

	Agency Funds
Assets:	
<i>Cash and investments</i>	\$ 175,313
<i>Due from other funds</i>	2,367
Total Assets	\$ 177,680
Liabilities:	
<i>Amounts held in custody for others</i>	\$ 146,169
<i>Intergovernmental payables</i>	31,511
Total Liabilities	\$ 177,680

The accompanying notes are an integral part of this statement.

Kemper County, Mississippi

Notes to the Financial Statements
for the year ended September 30, 2010

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

(I) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Kemper County Economic Development Authority

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets 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.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

The county's Proprietary Funds apply all applicable Governmental Accounting Standard 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 non-operating. 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 non-operating.

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.

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.

Regional Jail Womens 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.

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. Account Classifications

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

F. Deposits and Investments

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in

Kemper County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2010

obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

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

G. Receivables

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Capital Assets

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

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

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 selected. 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 the donation.

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

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

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

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

J. Long-term Liabilities

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

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

K. Equity Classifications

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

L. Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

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

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

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

M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because the 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.

Kemper County, Mississippi

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

(2) Prior Period Adjustment

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
Governmental Activities	
1. To properly present capital assets at year end.	\$ 230,471
2. To properly present debt outstanding at year end.	(94)
Business-type Activities:	
1. To properly present capital assets at year end.	483,341
Total	<u>\$ 713,718</u>

(3) Deposits and Investments

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$3,507,713 in the government-wide Statement of Net Assets and \$175,313 in the Statement of Fiduciary Assets and Liabilities, and the bank balance was \$2,772,641. 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 the 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

Kemper County, Mississippi

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

held by the Hancock Bank trust department. At year-end, the carrying amount of the county's investments was \$947,760 and the cost was \$947,760. 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, 2010, the county's investment in Hancock Horizon Government Money Market 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 investments to no more than one year. The weighted maturity of the securities in the Hancock Horizon Government Money Market 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 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.

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds:

Payable Fund	Receivable Fund	Amount
General Fund	Countywide Road & Bridge	\$ 27,860
	Other Governmental Funds	1,964
	Other Enterprise Fund	1,494
	Fiduciary Funds	2,367
Total		\$ 33,685

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

Kemper County, Mississippi

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

(5) Intergovernmental Receivables

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

Governmental Activities:

Description	Amount
Tax Collector Legislative Tax Credit	\$ 26,045
Home Buyer Grant	27,222
Total Governmental Activities	<u>\$ 53,267</u>

(6) Loans Receivable

Loans receivable balances at September 30, 2010 are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Amount
Trans Tech	10-15-02	3.00%	03-01-10	\$ 207,632
Pharma Pac	06-27-03	0.50%	12-01-13	205,620
Total				<u>\$ 413,252</u>

(7) Capital Assets

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

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2010
Non-depreciable capital assets:						
Land	\$ 419,884				55,000	474,884
Construction in progress	2,173,194	145,554		(2,318,748)		0
Total non-depreciable capital assets	<u>2,593,078</u>	<u>145,554</u>	<u>0</u>	<u>(2,318,748)</u>	<u>55,000</u>	<u>474,884</u>
Depreciable capital assets:						
Infrastructure	3,401,458	144,745		1,802,774	(916,642)	4,432,335
Buildings	2,986,361	710,936		515,974	36,898	4,250,169
Mobile equipment	3,420,624	31,320	96,346		260,289	3,615,887
Furniture and equipment	192,578				(50,196)	142,382
Leased property under capital leases	1,490,002					1,490,002
Total depreciable capital assets	<u>11,491,023</u>	<u>887,001</u>	<u>96,346</u>	<u>2,318,748</u>	<u>(669,651)</u>	<u>13,930,775</u>

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2010
Less accumulated depreciation for:						
Infrastructure	777,877	74,054			243,653	1,095,584
Buildings	993,973	123,055			(693,826)	423,202
Mobile equipment	2,804,742	190,704	84,912		(315,956)	2,594,578
Furniture and equipment	159,071	771			(33,241)	126,601
Leased property under capital leases	466,328	136,751			(45,752)	557,327
Total accumulated depreciation	5,201,991	525,335	84,912	0	(845,122)	4,797,292
Total depreciable capital assets, net	6,289,032	361,666	11,434	2,318,748	175,471	9,133,483
Governmental activities capital assets, net	\$ 8,882,110	507,220	11,434	0	230,471	9,608,367

Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2010
Non-depreciable capital assets:						
Land	\$					0
Construction in progress	3,348,333	46,900		(3,395,233)		0
Total non-depreciable capital assets	3,348,333	46,900	0	(3,395,233)	0	0
Depreciable capital assets:						
Infrastructure						0
Buildings	5,141,731			3,395,233		8,536,964
Mobile equipment	364,823				(13,208)	351,615
Furniture and equipment	147,284				(74,234)	73,050
Leased property under capital leases	105,484					105,484
Total depreciable capital assets	5,759,322	0	0	3,395,233	(87,442)	9,067,113
Less accumulated depreciation for:						
Infrastructure						0
Buildings	719,842	170,739			(411,338)	479,243
Mobile equipment	357,289	36,995			(148,768)	245,516
Furniture and equipment	54,739	3,850			(10,677)	47,912
Leased property under capital leases	9,493	9,493				18,986
Total accumulated depreciation	1,141,363	221,077	0	0	(570,783)	791,657
Total depreciable capital assets, net	4,617,959	(221,077)	0	3,395,233	483,341	8,275,456
Governmental activities capital assets, net	\$ 7,966,292	(174,177)	0	0	483,341	8,275,456

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

Adjustments to capital assets were made to properly present capital assets at year end.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 3,920
Public safety	136,919
Public works	325,435
Health and welfare	14,447
Culture and recreation	3,479
Economic development	<u>41,135</u>
Total depreciation expense	<u>\$ 525,335</u>

	<u>Amount</u>
Business-type Activities:	
Regional Jail	\$ 124,742
Regional Jail Womens	67,905
Solid Waste	<u>28,430</u>
Total depreciation expense	<u>\$ 221,077</u>

(8) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

(9) Capital Leases

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Mobile equipment	\$ 1,490,002	105,484
Less: Accumulated depreciation	(557,327)	(18,986)
Leased Property Under Capital Leases	<u>\$ 932,675</u>	<u>86,498</u>

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

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 694,282	18,713	35,150	2,278
2012	32,808	4,292	36,271	1,157
2013	29,500	3,313		
2014	76,452	2,320		
Total	<u>\$ 833,042</u>	<u>28,638</u>	<u>71,421</u>	<u>3,435</u>

(10) Long-term Debt

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

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
G.O. Building Bonds	\$ 975,000	4.0 - 5.5%	11/2025
Industrial Development Bonds (Pharma Pac)	479,630	0%	10/2016
Total General Obligation Bonds	<u>\$ 1,454,630</u>		
B. Capital Leases:			
Five Caterpillar Motor Graders	\$ 441,754	3.74%	12/2010
F150 Ford Truck	1,790	3.92%	2/2011
Three Mack Dump Trucks	198,118	4.01%	09/2011
2008 Sprayer Truck	29,279	4.06%	11/2010
Used Caterpillar Wheel Loader	52,825	3.28%	06/2014
Motor Grader	109,276	3.39%	09/2014
Total Capital Leases	<u>\$ 833,042</u>		
C. Other Loans:			
Fire Truck	\$ 31,257	2.00%	08/2013
CDBG - Trans Tech	207,632	3.00%	03/2010
CDBG - Pharma Pac	205,619	0.05%	12/2013
Two Fire Trucks	106,382	2.00%	05/2016
Dodge Charger Sheriff	14,951	4.25%	04/2013
Pharma Pac Commercial Bank	92,732	3.00%	07/2015
Total Other Loans	<u>\$ 658,573</u>		
<u>Business-type activities:</u>			
A. General Obligation Bonds:			
Women - Regional Jail	<u>\$ 3,145,000</u>	3.5 - 4.25%	06/2023

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

B. Limited Obligation Bonds:

Urban Renewal Revenue - Refinance	\$ <u>3,675,000</u>	varies	09/2019
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C. Capital Leases:

2010 Freightliner Garbage Truck	\$ <u>71,421</u>	3.5-4.25%	08/2012
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Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2011	\$ 127,222	40,849
2012	127,222	38,374
2013	127,222	35,899
2014	132,222	33,661
2015	132,222	31,661
2016 - 2020	363,520	124,774
2021 - 2025	360,000	57,707
2026 - 2030	85,000	1,806
Total	\$ <u>1,454,630</u>	<u>364,731</u>

Year Ending September 30,	Other Loans	
	Principal	Interest
2011	\$ 322,203	5,761
2012	115,939	4,392
2013	116,424	2,987
2014	55,664	1,670
2015	36,667	683
2016 - 2019	11,676	81
Total	\$ <u>658,573</u>	<u>15,574</u>

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

Business-Type Activities:

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2011	\$ 190,000	110,888
2012	195,000	103,288
2013	205,000	95,488
2014	210,000	87,800
2015	220,000	80,188
2016 - 2020	1,250,000	281,813
2021 - 2025	875,000	62,125
Total	\$ 3,145,000	821,590

Year Ending September 30,	Limited Obligation Bonds	
	Principal	Interest
2011	\$ 375,000	129,070
2012	380,000	116,883
2013	395,000	104,453
2014	410,000	91,695
2015	420,000	78,370
2016 - 2019	1,695,000	160,550
Total	\$ 3,675,000	681,021

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 by 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 10.1% of the latest property assessments.

Advance Refunding - On September 1, 2010, the county issued \$4,020,000 in limited obligation refunding bonds with an interest rate that varies to advance refund \$3,890,000 of the following outstanding bond issue:

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

Issue	Average Interest Rate	Outstanding Amount Refunded
Urban Renewal Revenue Bonds - Regional Jail	5.20-6.25%	\$ 3,890,000

The Urban Renewal Revenue Bonds had an outstanding balance of \$3,890,000 at the time of refunding, all of which was refunded during fiscal year 2010.

The net proceeds of \$4,020,000 were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 10 years by almost \$402,000 and to obtain an economic gain of \$195,666.

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

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 1,576,852		122,222		1,454,630	127,222
Capital leases	984,294		151,517	265	833,042	694,282
Other loans	771,987		113,243	(171)	658,573	322,203
Compensated absences	75,470	2,649			78,119	
Total	\$ 3,408,603	2,649	386,982	94	3,024,364	1,143,707

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
<u>Business-type Activities:</u>						
General obligation bonds	\$ 3,325,000		180,000		3,145,000	190,000
Limited obligation bonds	3,890,000	4,020,000	4,235,000		3,675,000	375,000
Capital leases	105,484		34,063		71,421	35,150
Compensated absences	48,535	8,857		1	57,393	
Total	\$ 7,369,019	4,028,857	4,449,063	1	6,948,814	600,150

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2010

Adjustments to long-term debt in the governmental activities were needed to correctly present outstanding balance at the end of the fiscal year.

(11) Contingencies

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

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

(12) Joint 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 2010. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(13) 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 2010.

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

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 \$156,795 for financial support in fiscal year 2010.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$10,222 for financial support in fiscal year 2010.

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 \$3,000 for financial support in fiscal year 2010.

(14) Defined Benefit Pension Plan

Plan Description

Kemper County 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the fiscal years ending September 30, 2010, 2009 and 2008 were \$369,108, \$346,895, and \$338,812, respectively, equal to the required contributions for each year.

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2010

(15) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Kemper County evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent events have occurred that requires disclosure in the notes to the financial statements:

- 1) New Caterpillar Motor Graders (5)
Issue Date: 01-13-11
Maturity Date: 01-13-16
Lease Principal: \$872,705
Interest Rate: 3.09%
Lessor: Hancock Bank
- 2) Buyback of (5) Motor Graders lease purchased 07-10-08 upon balloon payment being reached 12-10-10 (\$434,000)

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 2,170,737	2,170,737	1,979,068	-	(191,669)
Licenses, Commissions and other Revenues	46,500	46,500	49,215	-	2,715
Fines and Forfeitures	122,000	122,000	159,165	-	37,165
Intergovernmental Revenues	570,436	570,436	792,741	-	222,305
Charges for Services	80,000	80,000	308,560	-	228,560
Interest Income	20,000	20,000	25,141	-	5,141
Miscellaneous Revenues	16,000	16,000	73,612	-	57,612
Total Revenues	3,025,673	3,025,673	3,387,502	-	361,829
Expenditures:					
General Government	1,947,004	1,947,004	1,826,160	-	120,844
Public Safety	966,051	966,051	1,101,113	-	(135,062)
Health and Welfare	230,958	230,958	224,242	-	6,716
Culture and Recreation	48,334	48,334	43,370	-	4,964
Conservation of Natural Resources	90,136	90,136	87,263	-	2,873
Economic Development and Assistance	100,991	100,991	96,531	-	4,460
Total Expenditures	3,383,474	3,383,474	3,378,679	-	(4,795)
Excess (Deficiency) of Revenues Over Expenditures	(357,801)	(357,801)	8,823	-	366,624
Other Financing Sources (Uses)					
Transfers In			44,436	-	44,436
Transfers Out			(44,436)	-	(44,436)
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(357,801)	(357,801)	8,823	-	366,624
Fund Balances:					
October 1, 2009	357,801	357,801	1,863,390	-	1,505,589
September 30, 2010	\$ -	-	1,872,213	-	1,872,213

The notes to the required supplementary information are an integral part of this statement

KEMPER COUNTY

Budgetary Comparison Schedule

Countywide Road and Bridge Fund

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Property Taxes	\$ 1,388,576	1,388,576	1,328,844	-	(59,732)
Road and bridge privilege taxes	95,000	95,000	96,748	-	1,748
Intergovernmental Revenues	538,000	538,000	487,568	-	(50,432)
Interest Income	500	500	-	-	(500)
Miscellaneous Revenues	15,280	130,280	206,606	115,000	76,326
Total Revenues	2,037,356	2,152,356	2,119,766	115,000	(32,590)
Expenditures:					
Public Works	1,855,494	1,970,494	1,921,628	(115,000)	48,866
Debt Service	181,862	181,862	181,862	-	-
Total Expenditures	2,037,356	2,152,356	2,103,490	(115,000)	48,866
Excess (Deficiency) of Revenues Over Expenditures	-	-	16,276	-	16,276
Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	16,276	-	16,276
Fund Balances					
October 1, 2009			4,056	-	4,056
September 30, 2010	\$ -	-	20,332	-	20,332

The notes to the required supplementary information are an integral part of this statement

Kemper County, Mississippi

Notes to the Required Supplementary Information
For the year ended September 30, 2010

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

Kemper County, Mississippi

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

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

	<u>Governmental Fund Types</u>	
	General Fund	Countywide Road & Bridge
Budget (Cash Basis)	\$ 8,823	16,276
Increase (Decrease)		
Net adjustments for revenue accruals	(53,947)	(1,292)
Net adjustments for expenditure accruals	4,136	11,722
GAAP Basis	<u>\$ (40,988)</u>	<u>26,706</u>

SUPPLEMENTAL INFORMATION

Kemper County, Mississippi
Schedule of Expenditure of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community Development Block Grant / State's Program	14 228	1219-M07-SG-280-942	\$ 330,334
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home Investment Partnerships Program	14 239	2009-DJ-BX-0787	111,389
U.S. Department of Transportation/ Passed-through the Mississippi Department of Highway Planning and Construction Highway Planning and Construction	20 205	N/A	33,120
Passed-through the Mississippi Department of Public Safety Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	09-TA-135-1	4,853
Total U.S. Department of Transportation			37,973
U.S. Department of Homeland Security/ Passed-through Mississippi Information Technology Systems State Homeland Security Program	97.073	07PS313	126,165
Total Expenditures of Other Federal Awards			275,527
Total Expenditures of Federal Awards			\$ 605,861

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Members of the Board of Supervisors
Kemper County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 11, 2011. Our report includes an adverse opinion on the 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 Questioned Costs to be material weaknesses. [Finding 2010-1, Finding 2010-2 and Finding 2010-3]

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. [Finding 2010-4]

Compliance and Other Matters

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

However, we noted a certain matter 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 dated May 11, 2011, included within this document.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
May 11, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Kemper County, Mississippi

Compliance

We 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 could have a direct and material effect on its major federal program for the year ended September 30, 2010. Kemper County, Mississippi's major federal program is 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. Our responsibility is to express an opinion on Kemper County, Mississippi's compliance based on our audit.

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

In our opinion, Kemper County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

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 our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

This report is intended solely for the information and use of management 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 11, 2011

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

**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 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, 2010. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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 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 finding and recommendation and your response is as follows:

Inventory Control Clerk:

Finding #1:

Section 31-7-107, Miss. Code Ann. (1972) requires the Inventory Clerk to maintain inventory records as may be required for efficient operation of the inventory control system. 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. During our audit the county was unable to present a listing of fixed assets exceeding the threshold amount for capitalization, procedures were not in place to ensure that all additions and deletions were accurately recorded in capital assets records and reports were not provided for construction in progress. Adjustments were made for fair presentation in the audit report. This lack of accurate and timely information may cause a misstatement of fixed assets in the county records and in the financial statements.

Recommendation:

The Inventory Control Clerk should develop necessary reports to resolve listed deficiencies. All reports should be updated timely for the use of county officials.

Inventory Control Clerk's Response:

The Inventory Control Clerk will make efforts to comply with Section 31-7-107, Miss. Code Ann. (1972). Bank statements will be reconciled, and will make sure that the reconciled total should match the cash journal total.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Kemper County, Mississippi, complied in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

Kemper County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 11, 2011

Certified Public Accountants

Kemper County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2010

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

Kemper County, Mississippi
Schedule 2
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Our test results did not identify any emergency purchases.

Kemper County, Mississippi

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2010

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

FORTENBERRY & BALLARD, PC

Certified Public Accountants

**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, 2010, we considered Kemper County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion 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 May 11, 2011, on the financial statements of Kemper County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 11, 2011

Certified Public Accountants

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, 601-992-5292, Fax 601-992-2033

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kemper County, Mississippi

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

Section I: 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
Discretely Presented Component Unit	Adverse
General Fund	Unqualified
Countywide Road & Bridge Fund	Unqualified
Aggregate remaining fund information	Unqualified

2. Internal control over financial reporting:

- a. Material weaknesses identified? **Yes**
- b. Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

3. Noncompliance material to the financial statements noted? **No**

Federal Awards:

4. Internal control over major programs:

- a. Material weaknesses identified? **No**
- b. Significant deficiencies identified that are not considered to be material weaknesses? **None reported**

5. Type of auditor's report issued on compliance for major federal programs: **Unqualified**

6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? **No**

7. Federal Program identified:

- a. Community Development Block Grants -
State's Programs
CFDA #: 14.228

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? **No**

10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.510(a) of OMB Circular A-133? No

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to financial statements that are required to be reported by *Government Auditing Standards*.

Board of Supervisors.

Finding 2010-1

Material Weakness

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.

Finding 2010-2

Material Weakness

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. During our audit the county was unable to present a listing of fixed assets exceeding the threshold amount for capitalization, procedures were not in place to ensure that all additions and deletions were accurately recorded in capital assets records and reports were not provided for construction in progress. Adjustments were made for fair presentation in the audit report. This lack of accurate and timely information may cause a misstatement of fixed assets in the county records and in the financial statements.

Recommendation:

The Board should instruct the inventory clerk to develop necessary reports to resolve the issues listed above. All reports should be updated timely for the use of county officials.

Finding 2010-3

Material Weakness

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 the financial statements in accordance with generally accepted accounting principles. 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.

Chancery Clerk.

Finding 2010-4

Significant Deficiency

Effective internal controls over land redemption collection and recording includes reconciliations of the land redemption bank statements to the cash journal. Bank statements were not reconciled for the land redemption account. As a result, reconciliations to the cash journal balance at month-end could not be performed. Failure of the Chancery Clerk to comply with the prescribed accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county.

Recommendation:

The Chancery Clerk should make efforts to reconcile the land redemption account. The reconciled total should match the cash journal total.

Section III: Federal Awards Findings and Questioned Costs

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

Kemper County, Mississippi
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AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Kemper County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Martin Oden Phone Number: 601-743-4477</p> <p>b. Corrective Action Planned:</p> <p>The County will do its best to provide the financial data for its discretely presented component unit for the inclusion in the county's financial statements.</p> <p>c. Anticipated Completion Date:</p> <p>09-30-11</p>
2010-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Martin Oden Phone Number: 601-743-4477</p> <p>b. Corrective Action Planned:</p> <p>The Board will instruct the inventory clerk to develop necessary reports to resolve the issues found in the audit. All reports will be updated timely for the use of county officials.</p> <p>c. Anticipated Completion Date:</p> <p>09-30-11</p>

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AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)

As required by Section ____315(b) of OMB Circular A-133, the Kemper County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-3	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Martin Oden Phone Number: 601-743-4477</p> <p>b. Corrective Action Planned:</p> <p>At the present time, the county does not have the money or resources necessary to employ an independent accounting firm.</p> <p>c. Anticipated Completion Date:</p> <p>09-30-11</p>
2010-4	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Sherline Watkins Phone Number: 601-743-2460</p> <p>b. Corrective Action Planned:</p> <p>The Chancery Clerk will make efforts to reconcile the land redemption bank statements and will make sure that the reconciled total will match the cash journal total.</p> <p>c. Anticipated Completion Date:</p> <p>09-30-11</p>

FILED IN MY OFFICE

APR 26 2011

KEMPER COUNTY
CHANCERY CLERK
SHERLINE D. WATKINS

