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Kemper County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

Kemper County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Kemper County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Kemper County, Mississippi (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise basic financial statements of the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Kemper County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions on Governmental Activities and General Fund

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

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Circuit Clerk or the aging of the fines receivable. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$68,110, as of September 30, 2015. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as the fair presentation of the related transactions of the General Fund.

Qualified Opinions

Also, in our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and General Fund of Kemper County, Mississippi, as of September 30,

2015, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the Countywide Road and Bridge Fund, Regional Jail Fund, Regional Jail Women's Fund, and the aggregate remaining fund information of Kemper County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018, on our consideration of the Kemper County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kemper County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 4, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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, 2015. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

FINANCIAL HIGHLIGHTS

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

There was an increase in expenses of \$2,141,847 from the prior year in governmental activities.

Total net position decreased \$5,157,991, including a prior period adjustment of (\$8,083,939). This represents a 44% decrease from the prior fiscal year. This decrease was primarily a result of the implementation of GASB 68.

The County had \$14,250,816 in total governmental activities revenues, which represents an increase of \$5,507,906 or 63%, increase from the prior year. Property tax revenues account for \$11,740,710 or 82% of total revenues.

The County had \$16,331,067 in total expenditures, which represents an increase of \$2,354,455 or 17% increase from the prior fiscal year.

Among major funds, the General Fund had \$7,263,574 in revenues and \$6,544,394 in expenditures. The General Fund's fund balance increased \$2,236,093 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$728,987 over the prior year in governmental activities.

Capital assets, net of accumulated depreciation, increased by \$205,575 over the prior year in the business-type activities.

Long-term debt increased by \$705,773 over the prior year in governmental activities.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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

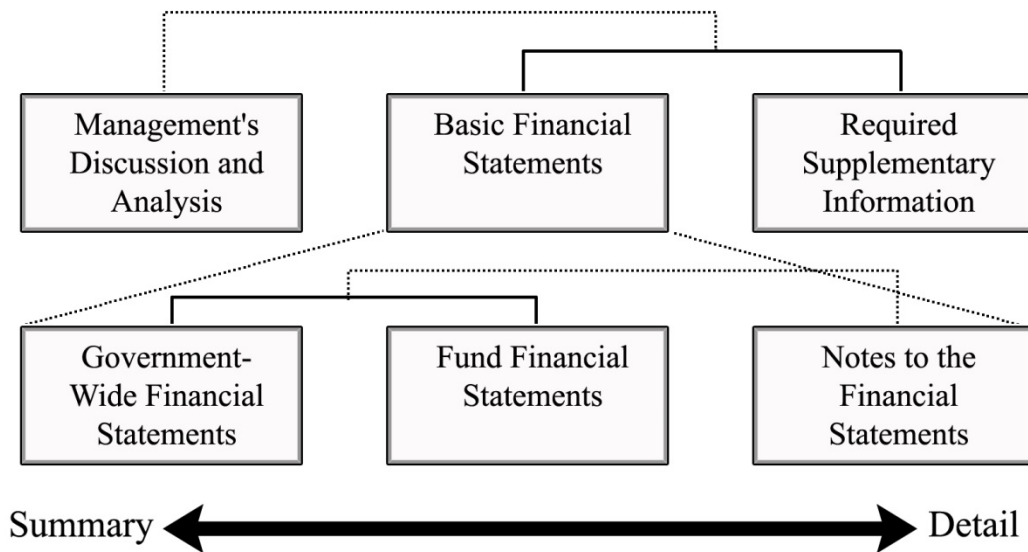


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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

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

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

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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

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

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

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

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

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

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

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

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 of this report.

**KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

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 and pension standards.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 61 through 62 of this report.

Additionally, a Schedule of Surety Bonds for County Officials can be found on page 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net position may serve over time as a useful indicator of government's financial position. In the case of Kemper County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,590,379 as of September 30, 2015, of which \$5,458,630 was governmental activities and \$1,131,749, was business-type activities.

The largest portion of the County's net position in the governmental activities, 103% reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease, and construction in progress) 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.

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

The following table presents a summary of the County's net position at September 30, 2015, as compared to September 30, 2014.

	Total Primary Government	
	Governmental & Business-type	
	Activities	
	2015	2014
Assets:		
Current Assets	\$ 18,878,273	\$ 15,536,693
Non Current Assets	17,634,009	17,110,597
Total Assets	36,512,282	32,647,290
Deferred Outflows of Resources		
Deferred outflows related to pension	1,995,634	-
Total Deferred Outflows of Resources	1,995,634	-
Liabilities:		
Current Liabilities	1,348,890	881,639
Long-term Liabilities	19,139,135	8,681,580
Total Liabilities	20,488,025	9,563,219
Deferred Inflows of Resources		
Unearned revenue - property taxes	11,413,438	11,335,701
Unearned revenue - garbage fees	16,074	-
Total Deferred Inflows of Resources	11,429,512	11,335,701
Net Position:		
Net Investment in Capital Assets	9,115,036	8,553,514
Restricted	1,833,404	2,527,264
Unrestricted	(4,358,061)	667,592
Total Net Position	\$ 6,590,379	\$ 11,748,370

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

Changes in Net Position of Governmental Activities and Business-type Activities - Kemper County's total revenues for the fiscal year ended September 30, 2015 were \$19,257,015. The total cost for all services provided was \$16,331,067. The decrease in net position was \$5,157,991, including a prior period adjustment of (\$8,083,939). The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2015, as compared to fiscal year September 30, 2014.

	Total Primary Government Governmental & Business-type Activities	
	2015	2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,799,618	\$ 5,071,694
Operating Grants and Contributions	223,742	345,462
Capital Grants and Contributions	-	85,816
General Revenues:		
Property Taxes	12,278,896	6,840,610
Road and Bridge Privilege Taxes	111,716	105,004
Grants and contributions not restricted to Specific Programs	950,101	826,594
Unrestricted Interest Income	275,876	6,082
Miscellaneous	617,066	640,863
Total Revenues	<u>19,257,015</u>	<u>13,922,125</u>
Expenses:		
General Government	3,498,588	2,740,499
Public Safety	1,296,441	1,706,474
Public Works	4,954,999	4,415,484
Health and Welfare	247,202	226,261
Culture and Recreation	336,933	39,174
Conservation of Natural Resources	74,813	85,993
Economic Development and Assistance	322,900	138,375
Pension Expense	708,636	-
Interest on Long-Term Debt	119,595	66,000
Regional Jail	4,075,425	3,924,709
Regional Jail Women's	145,527	153,166
Solid Waste	550,008	480,477
Total Expenses	<u>16,331,067</u>	<u>13,976,612</u>
Increase (Decrease) in Net Position	<u>\$ 2,925,948</u>	<u>\$ (54,487)</u>

KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015

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

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

	2015		2014	
	Total Costs	Net Costs	Total Costs	Net Costs
General Government	\$ 3,498,588	\$ (3,466,067)	\$ 2,740,499	\$ (2,394,282)
Public Safety	1,296,441	(874,006)	1,706,474	(1,470,597)
Public Works	4,954,999	(4,949,513)	4,415,484	(4,197,093)
Health and Welfare	247,202	(241,212)	226,261	(226,261)
Culture and Recreation	336,933	(336,933)	39,174	(39,174)
Conservation of Natural Resources	74,813	(74,813)	85,993	(57,193)
Economic Development	322,900	(322,900)	138,375	(138,375)
Pension Expense	708,636	(708,636)	-	-
Interest on Long-Term Debt	119,595	(119,595)	66,000	(66,000)
Total	<u>\$ 11,560,107</u>	<u>\$ (11,093,675)</u>	<u>\$ 9,418,260</u>	<u>\$ (8,588,975)</u>

Business-type Activities – The following table presents the cost of three major functional activities of the County: Regional Jail, Regional Jail Women's and Solid Waste.

The table also shows net cost (total cost less revenue generated.)

	2015		2014	
	Total Costs	Net Costs	Total Costs	Net Costs
Regional Jail	\$ 4,075,425	\$ 162,438	\$ 3,924,709	\$ 457,431
Regional Jail Women's	145,527	(145,527)	153,166	(153,166)
Solid Waste	550,008	(230,943)	480,477	(188,930)
Total	<u>\$ 4,770,960</u>	<u>\$ (214,032)</u>	<u>\$ 4,558,352</u>	<u>\$ 115,335</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds - At the close of the fiscal year, Kemper County's governmental funds reported a combined fund balance of \$4,532,956, an increase of \$2,922,429, including a prior period adjustment of (\$144,086).

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$2,236,093.

**KEMPER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2015**

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2015, Kemper County's total capital assets were \$25,915,224. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital leases. Total accumulated depreciation as of September 30, 2015 was \$8,281,215, including \$782,778 of depreciation expense for the year. The balance in total net capital assets was \$17,634,009 at year end.

Additional information on Kemper County's capital assets can be found in Note 8 on pages 46 and 47 of this report.

Debt Administration - At September 30, 2015, Kemper County had \$8,646,226 in long-term debt outstanding. This includes general obligation bonds, other loans, compensated absences and obligations under capital leases. Of this debt, \$1,543,812 is due within one year.

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

Additional information on Kemper County's long-term debt can be found in Note 11 on pages 49-52 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional information, please contact the Kemper County Administrator's office at 280 Veterans Street DeKalb, MS 39328 (first floor of the Courthouse).

FINANCIAL STATEMENTS

KEMPER COUNTY, MISSISSIPPIExhibit 1

Statement of Net Position

September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 5,530,695	\$ 586,367	\$ 6,117,062
Restricted assets - investments		980,997	980,997
Property tax receivable	10,903,024	510,414	11,413,438
Accounts receivable, (net of allowance for uncollectibles of \$715,100)		217,445	217,445
Fines receivable, (net of allowance for uncollectibles of \$475,397)	68,110		68,110
Intergovernmental receivables	60,107		60,107
Other receivables	306	20,808	21,114
Internal balances	82,111	(82,111)	-
Capital assets:			
Land	1,322,961		1,322,961
Other capital assets, net	8,896,558	7,414,490	16,311,048
Total Assets	26,863,872	9,648,410	36,512,282
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	1,085,730	909,904	1,995,634
Total Deferred Outflows of Resources	1,085,730	909,904	1,995,634
LIABILITIES			
Claims payable	476,953	98,198	575,151
Intergovernmental payables	60,408		60,408
Accrued interest payable	55,916	30,694	86,610
Other payable	511,861	23,819	535,680
Amounts held in custody for others	91,041		91,041
Long-term liabilities			
Due within one year:			
Capital debt	848,931	694,881	1,543,812
Due in more than one year:			
Capital related debt	3,757,544	3,217,617	6,975,161
Non-capital debt	76,599	50,653	127,252
Net Pension Liability	5,708,695	4,784,215	10,492,910
Total Liabilities	11,587,948	8,900,077	20,488,025
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue-property taxes	10,903,024	510,414	11,413,438
Unearned revenue-garbage fees		16,074	16,074
Total Deferred Inflows of Resources	10,903,024	526,488	11,429,512
NET POSITION			
Net investment in capital assets	5,613,044	3,501,992	9,115,036
Restricted for:			
Expendable:			
General government	150,741		150,741
Public safety	270,128		270,128
Public works	1,126,812	254,442	1,381,254
Economic development and assistance	1,067		1,067
Debt service	30,214		30,214
Unrestricted	(1,733,376)	(2,624,685)	(4,358,061)
TOTAL NET POSITION	\$ 5,458,630	\$ 1,131,749	\$ 6,590,379

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

KEMPER COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,498,588	32,521		(3,466,067)		(3,466,067)
Public safety	1,296,441	210,169	212,266	(874,006)		(874,006)
Public works	4,954,999		5,486	(4,949,513)		(4,949,513)
Health and welfare	247,202		5,990	(241,212)		(241,212)
Culture and recreation	336,933			(336,933)		(336,933)
Conservation of natural resources	74,813			(74,813)		(74,813)
Economic development and assistance	322,900			(322,900)		(322,900)
Pension expense	708,636			(708,636)		(708,636)
Interest on long-term debt	119,595			(119,595)		(119,595)
Total Governmental Activities	11,560,107	242,690	223,742	(11,093,675)	-	(11,093,675)
Business-type activities:						
Regional Jail	4,075,425	4,237,863			162,438	162,438
Regional Jail Women's	145,527				(145,527)	(145,527)
Solid Waste	550,008	319,065			(230,943)	(230,943)
Total Business-type Activities	4,770,960	4,556,928	-	-	(214,032)	(214,032)
Total Primary Government	\$ 16,331,067	4,799,618	223,742	(11,093,675)	(214,032)	(11,307,707)
General revenues:						
Property taxes				\$ 11,740,710	538,186	12,278,896
Road & bridge privilege taxes				111,716		111,716
Grants and contributions not restricted to specific programs				950,101		950,101
Unrestricted interest income				271,928	3,948	275,876
Miscellaneous				617,066		617,066
Transfers				92,863	(92,863)	-
Total General Revenues				13,784,384	449,271	14,233,655
Changes in Net Position				2,690,709	235,239	2,925,948
Net Position- Beginning, as previously reported				7,184,128	4,564,242	11,748,370
Prior period adjustment				(4,416,207)	(3,667,732)	(8,083,939)
Net Position-Beginning, as restated				2,767,921	896,510	3,664,431
Net Position - End of Year				\$ 5,458,630	1,131,749	6,590,379

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

KEMPER COUNTY, MISSISSIPPI**Exhibit 3**

Balance Sheet - Governmental Funds

September 30, 2015

	Major Funds		Other	Total
	General Fund	Countywide Road & Bridge Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash	\$ 3,445,204	1,376,048	709,443	5,530,695
Property tax receivable	5,884,081	4,560,650	458,293	10,903,024
Fines receivable (net of allowance for uncollectibles of (\$475,397))	68,110			68,110
Intergovernmental receivables	54,621		5,486	60,107
Other receivables	306			306
Due from other funds	5,201	31,451	2,157	38,809
Advances to other funds	105,611	7,744	247	113,602
Total Assets	<u>\$ 9,563,134</u>	<u>5,975,893</u>	<u>1,175,626</u>	<u>16,714,653</u>
LIABILITIES				
Claims payable	\$ 216,860	201,779	58,314	476,953
Advances from other funds	34,271			34,271
Intergovernmental payables	57,642			57,642
Due to other funds	38,795			38,795
Other payables	274,256	216,889	20,716	511,861
Amounts held in custody for others	91,041			91,041
Total Liabilities	<u>712,865</u>	<u>418,668</u>	<u>79,030</u>	<u>1,210,563</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	5,884,081	4,560,650	458,293	10,903,024
Unavailable revenue-fines	68,110			68,110
Total Deferred Inflows of Resources	<u>5,952,191</u>	<u>4,560,650</u>	<u>458,293</u>	<u>10,971,134</u>
FUND BALANCES				
Nonspendable:				
Advances	105,611			105,611
Restricted for:				
General government			150,741	150,741
Public safety			270,128	270,128
Public works		996,575	130,237	1,126,812
Economic development and assistance			1,067	1,067
Debt service			86,130	86,130
Unassigned	2,792,467			2,792,467
Total Fund Balances	<u>2,898,078</u>	<u>996,575</u>	<u>638,303</u>	<u>4,532,956</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,563,134</u>	<u>5,975,893</u>	<u>1,175,626</u>	<u>16,714,653</u>

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

KEMPER COUNTY, MISSISSIPPIExhibit 3-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total fund balances for governmental funds	\$ 4,532,956
Amounts reported for governmental services in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,514,488	10,219,519
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	68,110
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(4,683,074)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(55,916)
Deferred outflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.	1,085,730
Net pension obligations are not due and payable in the current period and, therefore are not reported in the funds.	<u>(5,708,695)</u>
Total Net Position - Governmental Activities	\$ <u><u>5,458,630</u></u>

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

KEMPER COUNTY, MISSISSIPPI**Exhibit 4****Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**

For the Year Ended September 30, 2015

	Major Funds			
	General Fund	Countywide Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 6,257,272	5,012,421	471,017	11,740,710
Road and bridge privilege taxes		111,716		111,716
Licenses, commissions and other revenue	74,042		3,206	77,248
Fines and forfeitures	98,168			98,168
Intergovernmental revenues	450,293	609,099	114,451	1,173,843
Charges for services			100,762	100,762
Use of money and property	10,988	2,558	258,382	271,928
Miscellaneous revenues	372,811	192,014	71,530	636,355
Total Revenues	7,263,574	5,927,808	1,019,348	14,210,730
EXPENDITURES				
Current:				
General government	4,201,706		2,892	4,204,598
Public safety	1,160,793		648,982	1,809,775
Public works		4,783,845	107,922	4,891,767
Health and welfare	236,994		133	237,127
Culture and recreation	333,454			333,454
Conservation of natural resources	74,813			74,813
Economic development and assistance	273,048		6,025	279,073
Debt service:				
Principal	260,642	453,297	105,288	819,227
Interest	2,944	14,416	94,884	112,244
Total Expenditures	6,544,394	5,251,558	966,126	12,762,078
Excess (Deficiency) of Revenues over (under) Expenditures	719,180	676,250	53,222	1,448,652
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	1,525,000			1,525,000
Transfers in	135,999		763	136,762
Transfers out			(43,899)	(43,899)
Total Other Financing Sources (Uses)	1,660,999	-	(43,136)	1,617,863
Net Changes in Fund Balances	2,380,179	676,250	10,086	3,066,515
Fund Balance - Beginning of year, as previously reported	661,985	320,325	628,217	1,610,527
Prior period adjustment	(144,086)			(144,086)
Fund Balance - Beginning of year, as restated	517,899	320,325	628,217	1,466,441
Fund Balances - End of year	\$ 2,898,078	996,575	638,303	4,532,956

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

KEMPER COUNTY, MISSISSIPPIExhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

	Amount
Net Changes in Fund balances- Governmental Funds (Exhibit 4)	\$ 3,066,515
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,309,627 exceeded depreciation of \$577,203 in the current period.	732,424
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of (\$3,437).	(3,437)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	(33,488)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,525,000 exceeded debt repayments of \$819,227.	(705,773)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences liability	(7,337)
The amount of increase in accrued interest payable	(7,351)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the government funds. These activities include:	
Recording of pension expense for the current period.	(708,636)
Recording of contributions made during the year.	357,792
Change in Net Position of Governmental Activities	\$ 2,690,709

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

KEMPER COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Funds
September 30, 2015

Exhibit 5

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Regional Jail Fund	Regional Jail-Women's Fund	Solid Waste Fund	Totals
ASSETS				
Current Assets:				
Cash	\$ 70,585		515,782	586,367
Restricted Assets-Investments	980,997			980,997
Property tax receivable			510,414	510,414
Accounts receivable (net of allowance for uncollectibles of \$715,100)			217,445	217,445
Due from other funds			2,421	2,421
Other receivables	13,800		7,008	20,808
Advances to other funds	26,280			26,280
Total Current Assets	1,091,662	-	1,253,070	2,344,732
Noncurrent assets:				
Capital assets:				
Other capital assets, net	4,374,827	2,919,900	119,763	7,414,490
Total Noncurrent Assets	4,374,827	2,919,900	119,763	7,414,490
Total Assets	5,466,489	2,919,900	1,372,833	9,759,222
DEFERRED OUTFLOWS OF RESUORCES				
Deferred outflows related to pension	814,201		95,703	909,904
Total Deferred Outflows of Resources	\$ 814,201	-	95,703	909,904
LIABILITIES				
Current Liabilities:				
Claims payable	\$ 84,908		13,290	98,198
Advances from other funds	89,489		16,122	105,611
Due to other funds			5,201	5,201
Accrued interest payable	6,531	24,163		30,694
Other payable			23,819	23,819
Capital debt:				
Capital leases payable	34,881			34,881
Other long-term liabilities	430,000	230,000		660,000
Total Current Liabilities	645,809	254,163	58,432	958,404
Non-current liabilities:				
Capital debt:				
Capital leases payable	57,617			57,617
Other long-term liabilities	1,265,000	1,895,000		3,160,000
Non-capital debt:				
Compensated absences payable	44,444		6,209	50,653
Net pension liability	4,281,013		503,202	4,784,215
Total Noncurrent Liabilities	5,648,074	1,895,000	509,411	8,052,485
Total liabilities	6,293,883	2,149,163	567,843	9,010,889
Deferred Inflows of Resources				
Unearned Revenue-property taxes			510,414	510,414
Unearned Revenue-garbage fees			16,074	16,074
Total Deferred Inflows of Resources	-	-	526,488	526,488
NET POSITION				
Net investment in capital assets	2,587,329	794,900	119,763	3,501,992
Restricted for:				
Public works			254,442	254,442
Unrestricted	(2,600,522)	(24,163)		(2,624,685)
Total Net Position	\$ (13,193)	770,737	374,205	1,131,749

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

KEMPER COUNTY, MISSISSIPPIExhibit 6

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 For the Year Ended September 30, 2015

	Business-Type Activities-Enterprise Funds			
	Major Funds			Totals
	Regional Jail Fund	Regional Jail- Women's Fund	Solid Waste Fund	
OPERATING REVENUES				
Charges for services	\$ 4,237,863		299,351	4,537,214
Miscellaneous			19,714	19,714
Total Operating Revenues	4,237,863	-	319,065	4,556,928
OPERATING EXPENSES				
Personal services	2,121,514		263,690	2,385,204
Contractual services	961,815		89,310	1,051,125
Materials and supplies	278,647		93,745	372,392
Depreciation expense	102,835	67,905	34,835	205,575
Indirect administrative cost			5,201	5,201
Pension expense	531,414		62,464	593,878
Total Operating Expenses	3,996,225	67,905	549,245	4,613,375
Operating Income (Loss)	241,638	(67,905)	(230,180)	(56,447)
NONOPERATING REVENUES (EXPENSES)				
Property tax			538,186	538,186
Interest income	3,404		544	3,948
Interest expense	(79,200)	(77,622)	(763)	(157,585)
Total Nonoperating Revenue (Expenses)	(75,796)	(77,622)	537,967	384,549
Net Income (Loss) Before Transfers	165,842	(145,527)	307,787	328,102
Transfers in		300,188		300,188
Transfers out	(393,051)			(393,051)
Changes in Net Position	(227,209)	154,661	307,787	235,239
Net Position-Beginning, as previously reported	3,505,175	616,076	442,991	4,564,242
Prior Period Adjustment	(3,291,159)		(376,573)	(3,667,732)
Net Position-Beginning, as restated	214,016	616,076	66,418	896,510
Net Position-Ending	\$ (13,193)	770,737	374,205	1,131,749

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

KEMPER COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2015

Exhibit 7

	Business-Type Activities - Enterprise Funds			
	Major Funds			Totals
	Regional Jail Fund	Regional Jail- Women's Fund	Solid Waste Fund	
Cash Flows Operating Activities				
Receipts from customers	\$ 4,212,708		295,393	4,508,101
Payments to suppliers	(1,225,241)		(177,448)	(1,402,689)
Payments to employees	(2,392,375)		(297,261)	(2,689,636)
Other operating receipts			37,608	37,608
Net Cash Provided (Used) by Operating Activities	595,092	-	(141,708)	453,384
Cash Flows From Noncapital Financing Activities				
Cash received from property taxes			562,005	562,005
Cash received from other funds:				
Operating transfers in		300,188		300,188
Cash paid to other funds:				
Operating transfers out	(393,051)			(393,051)
Net Cash Provided (Used) by Noncapital Financing Activities	(393,051)	300,188	562,005	469,142
Cash Flows From Capital and Related Financing Activities				
Principal paid on long-term debt	(453,759)	(220,000)	(70,124)	(743,883)
Interest paid on debt	(79,200)	(80,188)	(763)	(160,151)
Net Cash (Used) by Capital and Related Financing Activities	(532,959)	(300,188)	(70,887)	(904,034)
Cash Flows From Investing Activities				
Interest on deposits	3,404		544	3,948
Net Cash Provided by Investing Activities	3,404	-	544	3,948
Net Increase (Decrease) in Cash and Cash Equivalents	(327,514)		349,954	22,440
Cash and Cash Equivalents at Beginning of Year, as previously reported	1,466,545		189,647	1,656,192
Prior Period Adjustment	(87,449)		(23,819)	(111,268)
Cash and Cash Equivalents at Beginning of Year, as restated	1,379,096		165,828	1,544,924
Cash and Cash Equivalents at End of Year	\$ 1,051,582	-	515,782	1,567,364
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 241,638	(67,905)	(230,180)	(56,447)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	102,835	67,905	34,835	205,575
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease in accounts receivable			(2,927)	(2,927)
(Increase) in interfund receivables			(468)	(468)
(Increase) in other receivables	(13,800)		(7,008)	(20,808)
(Increase) in deferred outflows of resources	(746,743)		(87,774)	(834,517)
Increase in claims payable	3,866		4,527	8,393
(Decrease) in compensated absences liability	(2,549)		(2,033)	(4,582)
Increase in unearned revenue			1,600	1,600
(Decrease) in interfund payables			5,201	5,201
Increase in other payable			23,819	23,819
Increase in net pension liability	1,009,845		118,700	1,128,545
Total Adjustments	353,454	67,905	88,472	509,831
Net Cash Provided (Used) by Operating Activities	\$ 595,092	-	(141,708)	453,384

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

KEMPER COUNTY, MISSISSIPPIExhibit 8

Statement of Fiduciary Assets and Liabilities

September 30, 2015

	Agency Funds
ASSETS	
Cash	\$ 153,987
Due from other funds	2,766
Other receivables	26,251
Total Assets	\$ 183,004
LIABILITIES	
Other payables	\$ 26,251
Amounts held in custody for others	156,753
Total Liabilities	\$ 183,004

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

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Kemper County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Kemper County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship with the County.

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

- Kemper County Economic Development Authority

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

Kemper County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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, 2015

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

Countywide Road and Bridge Fund -This fund is used for resources designated and used for maintenance of the County's infrastructure system.

The County reports the following major Enterprise Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Debt Service Funds - These funds are used to account for and report financial resources restricted to expenditure for principal and interest activity.

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

F. Receivables

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

G. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “advances to/from funds.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Restricted Assets

Proprietary Fund assets required to be held and used as specified in bond indentures, bond resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County’s enterprise fund revenue bonds, as well as certain resources set aside for the repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue” account is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The “depreciation and operating reserve” account is used to pay the costs of major repairs and replacements to the correctional facility, the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The “revenue fund” account is used to pay the maintenance expense when other funds are insufficient to pay these expenses within established limitations. The “debt service reserve” account is used to segregate resources set aside to subsidize potential deficiencies from the County’s operation of the correctional facility that could adversely affect debt service payments. The “general” account is used to accumulate funds to pay the principal and interest payments due on the County’s enterprise fund revenue bonds.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

I. Capital Assets

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

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

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

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

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

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

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 15 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The County has deferred inflows which are presented as a deferred inflow for the following:

Property taxes for future reporting period - Unavailable revenue - property tax - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unearned revenue - garbage fees - When an asset is recorded in the proprietary fund financial statements but the revenue is unearned, the government should report a deferred inflow of resources until such time as the revenue becomes earned.

Kemper County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenues is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. 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, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts, are capitalized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

M. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

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

Fund Balance Flow Assumption:

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

N. Property Tax Revenues

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

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

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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.

O. 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.

P. 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 fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(2) Prior Period Adjustments

A summary of significant net position / fund balance adjustments are as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities</u>	
1. Implementation of GASB 68 and 71:	
Net pension liability at 10/01/14 GASB 68 implementation.	(\$4,362,076)
Deferred outflows at 10/01/14 GASB 68 implementation.	<u>89,955</u>
Total prior period adjustments related to GASB 68 and 71	\$ (4,272,121)
2. To correct cash - deposit not received 10/2014	<u>(144,086)</u>
Total prior period adjustments	<u><u>\$ (4,416,207)</u></u>
<u>Business-type Activities</u>	
1. Implementation of GASB 68 and 71:	
Net pension liability at 10/01/14 GASB 68 implementation.	(\$3,655,670)
Deferred outflows at 10/01/14 GASB 68 implementation.	<u>75,387</u>
Total prior period adjustments related to GASB 68 and 71	\$ (3,580,283)
2. To correct cash - deposit not received 10/2014	<u>(87,449)</u>
Total prior period adjustments	<u><u>(3,667,732)</u></u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Net Position - Governmental Funds

<u>Explanation</u>	<u>Amount</u>
1 To correct cash - deposit not received 10/2014	<u><u>\$ (144,086)</u></u>

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

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

<u>Explanation</u>	<u>Amount</u>
1 Implementation of GASB 68 and 71:	
Net pension liability at 10/01/14 GASB 68 implementation.	(\$3,655,670)
Deferred outflows at 10/01/14 GASB 68 implementation.	<u>75,387</u>
Total prior period adjustments related to GASB 68 and 71	\$ (3,580,283)
2 To correct cash - deposit not received 10/2014.	<u>(87,449)</u>
Total prior period adjustments.	<u>\$ (3,667,732)</u>

(3) Deposits and Investments

Deposits:

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$5,530,695 in the governmental funds, \$586,367 in the proprietary funds, \$153,987 in the fiduciary funds and \$586,367 in the proprietary funds and the bank balance was \$6,327,685. 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.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Investments:

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

Investment balances at September 30, 2015 are as follows:

Investment Type	Matures	Fair Value	Rating
Hancock Horizon Government Money Market Mutual Fund	Less than one year	\$ <u>980,997</u>	AAAm

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

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

Credit Risk - State law limits investments to those prescribed in 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 defined as the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy that addresses custodial credit risk. Of the County's investments, all of the underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 5,201
Countywide Road and Bridge Fund	General Fund	31,451
Other Governmental Funds	General Fund	2,157
Solid Waste Fund	General Fund	2,421
Agency Funds	General Fund	2,766
Total		<u>\$ 43,996</u>

The receivables represent the tax revenue collected but not settled until October, 2015 and indirect costs from Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 16,122
General Fund	Regional Jail Fund	89,489
Countywide Road and Bridge Fund	General Fund	7,744
Other Governmental Funds	General Fund	247
Regional Jail Fund	General Fund	26,280
Total		<u>\$ 139,882</u>

All advances are not 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, 2015

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 43,899
General Fund	Regional Jail Fund	92,100
Other Governmental Funds	Regional Jail Fund	763
Regional Jail-Women's Fund	Regional Jail Fund	300,188
Total		<u>\$ 436,950</u>

These transfers represent amounts needed for operations of the various funds.

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 54,621
Waste Tire Grant receivable	5,486
Total	<u>\$ 60,107</u>

(6) Loans Receivable

Loan receivable balances at September 30, 2015, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Pharma Pac	06-2013	0.05%	12-2013	\$ 9,777
Trans Tech	10-2002	3.00%	03-2010	207,632
				217,409
Less: allowance for doubtful accounts*				(217,409)
Total				<u>\$ 0</u>

*The Pharma Pac loan receivable was determined to be uncollectible in fiscal year 2014. The Trans Tech loan receivable was determined to be uncollectible in fiscal year 2006.

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

(7) Restricted Assets

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

	<u>Amount</u>
Revenue fund	\$ 37,156
General account	41,195
Debt service reserve fund	402,245
Depreciation and operating reserve fund	<u>500,401</u>
Total restricted assets	<u><u>\$ 980,997</u></u>

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
Non-depreciable capital assets:				
Land	\$ 474,884	848,077		1,322,961
Total non-depreciable capital assets	474,884	848,077	0	1,322,961
Depreciable capital assets:				
Infrastructure	4,665,266			4,665,266
Buildings	4,017,238			4,017,238
Mobile equipment	3,800,676	460,074	34,382	4,226,368
Furniture and equipment	201,186	1,476		202,662
Leased property under capital leases	2,299,512			2,299,512
Total depreciable capital assets	14,983,878	461,550	34,382	15,411,046
Less accumulated depreciation for:				
Infrastructure	915,421	123,054		1,038,475
Buildings	1,387,314	69,566		1,456,880
Mobile equipment	3,006,893	160,424	30,945	3,136,372
Furniture and equipment	130,273	14,864		145,137
Leased property under capital leases	528,329	209,295		737,624
Total accumulated depreciation	5,968,230	577,203	30,945	6,514,488
Total depreciable capital assets, net	9,015,648	(115,653)	3,437	8,896,558
Governmental activities capital assets, net	\$ 9,490,532	732,424	3,437	10,219,519

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Business-Type Activities:

The following is a summary of business-type activities' capital assets activity for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Balance Sept. 30, 2015
Depreciable capital assets:			
Buildings	\$ 8,536,964		8,536,964
Mobile equipment	316,663		316,663
Furniture and equipment	73,050		73,050
Leased property under capital leases	254,540		254,540
Total depreciable capital assets	9,181,217	0	9,181,217
Less accumulated depreciation for:			
Buildings	1,230,105	170,739	1,400,844
Mobile equipment	247,022	9,494	256,516
Furniture and equipment	63,312	2,433	65,745
Leased property under capital leases	20,713	22,909	43,622
Total accumulated depreciation	1,561,152	205,575	1,766,727
Total depreciable capital assets, net	7,620,065	(205,575)	7,414,490
Total business-type activities capital assets, net	\$ 7,620,065	(205,575)	7,414,490

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 16,583
Public safety	121,225
Public works	384,822
Health and welfare	9,958
Culture and recreation	3,479
Economic development	41,136
Total governmental activities	577,203
Business-Type Activities:	
Regional Jail	102,835
Regional Women's Jail	67,905
Solid Waste	34,835
Total business-type activities	\$ 205,575

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

(9) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015 to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases

As Lessee:

The County leases the following property with varying terms and options as of September 30, 2015:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 2,299,512	
Other furniture and equipment		254,540
Less: Accumulated depreciation	(737,624)	(43,622)
Lease Property Under Capital Leases	\$ <u>1,561,888</u>	<u>210,918</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Year Ending September 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2016	\$ 185,323	5,796	34,881	2,510
2017			36,042	1,350
2018			21,576	236
Total	\$ 185,323	5,796	92,499	4,096

(11) Long-Term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
G.O. Building Bonds	\$ 740,000	4.00-5.50%	11/2025
Individual Development Bonds (Pharma Pac)	68,520	0.00%	10/2016
G.O. Road and Bridge Bonds	1,880,000	2.60-3.70%	05/2032
Total General Obligation Bonds	\$ 2,688,520		
B. Capital Leases			
5 Caterpillar Motor Graders	\$ 185,323	3.09%	01/2016
C. Other Loans:			
Taxable Negotiable Note	\$ 1,525,000	2.10%	04/2020
CDBG - Trans Tech	207,632	3.00%	03/2010
Total Other Loans	\$ 1,732,632		
<u>Business-Type Activities:</u>			
A. General Obligation Bonds:			
Women's - Regional Jail	\$ 2,125,000	3.50-4.25%	06/2023
B. Limited obligation Bonds:			
Urban Renewal Revenue - Refinance	\$ 1,695,000	2.50-4.00%	09/2019

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

C. Capital Leases:

Locking control and intercom system	\$	<u>92,499</u>	3.28%	04/2018
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Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,020,000 in limited obligation urban renewal revenue bonds issued in September 2009. Proceeds from the bonds were used to refund bonds that provide financing for the construction of Kemper/Neshoba County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the MS Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through October 2019. Annual principal and interest payments on the bonds are expected to require less than 13 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,855,551. Principal and interest paid for the current year and total inmate housing net revenues were \$498,370 and \$4,237,863, respectively.

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

Year Ending September 30,	Governmental Activities			
	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 163,520	91,071	500,088	32,025
2017	95,000	87,391	298,598	25,883
2018	140,000	83,611	304,868	19,613
2019	140,000	78,251	311,271	13,211
2020	150,000	72,759	317,807	6,674
2021 - 2025	895,000	269,983		
2026 - 2030	795,000	113,201		
2031 - 2032	310,000	14,275		
Total	<u>\$ 2,688,520</u>	<u>810,542</u>	<u>1,732,632</u>	<u>97,406</u>

Kemper County, Mississippi

Notes to the Financial Statements

For the year ended September 30, 2015

Year Ending September 30,	Business-Type Activities			
	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 230,000	72,488	430,000	64,301
2017	240,000	64,438	450,000	49,250
2018	250,000	56,638	455,000	32,600
2019	260,000	48,513	360,000	14,400
2020	270,000	39,738		
2021 - 2023	875,000	62,125		
Total	\$ 2,125,000	343,940	1,695,000	160,551

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, 2015, the amount of outstanding debt was equal to 2.34% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 2,860,742		172,222	2,688,520	163,520
Capital leases	817,040		631,717	185,323	185,323
Other loans	222,920	1,525,000	15,288	1,732,632	500,088
Compensated absences	69,262	7,337		76,599	
Total	\$ 3,969,964	1,532,337	819,227	4,683,074	848,931

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due in one year
<u>Business-type Activities:</u>					
General obligation bonds	\$ 2,345,000		220,000	2,125,000	230,000
Limited obligation bonds	2,115,000		420,000	1,695,000	430,000
Capital leases	196,381		103,882	92,499	34,881
Compensated absences	55,235		4,582	50,653	
Total	\$ <u>4,711,616</u>	<u>0</u>	<u>748,464</u>	<u>3,963,152</u>	<u>694,881</u>

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

(12) 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.

(13) Joint Ventures

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 2015. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

(14) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Region Ten Mental-Health 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 2015.

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 \$640,890 for financial support in fiscal year 2015.

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 2015.

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 appoint one of the 24 members of the board of directors. Most of the funding is derived from federal funds. The County appropriated \$10,000 for financial support in fiscal year 2015.

(15) Defined Benefit Pension Plan

General Information about the Pension Plan

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

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of 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 (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$648,208, \$645,622 and \$530,103, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability of \$10,492,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was .06788 percent, which was an increase of 0.001826 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County governmental activities and business-type activities recognized pension expense of \$708,636 and \$593,878, respectively. At September 30, 2015, the County's governmental activities and business-type activities reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Governmental Activities:	
Differences between expected and actual experience	\$ 87,854
Net difference between projected and actual earnings on pension plan investments	334,020
Change of assumptions	491,785
Changes in proportion and differences between County contributions and proportionate share of contributions	76,861
County contributions subsequent to the measurement date	95,210
Total	<u>\$ 1,085,730</u>
Business-Type Activities:	
Differences between expected and actual experience	\$ 73,626
Net difference between projected and actual earnings on pension plan investments	279,928
Change of assumptions	412,144
Changes in proportion and differences between County contributions and proportionate share of contributions	64,415
County contributions subsequent to the measurement date	79,791
Total	<u>\$ 909,904</u>

Deferred outflows of resources reported in the governmental activities, in the amount of \$95,210, and the business-type activities, in the amount of \$79,791, are related to

Kemper County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2016	\$	597,121
2017		597,121
2018		472,904
2019		153,487
Total	\$	<u><u>1,820,633</u></u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Kemper County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 13,830,616	\$ 10,492,910	\$ 7,723,237

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

(16) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$1,733,376) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$95,210 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$990,520 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$1,733,376) includes the effect of recognition of deferring the recognition of revenue resulting from property taxes receivable. The \$10,903,024 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$2,624,685) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$79,791 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$830,113 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 3 years.

The business-type activities' unrestricted net position amount of (\$2,624,685) includes the effect of recognition of deferring the recognition of unearned revenues property taxes. The \$510,414 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$2,624,685) includes the effect of recognition of deferring the recognition of unearned revenues garbage fees. The \$16,074 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

(17) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes.

Kemper County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2015

Management of Kemper County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

The County issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/01/2016	2.00%	\$ 750,000	Capital Improvements Loan Program	Ad valorem taxes
10/01/2015	3.56%	1,000,000	Promissory Note	Ad valorem taxes
04/07/2016	0.75-2.50%	2,645,000	General Obligation Refunding Bonds	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Kemper County, Mississippi

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 6,315,901	\$ 6,315,901	\$ 6,535,206	219,305
Licenses, commissions and other revenue	65,700	65,700	59,057	(6,643)
Fines and forfeitures	130,000	130,000	107,265	(22,735)
Intergovernmental revenues	312,000	312,000	450,294	138,294
Interest income	2,000	2,000	11,337	9,337
Miscellaneous revenues	60,000	60,000	1,867,183	1,807,183
Total revenues	6,885,601	6,885,601	9,030,342	2,144,741
EXPENDITURES				
Current:				
General government	4,790,312	4,790,312	4,333,696	456,616
Public Safety	1,277,200	1,277,200	1,242,242	34,958
Health & Welfare	246,298	246,298	229,430	16,868
Culture and recreation	335,174	335,174	320,423	14,751
Conservation of Natural Resources	49,276	49,276	81,113	(31,837)
Economic Development and assistance	293,851	293,851	273,048	20,803
Total Expenditures	6,992,111	6,992,111	6,479,952	512,159
Excess (Deficiency) of Revenues over (under) Expenditures	(106,510)	(106,510)	2,550,390	2,656,900
OTHER FINANCING SOURCES (USES)				
Transfers in	108,107	108,107	936,969	828,862
Transfers out			(2,048,965)	(2,048,965)
Total Other Financing Sources (Uses)	108,107	108,107	(1,111,996)	(1,220,103)
Net Change in Fund Balances	1,597	1,597	1,438,394	1,436,797
Fund Balances - Beginning	51,532	(480,719)	644,673	1,125,392
Fund Balances - Ending	\$ 53,129	\$ (479,122)	\$ 2,083,067	\$ 2,562,189

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

Kemper County, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road and Bridge Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,979,356	\$ 4,979,356	\$ 5,224,059	\$ 244,703
Road and bridge privilege taxes	87,000	87,000	103,238	16,238
Intergovernmental revenues	456,000	456,000	609,099	153,099
Interest income	700	700	2,437	1,737
Miscellaneous revenues	3,500	3,500	192,015	188,515
Total Revenues	<u>5,526,556</u>	<u>5,526,556</u>	<u>6,130,848</u>	<u>604,292</u>
EXPENDITURES				
Public works	<u>5,526,556</u>	<u>5,526,556</u>	<u>5,415,895</u>	<u>110,661</u>
Total Expenditures	<u>5,526,556</u>	<u>5,526,556</u>	<u>5,415,895</u>	<u>110,661</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>714,953</u>	<u>714,953</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>661,096</u>	<u>661,096</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376,049</u>	<u>\$ 1,376,049</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

Kemper County, Mississippi

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2015
County's proportion of the net pension liability (asset) \$	<u>10,492,910</u>
County's proportionate share of the net pension liability (asset)	0.067880%
County's covered - employee payroll	4,172,502
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	251.48%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 09/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Kemper County, Mississippi
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years*

		2015
Contractually required contribution	\$	<u>648,208</u>
Contributions in relation to the contractually required contribution		648,208
Contribution deficiency (excess)	\$	<u><u>-</u></u>
County's covered - employee payroll		4,115,606
Contributions as a percentage of covered - employee payroll		15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 09/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Kemper County, Mississippi

Notes to the Required Supplementary Information
For the year ended September 30, 2015

Budgetary Comparison Schedules

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, the Tax Assessor and Tax 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, 2015

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 and Bridge Fund
Budget (Cash Basis)	\$ 1,438,394	714,953
Increase (Decrease)		
Net adjustments for revenue accruals	1,448,504	163,076
Net adjustments for expenditure accruals	(506,719)	(201,779)
GAAP Basis	<u>\$ 2,380,179</u>	<u>676,250</u>

Pension Schedules

A. Changes in benefit terms

None.

B. Changes of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

OTHER INFORMATION

Kemper County, Mississippi

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

Name	Position	Company	Bond
James Granger	Supervisor Dist. 1	Western Surety	\$ 100,000
Johnny Whitsett	Supervisor Dist. 2	Western Surety	100,000
John P. Darnell	Supervisor Dist. 3	Western Surety	100,000
Michael Luke	Supervisor Dist. 4	Western Surety	100,000
Christopher Cole	Supervisor Dist. 5	Western Surety	100,000
Andrew Smith	County Administrator	Western Surety	100,000
Bobbie Harbour	Interim County Administrator	Western Surety	100,000
Aimee Vallery	Comptroller	Western Surety	75,000
Sherline Watkins	Chancery Clerk	Western Surety	100,000
Sheila Mattar	Purchase Clerk	Western Surety	75,000
Judith Sullivan	Assistant Purchase Clerk	Western Surety	50,000
Johnny Griffin	Receiving Clerk	Western Surety	75,000
Catherine Walton	Assistant Receiving Clerk	Western Surety	50,000
Vanessa Payne	Assistant Receiving Clerk	Western Surety	50,000
Shirley Jackson	Assistant Receiving Clerk	Western Surety	50,000
Patricia Jowers	Assistant Receiving Clerk	Western Surety	50,000
Keith Terrell Odom	Assistant Receiving Clerk	Western Surety	50,000
Nicole Woods	Assistant Receiving Clerk	Western Surety	50,000
Thomas M. Luke, III	Inventory Control Clerk	Western Surety	75,000
Gregory Williams	Road Manager	Western Surety	50,000
Samuel Brown	Assistant Road Manager	Western Surety	50,000
Donnie Wright	Assistant Road Manager	Western Surety	50,000
Ray Charles Williams	Constable	Western Surety	50,000
Mike Rush	Constable	Western Surety	50,000
Terry E. Bostick	Coroner	Western Surety	10,000
Tracey Murray	Circuit Clerk	Western Surety	100,000
James Moore, Sr	Sheriff	Western Surety	100,000
John D. Haggard	Sheriff's Deputy	Western Surety	50,000
Robert Joyner	Sheriff's Deputy	Western Surety	50,000
Arnold Jenkins	Sheriff's Deputy	Western Surety	50,000
Kenny L. Rush	Sheriff's Deputy	Western Surety	50,000
Eric Scott	Sheriff's Deputy	Western Surety	50,000
Bryon Walker	Sheriff's Deputy	Western Surety	50,000
Michael Mattox	Sheriff's Deputy	Western Surety	50,000
Cadre Hampton	Sheriff's Deputy	Western Surety	50,000
Tracee Moore	Sheriff's Deputy	Western Surety	50,000
Allen Griffin	Sheriff's Deputy	Western Surety	50,000
Charles Hazelwood	Sheriff's Deputy	Western Surety	50,000
Mary Gully	Justice Court Judge	Western Surety	50,000
Linda Wright	Justice Court Judge	Western Surety	50,000
Peggy Sue Davis	Justice Court Clerk	Western Surety	50,000
Margaret Willson	Justice Court Clerk	Western Surety	50,000
Tami L. Dawkins	Justice Court Clerk	Western Surety	50,000
Cheryl L. Dial	Deputy Justice Court Clerk	Western Surety	50,000
Joycelyn Robertson	Tax Collector/Assessor	Western Surety	100,000
Totsseta Hearn	Deputy Circuit Clerk	Western Surety	50,000
Judi Sullivan	Deputy Tax Collector	Western Surety	75,000
Shirley Jackson	Deputy Tax Collector	Western Surety	50,000
Kim Wyche Lovette	Deputy Tax Collector	Western Surety	50,000
Jeanisha Rush	Billing Clerk	Western Surety	50,000
Jennifer Lewis	A/P Clerk	Western Surety	50,000
Chrystal Granger	Chancery	Western Surety	50,000
Gerinka Finch Collins	Chancery	Western Surety	50,000
Bobbie Harbor	Board of Supervisors' Clerk	Western Surety	50,000
Imma Millsap	Internal Auditor	Western Surety	50,000
Willie Grant	Mail Clerk	Western Surety	50,000
Linda Faye White	County Clerk	Western Surety	75,000
Amber R. Young-Holliday	Deputy Clerk	Western Surety	50,000

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Kemper County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 4, 2018. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the governmental activities because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. The report is qualified on the General Fund because the County did not maintain adequate subsidiary records documenting the existence, completeness and valuation of the Circuit Clerk fines receivable as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

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or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2015-001, 2015-002 and 2015-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Kemper County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 4, 2018, included within this document.

Kemper County's Responses to the Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
April 4, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Kemper County, Mississippi

We have examined Kemper County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Kemper County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Kemper County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

The results of our audit procedures disclosed certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

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Inventory Control Clerk.

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

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system to account for all capital assets of the County. An effective system of internal control should include adequate subsidiary records documenting the existence, completeness, and valuation of governmental activities' capital assets as well as the depreciation of these assets.

Condition:

As reported in the prior four years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's capital assets including construction in progress, infrastructure, and for documenting depreciation on the County's capital assets.

Cause:

The County has not maintained an accurate capital asset subsidiary ledger.

Effect:

The failure to maintain an accurate inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss of misappropriation of public funds.

Recommendation:

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

Inventory Control Clerk's Response:

The Inventory Control Clerk is in the process of documenting all of the County's inventory and it is the intention of the Clerk to have adequate inventory records for fiscal year 18.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Kemper County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

Kemper County 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 Kemper County, Mississippi's compliance with the aforementioned requirements, 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
April 4, 2018

Certified Public Accountants

Kemper County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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

Kemper County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
7/20/15	20 ton condensing unit	\$11,000	A & B Mechanical	Condenser unit failed on site during summer

Kemper County, Mississippi**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

Date	Item Purchased	Amount Paid	Vendor
6/2/2015	15 wearable cameras	\$13,605	Watch Guard

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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, 2015, we considered Kemper County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Kemper County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 4, 2018, on the financial statements of Kemper County, Mississippi.

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

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

Board of Supervisors.

1. Final Amended Budget Should be Spread in the Board Minutes.

Criteria:

Section 19-11-11, Miss. Code Ann. (1972), requires that the Board of Supervisors to, by resolution, approve and adopt the budget as finally determined and enter the same at length and in detail in its official minutes.

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Condition:

The final amended budget for the fiscal year 2015 was not approved and documented in the board minutes.

Cause:

Control procedures were not in place to have the budget approved and adopted in its official minutes.

Effect:

The failure to have the budget approved and adopted in its official minutes causes the County to be noncompliance with state law.

Recommendation:

The County should establish adequate control procedures to have the budget approved and adopted in its official minutes.

Board of Supervisors' Response:

In fiscal years ending September 30, 2016 and 2017, the final amended budgets were spread upon the minutes. The County is in compliance with Section 19-11-11 of the Miss. Code Ann. (1972).

2. The County Should Establish and Test a Disaster Recovery Process.

Criteria:

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster.

Condition:

As reported in the prior year audit, the County has not established a disaster recovery process. As a result, Kemper County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions.

Cause:

Without a disaster recovery process, Kemper County might not be able to operate after an emergency.

Effect:

Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalate the longer an exposure goes unmitigated. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

Recommendation:

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response:

The County has contracted with Three Rivers Planning and Development District to improve the County's IT infrastructure and so, Three Rivers has implemented on-site backup and replication of domain, email and file servers. Back up is housed on-site and replicated to C-Spire Data Center in Starkville, MS. All financial information located on AS400 reside in the Three Rivers PDD Data Center in Tupelo, MS, which is backed up on-site daily and mirrored to the C-Spire Data Center in Starkville. Furthermore, Three Rivers is working with the Board of Supervisors to revise policies and procedures to ensure that the County's administration is knowledgeable of what needs to occur in the event of a disaster.

3. The County Should Perform Periodic Physical and Logical Access Reviews.

Criteria:

The County should have both formal policies and procedures that cover granting or removing logical access for terminated employees. The County should also periodically review the levels of access that active users have been granted and determine if the access is appropriate.

Condition:

As reported in previous year, the County needs to implement periodic reviews of access for all individual users. These reviews should include both physical and logical access.

Cause:

Without formal policies and procedures, the County could have breaches of information of their application software and operating systems.

Effect:

Failure to maintain physical and logical access to application software and operating systems, proper control over financial records are not being maintained.

Recommendation:

The County should determine the appropriateness of both physical and logical access the reviewer should remain cognizant of job responsibilities, prior job responsibilities which persons may have held that are no longer pertinent, level of expertise of the user, segregation of duties, and regulatory guidelines which may be applicable. Both logical and physical access should be covered by the formal written policy for granting, terminating and changing access. These policies should be approved by management and distributed to employees through procedures that have those granted access to information assets indicate in writing or electronically that they have read and understand the policies and agree to follow them.

Board of Supervisors' Response:

The County has contracted with Three Rivers PDD to strengthen its IT infrastructure and Three Rivers will be working with the Board of Supervisors to review and adopt a policy that references how physical and logical access is handled for current users and former employees. Moreover, for any employee that leaves their position with the County, Three Rivers and Harris Delta Computers are notified that any access the former employee had must be terminated.

4. The County Should Improve its System Security Event Management.

Criteria:

Regulatory compliance oftentimes requires that a covered organization develop a standards-based framework to provide for monitoring for system security events.

Condition:

The County does not have adequate network intrusion detection systems or methods to efficiently and/or easily monitor server logs for key security related events.

Cause:

Without proper security event management, the County is not sufficiently performing the key logs for key security events to protect against data breaches.

Effect:

The County does not have adequate network intrusion detection systems or methods to efficiently and/or easily monitor server logs for key security related events.

Recommendation:

The County should review its current risk environment and develop a plan for monitoring and managing key security events consistent with regulatory compliance objectives as well as the evolution of threats to information assets.

Board of Supervisor's Response:

In partnership with Three Rivers PDD, the County will review its current risk environment and develop a plan for monitoring and managing key security events consistent with regulatory compliance objectives as well as the evolution of threats to information assets.

5. The County Should Increase Internal Controls by Strengthening Passwords and Expiring All Individual Passwords on a Periodic Basis.

Criteria:

In order to avoid unnecessary risk for the County's information assets, the County should have internal controls in place for passwords such as characteristics for strong passwords and expiration of passwords on a periodic basis.

Condition:

The County does not have adequate internal control over passwords.

Cause:

Without proper internal control over passwords, the County is not maintaining adequate controls for the County's information assets.

Effect:

The County does not adequate internal controls in place for passwords.

Recommendation:

We recommend that the County improves its password strength by changing passwords parameters to comply with passwords management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combination of numbers, letters and special characters) and periodic change of passwords. Also a policy should be implemented to ensure that passwords are expired basis.

Board of Supervisors' Response:

Three Rivers PDD has taken great steps to get the County's IT infrastructure in compliance with industry standards. The County has implemented password changes with proper password compliance standards. Passwords are set to expire every 180 days and must consist of at least eight characters, upper and lowercase letters, and at least one number with credentials being instituted so that employees may not reuse the last five passwords.

6. The County Should Implement a Formal Information Security Policy.

Criteria:

The County should adopt a formal Information Security Policy or Enterprise Security Plan to prevent a breakdown of basic security practices in the areas of application

security, LAN/WAN security, management of the security application and internet protocol.

Condition:

The County has not adopted a formal Information Security Policy or Enterprise Security Plan.

Cause:

Without formal policies and procedures, the county could have breaches of information of their application software and operating systems.

Effect:

The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation:

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

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

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

Board of Supervisor's Response:

Three Rivers PDD will work with the County Administrator to develop a formal Information Security Policy or Enterprise Security Plan for the Board of Supervisors to adopt that is in compliance with industry standards.

Chancery Clerk.

7. Board of Supervisor's Minutes Were Not Complete.

Criteria:

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings.

Condition:

As reported in the prior three years' audit report, the board minutes were not complete in in representations to the activity of the board proceedings throughout the year.

Supporting documentation for approved board orders were not spread on the minutes.

Cause:

The Chancery Clerk failed to adequately maintain and record all board proceedings as required by Section 19-3-27, Miss. Code Ann. (1972).

Effect:

Incomplete board minutes are misrepresentation of the year's activity along with noncompliance with state laws and regulations.

Recommendation:

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

Chancery Clerk's Response:

I will ensure that all and any supporting documentation provided will be included in approved orders on the Board minutes in the future, per Section 19-3-27, Miss. Code Ann. (1972).

Circuit Clerk.

8. Unauthorized Fees Being Collected Should be Ceased.

Criteria:

Sections 25-7-13 and 41-57-48, Miss. Code Ann. (1972), provides for the fees for marriage licenses. Under both of these code sections, the Circuit Clerk should charge a \$21 fee for marriage licenses.

Condition:

As reported in the prior two years' audit report, during our test work, it was noted that the Circuit Clerk was charging a total of \$22 for each marriage license.

Cause:

The Circuit Clerk failed to comply with Sections 25-7-13 and 41-57-48, Miss. Code Ann. (1972).

Effect:

Therefore, the Clerk has been erroneously collecting an additional \$1 on all marriage licenses, thus resulting in an improper amount of Clerk's fees collected.

Recommendation:

We recommend that the Circuit Clerk charge the proper amount for each marriage license required by law, and to only accept payments for the proper amount for civil cash filings as required by law.

Circuit Clerk's Response:

The matter concerning marriage licenses has been resolved.

Justice Court Clerk.

9. Controls Over Cash Collections in the Justice Court Clerk's Office Should be Strengthened.

Criteria:

An effective system of internal controls should include an adequate segregation of duties.

Condition:

As reported in the prior three years' audit reports, the cash collection function in the Justice Court Clerk's office was not adequately segregated for an effective internal control.

Cause:

This is the result of the lack of proper internal controls being in place to adequately segregate duties amongst the cash collection process.

Effect:

Lack of segregation of duties could result in the loss of public funds.

Recommendation:

Management should provide cash drawers for each clerk receipting money in the Justice Clerk's Office. The Justice Court Clerk should deposit cash daily and reconcile the bank accounts monthly.

Justice Court Clerk's Response:

(1) Justice Court has cash drawers for each clerk receipting money; (2) the Justice Court Clerk deposits cash on a daily basis; and (3) the Justice Court Clerk reconciles the bank accounts monthly.

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

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by

anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 4, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Kemper County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

a. Governmental activities	Qualified
b. Business-type activities	Unmodified
c. Aggregate discretely presented component unit	Adverse
d. General Fund	Qualified
e. Countywide Road and Bridge Fund	Unmodified
f. Regional Jail Fund	Unmodified
g. Regional Jail Women's Fund	Unmodified
h. Aggregate Remaining Fund Information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiencies identified? None Reported.
3. Noncompliance material to financial statements noted? No.

Section II: Financial Statement Findings

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

Finding 2015-001

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

Board of Supervisors

Material Weaknesses

Criteria:

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data for the County's primary government unless the County also issues financial statements for the financial reporting entity that include financial data for the County's legally separate component units.

Condition:

As reported in the prior four years' audit report, the financial statements do not include the financial data for the County's legally separate component unit.

Cause:

The County failed to comply with the generally accepted accounting principles by not presenting the financial data for the County's legally separate component unit.

Effect:

The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation:

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

Response:

At the time of the audit for the year ending September 30, 2015, the Board of Supervisors did not have as part of its audit preparation documents, a copy of the audited financial statements for the County's component unit. The County has attained the audited financial statements for the component unit and will be providing as part of its audit for the year ending September 30, 2016 and beyond. This will ensure that the County is in compliance with generally accepted accounting principles.

Finding 2015-002

The County should maintain adequate subsidiary records..

Board of Supervisors

Material Weaknesses

Criteria:

An effective system of internal control should include adequate subsidiary records documenting the existence, completeness, and valuation of governmental activities' capital assets as well as the depreciation of these assets.

Condition:

As reported in the prior four years' audit reports, control procedures were inadequate for maintaining adequate subsidiary records documenting the County's capital assets including construction in progress and infrastructure.

Cause:

Controls were not in place to ensure the County's subsidiary records were adequately documented and maintained.

Effect:

The failure to maintain an accurate inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds. Therefore, the Independent Auditor's Report includes a qualified opinion on the financial position of the Governmental Activities.

Recommendation:

The County should establish adequate control procedures to document the existence, completeness, and valuation of capital assets. Also, construction in progress and infrastructure reports should be prepared and used to include current fiscal year additions in the capital asset listing.

Response:

The Inventory Control Clerk is in the process of documenting all of the County's inventory and it is the intention of the Clerk to have adequate inventory records for fiscal year 18.

Finding 2015-003

Fines receivable were not properly documented in the financial statements.

Circuit Clerk

Material Weaknesses

Criteria:

An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance. Also, the clerk should receive approval of the allowance for uncollectible accounts from the Board of Supervisors.

Condition:

As reported in the prior two years' audit reports, management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Circuit Court fines and the aging of fines receivable at the fiscal year end.

Cause:

The County failed to implement proper internal controls procedures to ensure the Circuit Clerk is properly maintaining adequate subsidiary records to substantiate the total fines receivable and the proper approval of the allowance for uncollectible accounts is received from the Board of Supervisors.

Effect:

The Independent Auditor's report is qualified on the General Fund because we were unable to satisfy ourselves as the fair presentation of the Circuit Court fines receivable.

Recommendation:

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

Response:

After speaking to Mrs. Tracey Murray, Circuit Clerk of Kemper County, Mrs. Murray has stated that she is aware of the situation and has made notification of the findings.