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**Kemper County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2016

**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, the aggregate discretely presented component unit, 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, 2016, and the related notes to the financial statements, which collectively comprise the 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 did not audit the financial statements of Kemper County Economic Development Authority, a component unit of the County, which represents 100% of the assets, net position and revenues of the Kemper County component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Kemper County Economic Development Authority, are based solely on the reports of the other auditors. 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 Qualified Opinions on Governmental Activities**

As discussed in Note 1 (J) 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.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Kemper County, Mississippi, as of September 30, 2016, 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, based upon our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the General Fund, the Countywide Road and Bridge Fund, Regional Jail Fund, Regional Jail Women's Fund, the discretely presented component unit and the aggregate remaining fund information of Kemper County, Mississippi, as of September 30, 2016, 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 and the other auditors 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 May 7, 2020, 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  
May 7, 2020

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**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, 2016. 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 \$432,933 from the prior year in governmental activities and a decrease of \$639,298 in business-type activities.

Total net position increased \$2,303,515, of which \$167,270 was a prior period adjustment. This represents a 35% increase from the prior fiscal year.

The County had \$11,761,418 in total governmental activities revenues, which represents a decrease of \$2,489,398 or 17%, decrease from the prior year. Property tax revenues account for \$11,465,630 or 97%. Revenues in the form of operating grants and contributions accounted for \$496,260 or 4% of total governmental activities revenues. Revenues in the form of charges for services accounted for \$357,076 or 3% of total governmental activities revenues.

The County had \$16,124,702 in total primary government expenses, which represents a decrease of \$206,365 or 1% decrease from the prior fiscal year.

Among major funds, the General Fund had \$7,365,463 in revenues and \$6,418,419 in expenditures. The General Fund's fund balance increased \$1,723,597 over the prior year, including a prior period adjustment of \$144,086.

Governmental activities capital assets, net of accumulated depreciation, decreased by \$423,386 over the prior year.

Long-term debt increased by \$2,268,701 in governmental activities and decreased \$2,589,881 in business-type activities.

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

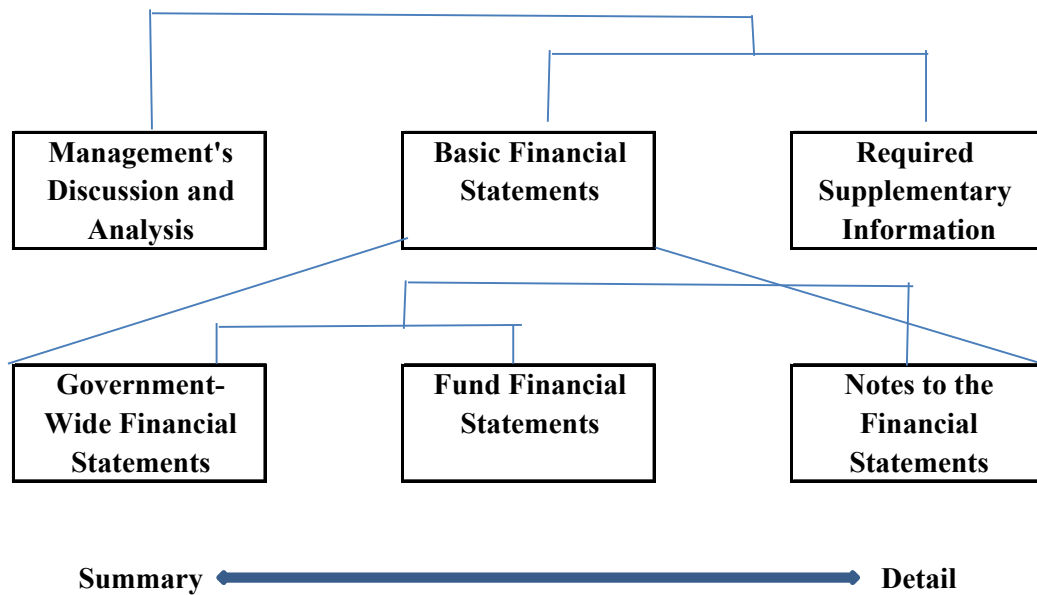


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

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
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset, deferred outflow, liability, deferred inflow information</b>	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
<b>Type of inflow/outflow information</b>	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, 2016**

**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 them 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; pension expense; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 18 and 19 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 21 and 23, 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 27 of this report.

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 70 through 76 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 \$8,893,894 as of September 30, 2016, of which \$5,356,600 were governmental activities and \$3,537,294, were business-type activities.

The largest portion of the County's net position, 101% 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, 2016**

The following table presents a summary of the County's net position at September 30, 2016, as compared to September 30, 2015.

	<u>Total Primary Government</u>	
	<u>Governmental &amp; Business-type</u>	
	<u>Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Current Assets	\$ 24,291,793	\$ 18,878,273
Non Current Assets	17,141,044	17,634,009
Total Assets	<u>41,432,837</u>	<u>36,512,282</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension	2,407,031	1,995,634
Total Deferred Outflows of Resources	<u>2,407,031</u>	<u>1,995,634</u>
<b>Liabilities:</b>		
Current Liabilities	823,143	1,348,890
Long-term Liabilities	19,790,365	19,139,135
Total Liabilities	<u>20,613,508</u>	<u>20,488,025</u>
<b>Deferred Inflows of Resources</b>		
Unearned revenue - property taxes	13,983,821	11,413,438
Unearned revenue - garbage fees	17,019	16,074
Deferred inflows related to pension	331,626	
Total Deferred Inflows of Resources	<u>14,332,466</u>	<u>11,429,512</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	8,943,251	9,115,036
Restricted	3,395,244	1,833,404
Unrestricted	(3,444,601)	(4,358,061)
Total Net Position	<u>\$ 8,893,894</u>	<u>\$ 6,590,379</u>

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**Changes in Net Position of Governmental Activities and Business-Type Activities** - Kemper County's total revenues for the fiscal year ended September 30, 2016 were \$18,260,947. The total cost for all services provided was \$16,124,702. The increase in net position was \$2,136,245. There was also a prior period adjustment which also increased net position by \$167,270. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016, as compared to fiscal year ended September 30, 2015.

	<u>Total Primary Government</u> <u>Governmental &amp; Business-type</u> <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,030,025	\$ 4,799,618
Operating Grants and Contributions	496,260	223,742
General Revenues:		
Property Taxes	11,993,819	12,278,896
Road and Bridge Privilege Taxes	100,102	111,716
Grants and contributions not restricted to Specific Programs	1,016,986	950,101
Unrestricted Interest Income	320,220	275,876
Miscellaneous	303,535	617,066
Total Revenues	<u>18,260,947</u>	<u>19,257,015</u>
Expenses:		
General Government	3,817,347	3,498,588
Public Safety	1,732,430	1,296,441
Public Works	4,651,626	4,954,999
Health and Welfare	265,271	247,202
Culture and Recreation	65,552	336,933
Conservation of Natural Resources	90,959	74,813
Economic Development and Assistance	254,281	322,900
Pension Expense	1,565,604	708,636
Interest on Long-Term Debt	135,745	119,595
Regional Jail	3,003,754	4,075,425
Regional Jail Women's	75,961	145,527
Solid Waste	466,172	550,008
Total Expenses	<u>16,124,702</u>	<u>16,331,067</u>
Increase (Decrease) in Net Position	<u>\$ 2,136,245</u>	<u>\$ 2,925,948</u>



**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**Governmental Activities** - The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development, Pension Expense, 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.

	2016		2015	
	Total Costs	Net Costs	Total Costs	Net Costs
General Government	\$ 3,817,347	\$ (3,407,744)	\$ 3,498,588	\$ (3,466,067)
Public Safety	1,732,430	(1,315,159)	1,296,441	(874,006)
Public Works	4,651,626	(4,631,507)	4,954,999	(4,949,513)
Health and Welfare	265,271	(258,928)	247,202	(241,212)
Culture and Recreation	65,552	(65,552)	336,933	(336,933)
Conservation of Natural Resources	90,959	(90,959)	74,813	(74,813)
Economic Development	254,281	(254,281)	322,900	(322,900)
Pension Expense	979,829	(979,829)	708,636	(708,636)
Interest on Long-Term Debt	135,745	(135,745)	119,595	(119,595)
<b>Total</b>	<b>\$ 11,993,040</b>	<b>\$ (11,139,704)</b>	<b>\$11,560,107</b>	<b>\$ (11,093,675)</b>

**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).

	2016		2015	
	Total Costs	Net Costs	Total Costs	Net Costs
Regional Jail	\$ 3,003,754	\$ 400,319	\$ 4,075,425	\$ 162,438
Regional Jail Women's	75,961	(75,961)	145,527	(145,527)
Solid Waste	466,172	(197,296)	550,008	(230,943)
Pension Expense	585,775	(585,775)	-	-
<b>Total</b>	<b>\$ 4,131,662</b>	<b>\$ (458,713)</b>	<b>\$ 4,770,960</b>	<b>\$ (214,032)</b>

**KEMPER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

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 \$7,660,198, an increase of \$3,127,242. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,723,597 of which \$144,086 was a prior period adjustment.

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, 2016, Kemper County's total capital assets were \$16,893,597 in the governmental activities and \$9,317,853 in business-type activities. 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, 2016 was \$7,097,464, including \$582,976 of depreciation expense for the year for governmental activities. Total accumulated depreciation as of September 30, 2016 was \$1,972,942, including \$206,215 of depreciation expense for the year for business-type activities.

Additional information on Kemper County's capital assets can be found in Note 8 on pages 45 and 47 of this report.

**Debt Administration** - At September 30, 2016, Kemper County had \$8,336,753 in long-term debt outstanding. This includes general obligation bonds, other loans, compensated absences and obligations under capital leases. Of this debt, \$1,157,272 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.

LONG-TERM DEBT ANALYSIS

Additional information on Kemper County's long-term debt can be found in Note 11 on pages 48-51 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

## FINANCIAL STATEMENTS

**KEMPER COUNTY, MISSISSIPPI**  
Statement of Net Position  
September 30, 2016

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Kemper County Economic Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,988,859	\$ 723,306	\$ 8,712,165	\$ 145,438
Restricted assets - investments		1,046,677	1,046,677	
Certificates of deposit				54,104
Property tax receivable	13,398,071	585,750	13,983,821	
Accounts receivable, (net of allowance for uncollectibles of \$539,494)		231,212	231,212	
Accounts receivable				1,067
Fines receivable, (net of allowance for uncollectibles of \$489,936)	86,159		86,159	
Interest receivable				17
Intergovernmental receivables	55,200		55,200	
Prepaid insurance				1,271
Other receivables	176,559		176,559	
Cash - restricted				30,290
Internal balances	87,412	(87,412)	-	
Capital assets:				
Land	1,322,961		1,322,961	
Other capital assets, net	8,473,172	7,344,911	15,818,083	570,392
<b>Total Assets</b>	<u>31,588,393</u>	<u>9,844,444</u>	<u>41,432,837</u>	<u>802,579</u>
<b>DEFERRED OUTFLOWS OF REOURCES</b>				
Deferred outflows related to pension	1,353,048	1,053,983	2,407,031	
<b>Total Deferred Outflows of Resources</b>	<u>1,353,048</u>	<u>1,053,983</u>	<u>2,407,031</u>	<u>-</u>
<b>LIABILITIES</b>				
Claims payable	523,677	119,738	643,415	
Accounts payable				8,132
Accrued liabilities				11,109
Intergovernmental payables	48,923		48,923	
Accrued interest payable	50,215	5,358	55,573	
Amounts held in custody for others	75,232		75,232	
Note payable, due within one year				369
Long-term liabilities				
Due within one year:				
Capital debt	671,230	486,042	1,157,272	
Due in more than one year:				
Capital related debt	6,203,946	836,575	7,040,521	
Non-capital debt	82,245	56,715	138,960	
Net Pension Liability	6,323,755	5,129,857	11,453,612	
<b>Total Liabilities</b>	<u>13,979,223</u>	<u>6,634,285</u>	<u>20,613,508</u>	<u>19,610</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue-property taxes	13,398,071	585,750	13,983,821	
Unearned revenue-garbage fees		17,019	17,019	
Deferred inflows related to pension	207,547	124,079	331,626	
<b>Total Deferred Inflows of Resources</b>	<u>13,605,618</u>	<u>726,848</u>	<u>14,332,466</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,920,957	6,022,294	8,943,251	570,023
Restricted for:				
Expendable:				
General government	281,600		281,600	
Public safety	453,190		453,190	
Public works	2,186,941	406,936	2,593,877	
Economic development and assistance	1,068		1,068	
Debt service	65,509		65,509	
Other				30,290
Unrestricted	(552,665)	(2,891,936)	(3,444,601)	182,656
<b>TOTAL NET POSITION</b>	<u>\$ 5,356,600</u>	<u>\$ 3,537,294</u>	<u>\$ 8,893,894</u>	<u>\$ 782,969</u>

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, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities:							
General government	\$ 3,817,347	41,900	367,703	(3,407,744)		(3,407,744)	
Public safety	1,732,430	315,176	102,095	(1,315,159)		(1,315,159)	
Public works	4,651,626		20,119	(4,631,507)		(4,631,507)	
Health and welfare	265,271		6,343	(258,928)		(258,928)	
Culture and recreation	65,552			(65,552)		(65,552)	
Conservation of natural resources	90,959			(90,959)		(90,959)	
Economic development and assistance	254,281			(254,281)		(254,281)	
Pension expense	979,829			(979,829)		(979,829)	
Interest on long-term debt	135,745			(135,745)		(135,745)	
Total Governmental Activities	<u>11,993,040</u>	<u>357,076</u>	<u>496,260</u>	<u>(11,139,704)</u>	<u>-</u>	<u>(11,139,704)</u>	
Business-type activities:							
Regional Jail	3,003,754	3,404,073			400,319	400,319	
Regional Jail Women's	75,961				(75,961)	(75,961)	
Solid Waste	466,172	268,876			(197,296)	(197,296)	
Pension expense	585,775				(585,775)	(585,775)	
Total Business-type Activities	<u>4,131,662</u>	<u>3,672,949</u>	<u>-</u>	<u>-</u>	<u>(458,713)</u>	<u>(458,713)</u>	
Total Primary Government	<u>\$ 16,124,702</u>	<u>4,030,025</u>	<u>496,260</u>	<u>(11,139,704)</u>	<u>(458,713)</u>	<u>(11,598,417)</u>	
Component Unit:							
Kemper County Economic Development Authority	\$ 246,833	41,000	-	-	-	-	205,833
General revenues:							
Property taxes				\$ 11,465,630	528,189	11,993,819	
Road & bridge privilege taxes				100,102		100,102	
Grants and contributions not restricted to specific programs				1,016,986		1,016,986	236,748
Unrestricted interest income				311,901	8,319	320,220	301
Miscellaneous				265,079	38,456	303,535	
Transfers				(2,251,616)	2,251,616	-	
Total General Revenues, Transfers and Debt Refunding				<u>10,908,082</u>	<u>2,826,580</u>	<u>13,734,662</u>	<u>237,049</u>
Changes in Net Position				<u>(231,622)</u>	<u>2,367,867</u>	<u>2,136,245</u>	<u>31,216</u>
Net Position- Beginning, as previously reported				5,458,630	1,131,749	6,590,379	893,636
Prior period adjustment				129,592	37,678	167,270	(141,883)
Net Position-Beginning, as restated				<u>5,588,222</u>	<u>1,169,427</u>	<u>6,757,649</u>	<u>751,753</u>
Net Position - End of Year				<u>\$ 5,356,600</u>	<u>3,537,294</u>	<u>8,893,894</u>	<u>782,969</u>

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

**KEMPER COUNTY, MISSISSIPPI**  
 Balance Sheet - Governmental Funds  
 September 30, 2016

Exhibit 3

	Major Funds			
	General Fund	Countywide Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 4,720,681	2,227,730	1,040,448	7,988,859
Property tax receivable	8,051,171	4,773,317	573,583	13,398,071
Fines receivable (net of allowance for uncollectibles of (\$489,936))	86,159			86,159
Intergovernmental receivables	55,200			55,200
Other receivables	695			695
Due from other funds	182,826	16,664	1,366	200,856
Advances to other funds	110,812	7,744	247	118,803
Total Assets	<u>\$ 13,207,544</u>	<u>7,025,455</u>	<u>1,615,644</u>	<u>21,848,643</u>
<b>LIABILITIES</b>				
Claims payable	\$ 268,001	184,928	70,748	523,677
Advances from other funds	34,271			34,271
Intergovernmental payables	48,923			48,923
Due to other funds	22,112			22,112
Amounts held in custody for others	75,232			75,232
Total Liabilities	<u>448,539</u>	<u>184,928</u>	<u>70,748</u>	<u>704,215</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	8,051,171	4,773,317	573,583	13,398,071
Unavailable revenue-fines	86,159			86,159
Total Deferred Inflows of Resources	<u>8,137,330</u>	<u>4,773,317</u>	<u>573,583</u>	<u>13,484,230</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Advances	110,812			110,812
Restricted for:				
General government			281,600	281,600
Public safety			453,190	453,190
Public works		2,067,210	119,731	2,186,941
Economic development and assistance			1,068	1,068
Debt service			115,724	115,724
Unassigned	4,510,863			4,510,863
Total Fund Balances	<u>4,621,675</u>	<u>2,067,210</u>	<u>971,313</u>	<u>7,660,198</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,207,544</u>	<u>7,025,455</u>	<u>1,615,644</u>	<u>21,848,643</u>

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

**KEMPER COUNTY, MISSISSIPPI**Exhibit 3-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2016

Total fund balances for governmental funds	\$	7,660,198
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 \$7,097,464.		9,796,133
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		86,159
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.		(6,957,421)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(50,215)
Deferred outflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.		1,353,048
Deferred inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.		(207,547)
Net pension obligations are not due and payable in the current period and, therefore are not reported in the funds.		<u>(6,323,755)</u>
Total Net Position - Governmental Activities	\$	<u><u>5,356,600</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, 2016

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road & Bridge Fund		
<b>REVENUES</b>				
Property taxes	\$ 6,089,855	\$ 4,898,728	\$ 477,047	\$ 11,465,630
Road and bridge privilege taxes		100,102		100,102
Licenses, commissions and other revenues	91,586		3,957	95,543
Fines and forfeitures	163,200			163,200
Intergovernmental revenues	760,217	513,100	239,929	1,513,246
Charges for services			98,333	98,333
Use of money and property	38,390	2,388	271,123	311,901
Miscellaneous revenues	222,215	15,023	9,792	247,030
Total Revenues	<u>7,365,463</u>	<u>5,529,341</u>	<u>1,100,181</u>	<u>13,994,985</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,951,769		2,691	3,954,460
Public safety	1,446,020		371,729	1,817,749
Public works		4,267,658	174,665	4,442,323
Health and welfare	255,313			255,313
Culture and recreation	62,073			62,073
Conservation of natural resources	90,959			90,959
Economic development and assistance	202,151		21,603	223,754
Debt service:				
Principal	342,456	185,323	163,520	691,299
Interest			76,099	76,099
Bond issuance costs	67,678	5,725	20,448	93,851
Total Expenditures	<u>6,418,419</u>	<u>4,458,706</u>	<u>830,755</u>	<u>11,707,880</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>947,044</u>	<u>1,070,635</u>	<u>269,426</u>	<u>2,287,105</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	1,000,000			1,000,000
Refunding bonds issued			2,645,000	2,645,000
Payment to refunding bond escrow agent			(697,333)	(697,333)
Transfers in	857,815		43,899	901,714
Transfers out	(1,225,348)		(1,927,982)	(3,153,330)
Total Other Financing Sources (Uses)	<u>632,467</u>	<u>-</u>	<u>63,584</u>	<u>696,051</u>
Net Changes in Fund Balances	<u>1,579,511</u>	<u>1,070,635</u>	<u>333,010</u>	<u>2,983,156</u>
Fund Balance - Beginning of year, as previously reported	2,898,078	996,575	638,303	4,532,956
Prior period adjustment	144,086			144,086
Fund Balance - Beginning of year, as restated	<u>3,042,164</u>	<u>996,575</u>	<u>638,303</u>	<u>4,677,042</u>
Fund Balances - End of year	<u>\$ 4,621,675</u>	<u>\$ 2,067,210</u>	<u>\$ 971,313</u>	<u>\$ 7,660,198</u>

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



**KEMPER COUNTY, MISSISSIPPI**Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2016

Net Changes in Fund balances- Governmental Funds (Exhibit 4) \$ 2,983,156

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures; However, in the  
statement of activities the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. Thus, the change in net position  
differs from the change in fund balances by the amount that depreciation of  
\$582,976 exceeded capital outlays of \$159,590 in the current period. (423,386)

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. 18,049

Debt proceeds provide current financial resources to Governmental Funds, but  
issuing debt increases long-term liabilities in the statement of net position.  
Repayment of debt principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net position. Thus, the  
change in net position differs from the change in fund balances by the amount that  
debt proceeds of \$1,000,000 exceeded debt repayments of \$691,299. (308,701)

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	(5,646)
The amount of decrease in accrued interest payable	5,701
Net effect of women's prison remaining debt service principal now part of refunded debt service in governmental activities	(1,927,219)
Net effect of women's prison interest expense now part of refunded debt service in governmental activities	8,056

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.	(979,829)
Recording of contributions made during the year.	398,197
	398,197

**Change in Net Position of Governmental Activities** \$ (231,622)

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

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Regional Jail Fund	Regional Jail Women's Fund	Solid Waste Fund	Totals
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 37,429	\$	\$ 685,877	\$ 723,306
Restricted assets - investments	1,046,677			1,046,677
Property tax receivable			585,750	585,750
Accounts receivable (net of allowance for uncollectibles of \$539,494)			231,212	231,212
Due from other funds			1,763	1,763
Advances to other funds	26,280			26,280
Total Current Assets	<u>1,110,386</u>	<u>-</u>	<u>1,504,602</u>	<u>2,614,988</u>
Noncurrent assets:				
Capital assets:				
Other capital assets, net	4,271,992	2,851,995	220,924	7,344,911
Total Noncurrent Assets	<u>4,271,992</u>	<u>2,851,995</u>	<u>220,924</u>	<u>7,344,911</u>
Total Assets	<u>5,382,378</u>	<u>2,851,995</u>	<u>1,725,526</u>	<u>9,959,899</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	937,569		116,414	1,053,983
Total Deferred Outflows of Resources	<u>937,569</u>	<u>-</u>	<u>116,414</u>	<u>1,053,983</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Claims payable	110,015		9,723	119,738
Advances from other funds	89,489		21,323	110,812
Due to other funds			4,643	4,643
Accrued interest payable	5,358			5,358
Capital debt:				
Capital leases payable	36,042			36,042
Other long-term liabilities	450,000			450,000
Total Current Liabilities	<u>690,904</u>	<u>-</u>	<u>35,689</u>	<u>726,593</u>
Non-current liabilities:				
Capital debt:				
Capital leases payable	21,575			21,575
Other long-term liabilities	815,000			815,000
Non-capital debt:				
Compensated absences payable	48,968		7,747	56,715
Net pension liability	4,578,498		551,359	5,129,857
Total Noncurrent Liabilities	<u>5,464,041</u>	<u>-</u>	<u>559,106</u>	<u>6,023,147</u>
Total liabilities	<u>6,154,945</u>	<u>-</u>	<u>594,795</u>	<u>6,749,740</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Revenue-property taxes			585,750	585,750
Unearned Revenue-garbage fees			17,019	17,019
Deferred inflows related to pension	107,563		16,516	124,079
Total Deferred Inflows of Resources	<u>107,563</u>	<u>-</u>	<u>619,285</u>	<u>726,848</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,949,375	2,851,995	220,924	6,022,294
Restricted for:				
Public works			406,936	406,936
Unrestricted	(2,891,936)			(2,891,936)
Total Net Position	<u>\$ 57,439</u>	<u>\$ 2,851,995</u>	<u>\$ 627,860</u>	<u>\$ 3,537,294</u>

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

**KEMPER COUNTY, MISSISSIPPI**

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position -  
 Proprietary Funds  
 For the Year Ended September 30, 2016

	Business-Type Activities-Enterprise Funds			
	Major Funds			Totals
	Regional Jail Fund	Regional Jail Women's Fund	Solid Waste Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,404,073	\$	\$ 268,876	\$ 3,672,949
Miscellaneous	38,456			38,456
Total Operating Revenues	<u>3,442,529</u>	<u>-</u>	<u>268,876</u>	<u>3,711,405</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,697,381		273,702	1,971,083
Contractual services	947,123		81,922	1,029,045
Materials and supplies	186,753		70,430	257,183
Depreciation expense	102,835	67,905	35,475	206,215
Pension expense	507,805		77,970	585,775
Indirect administrative cost			4,643	4,643
Total Operating Expenses	<u>3,441,897</u>	<u>67,905</u>	<u>544,142</u>	<u>4,053,944</u>
<b>Operating Income (Loss)</b>	<u>632</u>	<u>(67,905)</u>	<u>(275,266)</u>	<u>(342,539)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Property tax			528,189	528,189
Interest income	7,587		732	8,319
Interest expense	(69,662)	(8,056)		(77,718)
Total Nonoperating Revenue (Expenses)	<u>(62,075)</u>	<u>(8,056)</u>	<u>528,921</u>	<u>458,790</u>
<b>Net Income (Loss) Before Transfers and Debt Refunding</b>	<u>(61,443)</u>	<u>(75,961)</u>	<u>253,655</u>	<u>116,251</u>
Transfers in	1,226,111	2,157,219		3,383,330
Transfers out	(1,131,714)			(1,131,714)
<b>Changes in Net Position</b>	<u>32,954</u>	<u>2,081,258</u>	<u>253,655</u>	<u>2,367,867</u>
Net Position-Beginning, as previously reported	(13,193)	770,737	374,205	1,131,749
Prior Period Adjustment	37,678			37,678
Net Position-Beginning, as restated	<u>24,485</u>	<u>770,737</u>	<u>374,205</u>	<u>1,169,427</u>
Net Position-Ending	<u>\$ 57,439</u>	<u>\$ 2,851,995</u>	<u>\$ 627,860</u>	<u>\$ 3,537,294</u>

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, 2016

Exhibit 7

	Business-Type Activities - Enterprise Funds			
	Major Funds			Totals
	Regional Jail Fund	Regional Jail Women's Fund	Solid Waste Fund	
<b>Cash Flows Operating Activities</b>				
Receipts from customers	\$ 3,336,330		255,438	3,591,768
Payments to suppliers	(1,919,496)		(176,658)	(2,096,154)
Payments to employees	(1,027,885)		(306,171)	(1,334,056)
Other operating receipts / (disbursements)	38,456			38,456
Net Cash Provided (Used) by Operating Activities	427,405	-	(227,391)	200,014
<b>Cash Flows From Noncapital Financing Activities</b>				
Cash received from property taxes			528,189	528,189
Cash received from other funds:				
Operating transfers in	2,881,214	230,000		3,111,214
Cash paid to other funds:				
Operating transfers out	(2,786,817)			(2,786,817)
Net Cash Provided (Used) by Noncapital Financing Activities	94,397	230,000	528,189	852,586
<b>Cash Flows From Capital and Related Financing Activities</b>				
Refunding of long-term debt		1,927,219		1,927,219
Payments to refunded bond escrow agent		(1,895,000)		(1,895,000)
Capital assets purchased			(136,636)	(136,636)
Principal paid on long-term debt	(464,881)	(230,000)		(694,881)
Interest paid on debt	(31,984)	(32,219)		(64,203)
Net Cash (Used) by Capital and Related Financing Activities	(496,865)	(230,000)	(136,636)	(863,501)
<b>Cash Flows From Investing Activities</b>				
Interest on deposits	7,587		732	8,319
Other income (expenses)			5,201	5,201
Net Cash Provided by Investing Activities	7,587	-	5,933	13,520
Net Increase (Decrease) in Cash and Cash Equivalents	32,524	-	170,095	202,619
Cash and Cash Equivalents at Beginning of Year	1,051,582		515,782	1,567,364
Cash and Cash Equivalents at End of Year	\$ 1,084,106	-	685,877	1,769,983
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 632	(67,905)	(275,266)	(342,539)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	102,835	67,905	35,475	206,215
Changes in assets, deferred outflows of resources, liabilities				
(Increase) / decrease in accounts receivable			(13,767)	(13,767)
(Increase) / decrease in interfund receivables			658	658
(Increase) / decrease in other receivables	13,800		7,008	20,808
(Increase) / decrease in deferred outflows of resources	(123,368)		(20,711)	(144,079)
Increase / (decrease) in claims payable	25,107		(3,567)	21,540
Increase / (decrease) in accrued interest payable	(1,173)			(1,173)
Increase / (decrease) in compensated absences liability	4,524		1,538	6,062
Increase / (decrease) in unearned revenue			945	945
Increase / (decrease) in other payables			(23,819)	(23,819)
Increase / (decrease) in interfund payables			(558)	(558)
Increase / (decrease) in deferred inflows of resources	107,563		16,516	124,079
Increase / (decrease) in net pension liability	297,485		48,157	345,642
Total Adjustments	426,773	67,905	47,875	542,553
Net Cash Provided (Used) by Operating Activities	\$ 427,405	-	(227,391)	200,014

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

**KEMPER COUNTY, MISSISSIPPI**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2016

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 252,210
Due from other funds	2,319
Total Assets	<u>\$ 254,529</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 76,346
Due to other funds	178,183
Total Liabilities	<u>\$ 254,529</u>

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, 2016

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### (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.

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. Individual Component Unit Disclosures

##### Discretely Presented Component Unit

The component unit's column in the financial statements include the financial data of the following component unit of the County. They are reported in a separate column to emphasize that they are legally separate from the County. A majority of the members of the governing body of this component unit is appointed by the County Board of Supervisors.

- Kemper County Economic Development Authority

Kemper County Economic Development Authority (The Authority) was created and organized pursuant to the statutes of the State of Mississippi, in particular by Senate Bill No. 2030, Regular Session 1984 of the Mississippi Legislature. The powers of the Authority shall be those as specified in the said statutes and any other applicable statutes of the State of Mississippi.

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### C. 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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component unit's for which the primary government is financially accountable.

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



## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

### D. Measurement Focus and Basis of Accounting

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

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:

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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.

Solid Waste Fund - This fund is used to account for the County’s activities of pickup and disposal of solid waste within the County.

Additionally, the County reports the following fund types:

### GOVERNMENTAL FUND TYPES

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

Debt Service Funds - These funds are used to account for and report financial resources 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.

#### E. Account Classifications

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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

Association.

### F. Deposits and Investments

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

### G. Receivables

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

### H. Interfund Transactions and Balances

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

### I. Restricted Assets

Proprietary Fund assets required to be held and used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County’s enterprise fund revenue bonds, as well as certain resources set aside for the repayment, are classified as restricted assets on the Statement of Net Position

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. 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.

### J. 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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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.

### K. 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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

presented as a deferred inflow for the following:

Unearned revenue - property taxes / 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.

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

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

### L. 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.

### M. 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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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.

### N. 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.

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### Fund Financial Statements:

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

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

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

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

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

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



## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### O. Property Tax Revenues

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

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

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

### P. 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.

### Q. Compensated absences

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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

example an employee resigns or retires.

### (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. To correct cash - deposited not received 10/2014.	\$ 144,086
2. Net effect of prior year errors in recording revenues/expenditures	(14,494)
	<u>\$ 129,592</u>
<u>Business-type Activities</u>	
1. To correct cash - deposited not received 10/2014.	\$ 87,449
2. Net effect of prior year errors in recording revenues/expenses	(49,771)
	<u>\$ 37,678</u>

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

<u>Explanation</u>	<u>Amount</u>
To correct cash - deposited not received 10/2014.	\$ <u>144,086</u>

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

<u>Explanation</u>	<u>Amount</u>
1 To correct cash - deposited not received 10/2014.	\$ 87,449
2 Net effect of prior year errors in recording revenues/expenses.	(49,771)
To correct recording in revenues and expenditures.	<u>\$ 37,678</u>

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### (3) Deposits and Investments

#### Deposits:

##### Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$7,988,859 in the governmental funds, \$723,306 in the proprietary funds, and \$252,210 in the fiduciary funds and the bank balance was \$8,912,338. 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. 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). Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

#### Investments:

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, 2016 are as follows:

<u>Investment Type</u>	<u>Matures</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Government Money Market Mutual Fund	Less than one year	\$ <u>1,046,677</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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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.

### (4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2016:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 4,643
General Fund	Agency Fund	178,183
Countywide Road and Bridge Fund	General Fund	16,664
Other Governmental Funds	General Fund	1,366
Solid Waste Fund	General Fund	1,763
Agency Funds	General Fund	2,319
Total		<u>\$ 204,938</u>

The receivables represent the tax revenue collected but not settled until October, 2016 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.

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 21,323
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>\$ 145,083</u>

Advances includes prior period posting errors to wrong fund and administrative costs for use of governmental personnel to bill solid waste. All advances are not expected to be repaid within one year from the date of the financial statements.

### C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Regional Jail Fund	\$ 857,815
Other Governmental Funds	Regional Jail Fund	43,899
Regional Jail-Women's Fund	Regional Jail Fund	230,000
Regional Jail-Women's Fund	Other Governmental Funds	1,927,219
Regional Jail Fund	General Fund	1,225,348
Regional Jail Fund	Other Governmental Funds	763
Total		<u>\$ 4,285,044</u>

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

### (5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2016 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ <u>55,200</u>

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### (6) Loans Receivable

Loan receivable balances at September 30, 2016, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Trans Tech	10-2002	3.00%	03-2010	\$ 207,632
Less: allowance for doubtful accounts*				<u>(207,632)</u>
Total				<u>\$ 0</u>

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

### (7) Restricted Assets

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

	Amount
Revenue fund	\$ 102,733
General account	41,215
Debt service reserve fund	402,282
Depreciation and operating reserve fund	<u>500,447</u>
Total restricted assets	<u>\$ 1,046,677</u>

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### (8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2016:

#### Governmental activities:

	Balance <u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2016</u>
Non-depreciable capital assets:				
Land	\$ 1,322,961			1,322,961
Total non-depreciable capital assets	<u>1,322,961</u>	<u>0</u>	<u>0</u>	<u>1,322,961</u>
Depreciable capital assets:				
Infrastructure	4,665,266			4,665,266
Buildings	4,017,238			4,017,238
Mobile equipment	4,226,368	159,590	1,426,808	5,812,766
Furniture and equipment	202,662			202,662
Leased property under capital leases	2,299,512		(1,426,808)	872,704
Total depreciable capital assets	<u>15,411,046</u>	<u>159,590</u>	<u>0</u>	<u>15,570,636</u>
Less accumulated depreciation for:				
Infrastructure	1,038,475	123,055		1,161,530
Buildings	1,456,880	69,565		1,526,445
Mobile equipment	3,136,372	299,541	344,908	3,780,821
Furniture and equipment	145,137	12,272		157,409
Leased property under capital leases	737,624	78,543	(344,908)	471,259
Total accumulated depreciation	<u>6,514,488</u>	<u>582,976</u>	<u>0</u>	<u>7,097,464</u>
Total depreciable capital assets, net	<u>8,896,558</u>	<u>(423,386)</u>	<u>0</u>	<u>8,473,172</u>
Governmental activities capital assets, net	<u>\$ 10,219,519</u>	<u>(423,386)</u>	<u>0</u>	<u>9,796,133</u>

Adjustments were made to correctly present capital assets.

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

### Business-Type Activities:

The following is a summary of business-type activities' capital assets activity for the year ended September 30, 2016:

	Balance			Balance
	<u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Sept. 30, 2016</u>
Depreciable capital assets:				
Buildings	\$ 8,536,964			8,536,964
Mobile equipment	316,663	136,636	114,540	567,839
Furniture and equipment	73,050			73,050
Leased property under capital leases	254,540		(114,540)	140,000
	<u>9,181,217</u>	<u>136,636</u>	<u>0</u>	<u>9,317,853</u>
Less accumulated depreciation for:				
Buildings	1,400,844	170,739		1,571,583
Mobile equipment	256,516	22,876	25,772	305,164
Furniture and equipment	65,745			65,745
Leased property under capital leases	43,622	12,600	(25,772)	30,450
	<u>1,766,727</u>	<u>206,215</u>	<u>0</u>	<u>1,972,942</u>
Total depreciable capital assets, net	<u>7,414,490</u>	<u>(69,579)</u>	<u>0</u>	<u>7,344,911</u>
Total business-type activities capital assets, net	<u>\$ 7,414,490</u>	<u>(69,579)</u>	<u>0</u>	<u>7,344,911</u>

Adjustments were made to correctly present capital assets.



## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 3,920
Public safety	129,960
Public works	394,524
Health and welfare	9,958
Culture and recreation	3,479
Economic development	41,135
Total governmental activities	<u>582,976</u>
Business-Type Activities:	
Regional Jail	102,835
Regional Women's Jail	67,905
Solid Waste	<u>35,475</u>
Total business-type activities	<u>\$ 206,215</u>

### (9) Claims and Judgments

#### Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2016 to January 1, 2017. 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, 2016:

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 872,704	140,000
Less: Accumulated depreciation	<u>(471,259)</u>	<u>(30,450)</u>
Lease Property Under Capital Leases	<u>\$ 401,445</u>	<u>109,550</u>

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30,	Business-type activities	
	Principal	Interest
2017	\$ 36,042	1,350
2018	<u>21,575</u>	<u>236</u>
Total	<u>\$ 57,617</u>	<u>1,586</u>

### (11) Long-Term Debt

Debt outstanding as of September 30, 2016, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
G.O. Road and Bridge Bonds	\$ 1,840,000	2.60-3.70%	05/2032
G.O. Refunding Bonds	2,645,000	0.75-2.75%	11/2025
Total General Obligation Bonds	<u>\$ 4,485,000</u>		
B. Other Loans:			
Taxable Negotiable Note	\$ 1,232,544	2.10%	04/2020
CDBG - Trans Tech	207,632	3.00%	03/2010*
Promisory Note - Human Services Building	<u>950,000</u>	3.56%	09/2030
Total Other Loans	<u>\$ 2,390,176</u>		

## Kemper County, Mississippi

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Business-Type Activities:

##### A. Limited obligation Bonds:

Urban Renewal Revenue - Refinance	\$	<u>1,265,000</u>	2.50-4.00%	09/2019
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##### B. Capital Leases:

Locking control and intercom system	\$	<u>57,617</u>	3.28%	04/2018
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\*See Note (6)

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 \$1,361,250. Principal and interest paid for the current year and total inmate housing net revenues were \$494,301 and \$3,404,073, respectively.

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

Year Ending	Governmental Activities			
	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
September 30,				
2017	\$ 110,000	114,501	561,230	59,703
2018	405,000	108,119	359,868	51,475
2019	410,000	99,815	366,271	43,115
2020	425,000	88,480	377,807	34,620
2021	430,000	77,635	60,000	25,810
2022 - 2026	1,820,000	237,360	345,000	94,696
2027 - 2031	730,000	91,340	320,000	29,014
2032	155,000	4,960		
Total	<u>\$ 4,485,000</u>	<u>822,210</u>	<u>2,390,176</u>	<u>338,433</u>

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

Year Ending September 30,	Business-type activities	
	Limited Obligation Bonds	
	Principal	Interest
2017	\$ 450,000	49,250
2018	455,000	32,600
2019	360,000	14,400
Total	\$ <u>1,265,000</u>	<u>96,250</u>

### Legal Debt Margin

The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased 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, 2016, the amount of outstanding debt was equal to 2.35% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

Advance Refunding - On April 7, 2016, the County issued \$2,645,000 in general obligation refunding bonds with an average interest rate of 0.75 to 2.50% to advance refund \$2,580,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
General Obligation Building Bonds, Series 2005	4.50% - 5.00%	\$ 685,000
General Obligation Women's Regional Jail Bonds, Series 2008	3.50% - 4.25%	1,895,000
Total		\$ <u>2,580,000</u>

The General Obligation Building Bonds, Series 2005, had an outstanding balance of \$685,000 at the time of refunding. The General Obligation Women's Regional Jail Bonds, Series 2008, had an outstanding balance of \$1,895,000 with a call date of June 1, 2016 at the time of refunding. The net proceeds of \$2,624,552 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result,

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The refunding of both of these obligations reduced total debt service payments over the next nine years by \$150,610 and resulted in an economic gain of \$153,593 (difference between the present values of the debt service payments of the old and new debt).

	Balance			Adjustments/	Balance	Amount
	Oct. 1, 2015	Additions	Reduction	Refunding	Sept. 30, 2016	due in
<u>Governmental Activities:</u>						
General obligation bonds	\$ 2,688,520		163,520	1,960,000	4,485,000	110,000
Capital leases	185,323		185,323		0	
Other loans	1,732,632	1,000,000	342,456		2,390,176	561,230
Compensated absences	76,599	5,646			82,245	
Total	\$ <u>4,683,074</u>	<u>1,005,646</u>	<u>691,299</u>	<u>1,960,000</u>	<u>6,957,421</u>	<u>671,230</u>

	Balance				Balance	Amount
	Oct. 1, 2015	Additions	Reductions	Adjustments	Sept. 30, 2016	due in
<u>Business-type Activities:</u>						
General obligation bonds	\$ 2,125,000		230,000	(1,895,000)	0	
Limited obligation bonds	1,695,000		430,000		1,265,000	450,000
Capital leases	92,499		34,882		57,617	36,042
Compensated absences	50,653	6,062			56,715	
Total	\$ <u>3,963,152</u>	<u>6,062</u>	<u>694,882</u>	<u>(1,895,000)</u>	<u>1,379,332</u>	<u>486,042</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.

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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 services 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 \$38,334 in fiscal year 2016. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

### (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 2016.

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 \$569,436 for financial support in fiscal year 2016.

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 2016.

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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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 \$40,000 for financial support in fiscal year 2016.

### (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.

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

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, 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, 2016 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, 2016, 2015 and 2014 were \$637,855, \$648,208 and \$645,622, 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, 2016, the County reported a liability of \$11,453,612 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 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. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.064121 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.003759 percent from its proportion share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County governmental activities and business-type activities recognized pension expense of \$979,829 and \$585,775, respectively. At September 30, 2016, the County's governmental activities and business-type activities reported deferred outflows of resources related to pensions from the following sources:



## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

<b>Governmental Activities:</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,212	
Net difference between projected and actual earnings on pension plan investments	508,764	
Change of assumptions		19,048
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	644,319	188,499
County contributions subsequent to the measurement date	93,753	
Total	\$ 1,353,048	207,547
<b>Business-Type Activities:</b>		
Differences between expected and actual experience	\$ 82,736	
Net difference between projected and actual earnings on pension plan investments	396,311	
Change of assumptions		11,388
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	501,906	112,691
County contributions subsequent to the measurement date	73,030	
Total	\$ 1,053,983	124,079

Deferred outflows of resources reported in the governmental activities, in the amount of \$93,753, and the business-type activities, in the amount of \$73,030, are related to 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## Kemper County, Mississippi

### Notes to the Financial Statements For the Year Ended September 30, 2016

Year ending June 30:		
2017	\$	722,763
2018		609,921
2019		349,670
2020		226,268
Total	\$	<u>1,908,622</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 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, 2016 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, 2016, are summarized in the following table:

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

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	\$ 14,686,098	\$ 11,453,612	\$ 8,771,696

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, 2016

### (16) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$552,665) 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 \$93,753 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, 2017. The \$1,259,295 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of (\$552,665) includes the effect of recognition of deferring the recognition of revenue resulting from property taxes receivable. The \$13,398,071 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The governmental activities' unrestricted net position amount of (\$552,665) includes the effect deferred inflows of resources related to pensions. The \$207,547 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The business-type activities' unrestricted net position amount of (\$2,891,936) 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 \$73,030 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, 2017. The \$980,953 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years.

The business-type activities' unrestricted net position amount of (\$2,891,936) includes the effect of recognition of deferring the recognition of unearned revenues property taxes. The \$585,750 balance of deferred inflows of resources at September 30, 2016, 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 (\$2,891,936) includes the effect of recognition of deferring the recognition of unearned revenues garbage fees. The \$17,019 balance of deferred inflows of resources at September 30, 2016, 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 (\$2,891,936) includes the effect of deferred inflows of resources related to pensions. The \$124,079 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and

## Kemper County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2016

will increase the unrestricted net position over the next 3 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. 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
03/01/2017	2.00%	\$ 510,365	CAP Loan	Ad valorem taxes
03/19/2018	3.00%	500,000	Emilia industrial development	Charges for services

**Component Unit**  
**Kemper County Economic Development Authority**

Notes to the Financial Statements  
For the Year Ended September 30, 2016

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Kemper County Economic Development Authority (The Authority) was created and organized pursuant to the statutes of the State of Mississippi, in particular by Senate Bill No. 2030, Regular Session 1984 of the Mississippi Legislature. The powers of the Authority shall be those as specified in the said statutes and any other applicable statutes of the State of Mississippi.

The mission of the Authority is engaging primarily in industrial and business recruiting. The Authority also houses a small business incubator. The small business incubator was established to attract start-up businesses to Kemper County by the way of providing a physical facility, which provides office space, warehousing and manufacturing space, loading docks, kitchen and restroom facilities, and meeting rooms. The Authority assists tenants in developing business plans, securing financing, business counseling, and management advising. The Authority recoups the costs by charging reasonable lease rates and fees. The Authority also provides assistance to county and town officials in obtaining grants and related technical assistance. The Authority also partners with local businesses to assist students at Kemper County High School plan and prepare for college and awards area students for excellence in education. The Authority promotes various programs throughout the year that enable students to visit area colleges and obtain information relative to entrance applications, financial assistance, and career choices. Also, the Authority recently assumed the leadership of a local development program where various classes are offered to the public to provide information in areas such as local government, economic development, and health in order to build leadership skills within the community.

The Authority is composed of nine citizens of Kemper County. One citizen is appointed by the Board of Supervisors from each supervisor's district (five districts), and the Mayor and Aldermen of the Town of DeKalb and the Town of Scooba each appoint two members. The governing board has entered into a contract with an executive director to oversee the day-to-day operations of the Authority and to help bring economic development to Kemper County, Mississippi. The Authority is located in DeKalb, Mississippi.

For financial reporting purposes, management has determined that the Authority is a component unit of Kemper County, Mississippi in accordance with the requirements of GASB 14 and GASB 61.

**B. BASIS OF PRESENTATION**

The Authority's basic financial statement consists of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**B. BASIS OF PRESENTATION - CONTINUED**

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the Authority as a whole. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. The statement of activities presents a comparison between direct expenses and program revenues for the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues consist of lease payments received from the businesses that occupy the business incubator. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

Fund financial statements of the Authority 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.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

In the Government-wide Statement of Net Position and Statement of Activities, governmental activities 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist of lease payments received from the businesses that occupy the business incubator.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current fiscal period or within sixty days after year-end. State awards associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.



**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - CONTINUED**

The Authority reports the following major governmental fund:

GENERAL FUND – This is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The following describes the nonmajor funds of the Authority, which for the purpose of the fund financial statements are combined with the general fund.

1. PACES FUND

The PACES Fund was established during the year ended June 30, 2010 by a \$10,000 award from The Mississippi Higher Education Initiative (MS-HEI). The purpose of the initial award was to assist the Authority in the area of sponsoring education attainment programs for students that attend Kemper County High School. Since the inception of this program the Authority has partnered with local businesses in the Kemper County Area to sponsor education awareness programs and events for Kemper County High School students. These funds are deemed restricted in use to be directed by the Board of Directors of the PACES fund.

2. LEADERSHIP KEMPER

The Leadership Kemper Fund was recently established with the goal of informing the public about various issues and building up leaders in Kemper County. Leadership Kemper is an eight-month program where citizens, whether they live or work in Kemper County, attend monthly classes to learn about areas such as local government, law enforcement, economic development, quality of life issues and health issues. Donations are made to the Authority to help fund this program as it deems necessary.

3. BUG PLUS FUND

The “BUG Plus” program (Bringing Up Grades Plus Good Behavior, Courtesy and Regular School Attendance) was initially established by the Authority to assist in instilling values in young students in the Kemper County School System. Third graders were selected as the target audience. The Authority provided two teacher selected students with award incentives, t-shirts, and other prizes every nine weeks for reaching goals prescribed with the BUG Plus Program. This program has been inactive for several years and the Authority moved the remaining balance into the PACES fund during the year ended September 30, 2016.

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. CASH AND OTHER DEPOSITS**

The Authority deposits excess funds in the financial institution selected by the Board of Directors in accordance with state statutes.

Cash and cash equivalents include cash on hand, demand deposits, all certificates of deposit and cash equivalents with maturities of six months or less. Cash and cash equivalents are valued at cost.

**E. CAPITAL ASSETS**

Capital assets are reported at historical cost. Contributed assets are reported at estimated fair value at the time received. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Equipment and furnishings	5-7
Buildings	39

**F. EQUITY CLASSIFICATIONS**

*Government-wide Financial Statements:*

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

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or borrowing that are attributable to the acquisition, constructions, or improvement of those assets.
2. Restricted- net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or by grantors, and by other contributors.
3. Unrestricted – consists of all other net assets that do not meet the definition of the above two components and are available for general use by the Authority.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, management applies unrestricted net assets first, unless a determination is made to use restricted net assets. The Authority's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. EQUITY CLASSIFICATIONS - CONTINUED**

*Fund Financial Statements:*

In the governmental fund financial statements, fund balances are classified as follows:

1. Nondisposable – Amounts that cannot be spent either because they are in a nondisposable form or because they are legally or contractually required to be maintained intact.
2. Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
3. Committed – Amounts that can be used only for specific purposes determined by a formal action or resolution.
4. Assigned – Amounts that are designated by the Board of Directors for a particular purpose but are not spendable until there is a majority vote approval.
5. Unassigned – All amounts not included in other spendable classifications.

**G. BUDGETING**

The Authority prepares an annual budget which is approved by the Board of Directors. Budgetary and actual expenditures are compared on a continuous basis. Amendments to the budget can be made upon the approval of the Board of Directors. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

**H. COMPENSATED ABSENCES**

The Authority has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Generally accepted accounting principles require accrual of accumulated unpaid employee benefits in Governmental Funds to the extent that they are to be paid with current assets. At September 30, 2016, the Authority has accrued \$8,361 in compensated absences.

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Authority deposits excess funds in financial institutions selected in accordance with state statutes.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972).

Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 3 – CAPITAL ASSETS**

Capital assets include property, plant, equipment and infrastructure. Purchased or constructed assets are recorded at costs. Donated capital assets are recorded at their estimated fair value when received.

<u>Governmental activities:</u>	<u>Beginning Balances as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Buildings	\$1,126,994	\$ 17,597	\$ -0-	\$ 1,144,591
Furniture, fixtures, and equipment	319,812	-0-	(16,581)	303,231
Less accumulated depreciation for:				
Buildings	(589,828)	(29,085)	-0-	(618,913)
Furniture, fixtures, and equipment	<u>(307,610)</u>	<u>(2,898)</u>	<u>16,581</u>	<u>(293,927)</u>
Total capital assets being depreciated, net	549,368	(14,386)	-0-	534,982
Land	<u>35,410</u>	<u>-0-</u>	<u>-0-</u>	<u>35,410</u>
Total fixed assets	<u>\$ 584,778</u>	<u>\$ (14,386)</u>	<u>\$ -0-</u>	<u>\$ 570,392</u>

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 4 – LONG-TERM DEBT**

At September 30, 2016, the Authority had a note payable amounting to \$369 with the Tennessee Valley Authority. The loan was for air conditioners placed in a building for a former tenant. The note is payable in monthly installments of \$386 through October 2016. The note bears an interest rate of 3.00% and is secured by a letter of credit from a local financial institution.

During the year ended September 30, 2014, the Kemper County Board of Supervisors began reimbursing the Authority the note payment of \$386 each month. The Authority received a total of \$4,635 during the year ended September 30, 2016, which is reflected in general revenues on the Statement of Activities. It is the understanding of the Authority, per a verbal agreement with the Kemper County Board of Supervisors, the \$386 monthly reimbursement will continue until the loan reaches maturity. Subsequently the loan matured on October 15, 2016 and was paid in full.

Long-term liability activity for the year ended September 30, 2016 is as follows:

	<u>Balance at October 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at September 30, 2016</u>
Equipment notes	\$ 4,919	\$ -0-	\$ (4,550)	\$ 369
Total	<u>\$ 4,919</u>	<u>\$ -0-</u>	<u>\$ (4,550)</u>	<u>\$ 369</u>
Total debt				\$ 369
Less current portion				<u>(369)</u>
Total long-term debt				<u>\$ -0-</u>

**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
For the year ended September 30, 2016

**NOTE 5 – LEASE REVENUES**

The Authority leases warehouse and manufacturing space in the business incubator under operating leases expiring in various years through 2022. Tenants have the option to renew their respective leases at the end of each lease term.

Minimum future rental payments under non-cancelable operating leases as of September 30, 2016, for each of the next five years and in the aggregate are:

Year Ended	Amount
2017	\$ 25,087
2018	22,950
2019	26,250
2020	26,550
2021 and thereafter	<u>31,238</u>
Total minimum future rental payments	\$ <u>132,075</u>

**NOTE 6 – PRIOR PERIOD FUND RECLASSIFICATION**

A prior period fund reclassification has been made between the unrestricted and restricted funds at the beginning of the year. In the prior year \$2,230 of PACES Fund cash was reported as unrestricted when it should have been reported as restricted funds. The effect was to decrease the unrestricted fund balance by \$2,230 and increase the restricted fund balance by \$2,230. The reclassification has no effect on the overall net position of the Authority.

**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

Net Position, Investment in capital assets, net of related debt has been restated to correct a prior period error. In 1988 the Authority, along with Kemper County, entered into an agreement with a company to lease land held by the Authority. As part of the lease, a bargain purchase option of \$100 was offered to the company once the terms of the lease and bond obligations associated with the leased land were satisfied. The Authority assigned control over the lease and the related lease income to Kemper County. In February 2014, all provisions of the lease and bond obligations associated with the land were satisfied and the company exercised the bargain purchase option. In fiscal year ended September 30, 2014 the Authority deeded the land to the company, but did not record the related transfer on the financial statements, resulting in an overstatement of fixed assets and net position, investment in capital assets, net of related debt of \$141,883. The Authority corrected the error through a prior period adjustment which resulted in a decrease in both fixed assets, net and net position, investment in capital assets, net of related debt.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 28, 2016, the date on which financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



**Kemper County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended Spetember 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 5,884,081	\$ 8,697,374	\$ 5,819,371	(2,878,003)
Licenses, commisions and other revenue	71,868	63,868	87,086	23,218
Fines and forfeitures	125,000	140,500	163,013	22,513
Intergovernmental revenues	433,050	777,466	760,217	(17,249)
Interest income	5,000	30,000	38,395	8,395
Miscellaneous revenues	177,454	196,154	219	(195,935)
Total revenues	<u>6,696,453</u>	<u>9,905,362</u>	<u>6,868,301</u>	<u>(3,037,061)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,031,187	7,816,188	4,141,955	3,674,233
Public Safety	1,491,623	1,490,745	1,496,664	(5,919)
Health & Welfare	276,798	287,778	262,494	25,284
Culture and recreation	169,334	168,334	70,090	98,244
Conservation of Natural Resources	94,316	100,189	91,009	9,180
Economic Development and assistance	206,851	236,851	202,151	34,700
Total Expenditures	<u>7,270,109</u>	<u>10,100,085</u>	<u>6,264,363</u>	<u>3,835,722</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(573,656)</u>	<u>(194,723)</u>	<u>603,938</u>	<u>798,661</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt	-	-	1,000,000	1,000,000
Transfers in	573,656	179,723	1,110,686	930,963
Transfers out	-	-	(1,417,898)	(1,417,898)
Total Other Financing Sources (Uses)	<u>573,656</u>	<u>179,723</u>	<u>692,788</u>	<u>513,065</u>
Net Change in Fund Balances	<u>-</u>	<u>(15,000)</u>	<u>1,296,726</u>	<u>1,311,726</u>
Fund Balances - Beginning	<u>53,129</u>	<u>(479,122)</u>	<u>2,083,067</u>	<u>2,562,189</u>
Fund Balances - Ending	<u>\$ 53,129</u>	<u>\$ (494,122)</u>	<u>\$ 3,379,793</u>	<u>\$ 3,873,915</u>

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, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,560,650	\$ 5,000,877	\$ 4,688,027	\$ (312,850)
Road and bridge privilege taxes	87,000	95,000	108,580	13,580
Intergovernmental revenues	468,000	465,000	513,100	48,100
Interest income	1,000	3,009	2,509	(500)
Miscellaneous revenues	30,000	30,000	15,023	(14,977)
Total Revenues	<u>5,146,650</u>	<u>5,593,886</u>	<u>5,327,239</u>	<u>(266,647)</u>
<b>EXPENDITURES</b>				
Public works	5,498,406	5,593,886	4,475,557	1,118,329
Total Expenditures	<u>5,498,406</u>	<u>5,593,886</u>	<u>4,475,557</u>	<u>1,118,329</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(351,756)</u>	<u>-</u>	<u>851,682</u>	<u>851,682</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	351,756	-	-	-
Total Other Financing Sources (Uses)	<u>351,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>851,682</u>	<u>851,682</u>
Fund Balances - Beginning	659,873	659,873	1,376,049	716,176
Fund Balances - Ending	<u>\$ 659,873</u>	<u>\$ 659,873</u>	<u>\$ 2,227,731</u>	<u>\$ 1,567,858</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\*

	<u>2016</u>	<u>2015</u>
County's proportionate share of the net pension liability (asset) \$	11,453,612	10,492,910
County's proportion of the net pension liability (assets)	0.064121%	0.067880%
County's covered - employee payroll	4,039,708	4,172,502
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	283.53%	251.48%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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\*

	2016	2015
Contractually required contribution	\$ 637,855	648,208
Contributions in relation to the contractually required contribution	637,855	648,208
Contribution deficiency (excess)	\$ -	-
County's covered - employee payroll	4,039,708	4,115,606
Contributions as a percentage of covered - employee payroll	15.75%	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, 2016

### 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 - 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, 2016

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)	\$ 1,296,726	851,682
Increase (Decrease)		
Net adjustments for revenue accruals	497,146	202,101
Net adjustments for expenditure accruals	(214,361)	16,852
GAAP Basis	<u>\$ 1,579,511</u>	<u>1,070,635</u>

### Pension Schedules

#### A. Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

#### 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-2015 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.

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION  
Kemper County Economic Development Authority

KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -  
 ACTUAL COMPARED TO BUDGETARY BASIS - GENERAL FUND  
 For the year ended September 30, 2016

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUE:			
Kemper County	\$ 184,564	\$ 167,635	\$ 16,929
Town of DeKalb	-	3,000	(3,000)
Rent	41,000	38,431	2,569
Interest	301	200	101
Donations	52,184	33,000	19,184
TOTAL REVENUES	<u>278,049</u>	<u>242,266</u>	<u>35,783</u>
EXPENDITURES:			
Advertising	547	1,000	453
Dues & subscriptions	685	1,000	315
Insurance	10,285	10,700	415
Legal and professional services	7,315	16,000	8,685
Miscellaneous	5,227	22,671	17,444
Educational awareness and promotion	18,617	10,000	(8,617)
Office supplies	1,645	3,000	1,355
Postage	398	600	202
Repairs and maintenance	17,736	19,400	1,664
Salaries, wages, and benefits	106,939	121,200	14,261
Support - local Chamber of Commerce	-	3,000	3,000
Taxes	8,015	-	(8,015)
Telephone	7,539	5,460	(2,079)
Travel and related	6,228	8,000	1,772
Utilities	23,589	16,000	(7,589)
Debt service - principal	4,550	4,635	85
Debt service - interest	85	-	(85)
Capital expenditures	17,597	-	(17,597)
TOTAL EXPENDITURES	<u>236,997</u>	<u>242,666</u>	<u>5,669</u>
Excess/(deficit) public support and revenue over expenses	41,052	(400)	41,452
FUND BALANCE, beginning of year	<u>171,894</u>	-	<u>171,894</u>
FUND BALANCE, end of year	<u>\$ 212,946</u>	<u>\$ (400)</u>	<u>\$ 213,346</u>



**KEMPER COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the year ended September 30, 2016

**BUDGETARY COMPARISON SCHEDULE**

**1 – BASIS OF PRESENTATION**

The Budgetary Comparison Schedule presents the originally board adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variance between the original budget and the final budget, and variances between the final budget and the actual data. For the year ended September 30, 2016 there were no revisions between the original budget and the final budget.

## OTHER INFORMATION

**Kemper County, Mississippi**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
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
Justin Creer	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
Yolanda Cook	County Administrator	Western Surety	100,000
Polly Medcalf	Comptroller	Western Surety	75,000
Sherline Watkins	Chancery Clerk	Western Surety	100,000
Polly Medcalf	Deputy Clerk	Western Surety	50,000
Linda Sue Edwards	Deputy Clerk	Western Surety	50,000
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
Shekelia McClendon	Assistant Receiving Clerk	Western Surety	50,000
Totsett Hearn	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
Randy Thornton	Constable	Western Surety	50,000
Tracey Murray	Circuit Clerk	Western Surety	100,000
Totsett Hearn	Deputy Clerk	Western Surety	50,000
Linda Sue Edwards	Deputy Clerk	Western Surety	50,000
James Moore, Sr	Sheriff	Western Surety	100,000
John D. Haggard	Deputy Sheriff	Western Surety	50,000
Robert Joyner	Deputy Sheriff	Western Surety	50,000
Arnold Jenkins	Deputy Sheriff	Western Surety	50,000
Kenny L. Rush	Deputy Sheriff	Western Surety	50,000
Eric Scott	Deputy Sheriff	Western Surety	50,000
Bryon Walker	Deputy Sheriff	Western Surety	50,000
Michael Mattox	Deputy Sheriff	Western Surety	50,000
Tracee Moore	Deputy Sheriff	Western Surety	50,000
Allen Griffin	Deputy Sheriff	Western Surety	50,000
Charles Hazelwood	Deputy Sheriff	Western Surety	50,000
Patrick Shearry	Deputy Sheriff	Western Surety	50,000
Toby Pinson	Deputy Sheriff	Western Surety	50,000
Jeffrey Jowers	Deputy Sheriff	Western Surety	50,000
Charles Ward	Deputy Sheriff	Western Surety	50,000
Gregory Campbell	Deputy Sheriff	Western Surety	50,000
Melissa Ann White	Deputy Sheriff	Western Surety	50,000
Timothy Hardy	Deputy Sheriff	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 Dawkins	Justice Court Clerk	Western Surety	50,000
Amber Holliday	Deputy Clerk	Western Surety	50,000
Cheryl Keeton	Deputy Clerk	Western Surety	50,000
Joycelyn Robertson	Tax Collector/Assessor	Western Surety	100,000
Judy 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
Jennifer Lewis	A/P Clerk	Western Surety	50,000
Polly Medcalf	Comptroller	Western Surety	75,000
Robin Fulton	Sheriff Administrative Assistant	Western Surety	50,000
Rashenia Wren	Booking Manager - Prison	Western Surety	50,000
Tommy Luke	Project Manager	Western Surety	50,000
Willie Grant	Mail Clerk	Western Surety	50,000
Terry E. Bostick	Coroner	Western Surety	10,000

## 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 7, 2020. 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.

**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, 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 2016-001, and 2016-002 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*.

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 May 7, 2020, 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  
May 7, 2020

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, 2016. 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:

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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 five 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:

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:

Kemper County Inventory clerk is currently working on updating the County's inventory records to compile with the state law requirements.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Kemper County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.



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  
May 7, 2020

Certified Public Accountants

**Kemper County, Mississippi**  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2016

**Schedule 1**

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, 2016

**Schedule 2**

Our results did not identify any emergency purchases.

**Kemper County, Mississippi**

**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Kemper County, Mississippi

In planning and performing our audit of the financial statements of Kemper County, Mississippi for the year ended September 30, 2016, 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 May 7, 2020, 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:

Chancery Clerk.

1. 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 four 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.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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 comply.

Circuit Clerk.

2. Unauthorized Fees Being Collected Should Cease.

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 three 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:

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:

I Shirley Steele Jackson (Kemper County Circuit Clerk) was not circuit clerk and not in office at this time. My term began January 2, 2020.

Justice Court Clerk.

3. 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 four 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:

Tami Harbour was the Justice Court Clerk until September 2016 and I cannot answer for that time.

After September 2016 response:

Controls Over Cash Collections should be strengthened.

Response: There are only 2 people in Justice Court, the Clerk and the Deputy Clerk.

The Deputy Clerk receipts any money for people that come to the counter, receipts Traffic/Criminal mail in payments and is the backup for Civil.

The Clerk receipts Civil cases and is the backup for people coming to the counter and Traffic/Criminal.

End of day Close Out Report and deposit slips are done on a daily basis by the Clerk. The Deputy Clerk takes the deposit to the bank.

The Clerk and Deputy Clerk have Cash Drawers, and have always had Cash Drawers.

With only 2 people in the office is hard to segregate cash collections in any other way. We Close Out and Balance at the End of Each Day.

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  
May 7, 2020

Certified Public Accountants



## SCHEDULE OF FINDINGS AND RESPONSES

## Kemper County, Mississippi

### Schedule of Findings and Responses For the Year Ended September 30, 2016

#### 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	Unmodified
d. General Fund	Unmodified
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 2016-001**

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 five 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 Kemper County Board of Supervisors accepts the recommendation that the County should establish adequate control procedures to document the existence, completeness, and valuation of capital assets and the Board will have adequate control procedures to ensure that complete capital assets subsidiary records are properly maintains by fiscal year 2019.

**Finding 2016-002**

Tax Collector records noted unidentified funds.

Tax Collector

**Material Weaknesses**

Criteria:

An effective system of internal control over tax collections includes identification of cash settlements made monthly. The Tax Collector shall maintain a cash journal detailing collections and settlements as they occur.

Condition:

Collections totaling \$119,446.25 are unidentified. Settlement of these funds cannot be accurately determined as to party/parties.

Cause:

Timeliness of posting cash journal records allows for posting errors.

Effect:

Settlement of funds may be to parties other than intended due to inaccurate record keeping.

Recommendation:

Daily recording of collections and settlements need posting as events occur. Proper and consistent transaction posting allows for accurate settlement of collections.

Response:

I acknowledge the finding, it was resolved by clearing itself in December 2016. There was an ongoing issue between the County and school system. Due to orders and changes in the orders there was an overpayment made. Once the problem was brought to our attention, it was quickly resolved. The County issued the checks back in the full amount and it was properly settled.