



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

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**KEMPER COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2004**



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race, religion, national origin, sex, age or disability*



KEMPER COUNTY

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KEMPER COUNTY

FINANCIAL SECTION

KEMPER COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Kemper County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Kemper County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Kemper County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Kemper County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

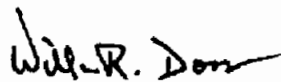
In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005, on our consideration of Kemper County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 7, 2005  
[Except for Note 15 to which the date is May 31, 2006]

KEMPER COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

KEMPER COUNTY  
Statement of Net Assets  
September 30, 2004

Exhibit 1

|  | Primary Government         |                             | Total             |
|--|----------------------------|-----------------------------|-------------------|
|  | Governmental<br>Activities | Business-type<br>Activities |                   |
| <b>ASSETS</b>  |                            |                             |                   |
| Cash and investments   | \$ 2,387,499               | 2,055,750                   | 4,443,249         |
| Property tax receivable  | 3,400,439                  |                             | 3,400,439         |
| Accounts receivable (net of allowance for uncollectibles of \$331,731) |                            | 57,587                      | 57,587            |
| Fines receivable (net of allowance for uncollectibles of \$286,236)    | 135,125                    |                             | 135,125           |
| Loans receivable   | 790,549                    |                             | 790,549           |
| Intergovernmental receivables  | 58,493                     | 3,664                       | 62,157            |
| Other receivables  | 8,073                      |                             | 8,073             |
| Internal balances  | 11,671                     | (11,671)                    |                   |
| Capital assets, net  | 5,714,575                  | 5,199,508                   | 10,914,083        |
| <b>Total Assets</b>  | <b>12,506,424</b>          | <b>7,304,838</b>            | <b>19,811,262</b> |
| <b>LIABILITIES</b>   |                            |                             |                   |
| Claims payable   | 262,046                    | 58,737                      | 320,783           |
| Intergovernmental payables   | 39,927                     |                             | 39,927            |
| Deferred revenue   | 3,400,439                  |                             | 3,400,439         |
| Other payables   | 81,452                     |                             | 81,452            |
| Long-term liabilities  |                            |                             |                   |
| Due within one year:   |                            |                             |                   |
| Capital debt   | 265,002                    | 250,963                     | 515,965           |
| Non-capital debt   | 15,000                     |                             | 15,000            |
| Due in more than one year:   |                            |                             |                   |
| Capital debt   | 831,305                    | 4,954,054                   | 5,785,359         |
| Non-capital debt   | 75,309                     | 17,442                      | 92,751            |
| <b>Total Liabilities</b>   | <b>4,970,480</b>           | <b>5,281,196</b>            | <b>10,251,676</b> |
| <b>NET ASSETS</b>  |                            |                             |                   |
| Invested in capital assets, net of related debt                        | 4,618,268                  | (5,509)                     | 4,612,759         |
| Restricted:  |                            |                             |                   |
| Expendable:  |                            |                             |                   |
| General government   | 25,973                     |                             | 25,973            |
| Debt service   | 4,349                      |                             | 4,349             |
| Public safety  | 226,318                    | 1,930,090                   | 2,156,408         |
| Public works   | 711,337                    | 99,061                      | 810,398           |
| Economic development   | 791,613                    |                             | 791,613           |
| Unrestricted   | 1,158,086                  |                             | 1,158,086         |
| <b>Total Net Assets</b>  | <b>\$ 7,535,944</b>        | <b>2,023,642</b>            | <b>9,559,586</b>  |

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

KEMPER COUNTY  
Statement of Activities  
For the Year Ended September 30, 2004

Exhibit 2

| Functions/Programs   | Program Revenues    |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                    |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
|  | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          | Total              |
|  |                     |                      |                                    |                                  | Governmental Activities                         | Business-type Activities |                    |
| Primary government:  |                     |                      |                                    |                                  |   |                          |                    |
| Governmental activities:                                     |                     |                      |                                    |                                  |   |                          |                    |
| General government   | \$ 1,322,906        | 218,604              | 7,088                              |                                  | (1,097,214)                                     |                          | (1,097,214)        |
| Public safety  | 989,019             | 119,544              | 90,391                             | 32,996                           | (746,088)                                       |                          | (746,088)          |
| Public works   | 2,024,205           |                      | 598,498                            | 2,317,835                        | 892,128   |                          | 892,128            |
| Health and welfare   | 156,126             |                      | 15,994                             |                                  | (140,132)                                       |                          | (140,132)          |
| Culture and recreation                                       | 42,179              |                      |                                    |                                  | (42,179)  |                          | (42,179)           |
| Conservation of natural resources                            | 83,979              |                      |                                    |                                  | (83,979)  |                          | (83,979)           |
| Economic development and assistance                          | 207,281             |                      | 30,000                             |                                  | (177,281)                                       |                          | (177,281)          |
| Interest on long-term debt                                   | 49,789              |                      |                                    |                                  | (49,789)  |                          | (49,789)           |
| Total Governmental Activities                                | <u>4,875,484</u>    | <u>338,148</u>       | <u>741,971</u>                     | <u>2,350,831</u>                 | <u>(1,444,534)</u>                              | <u>0</u>                 | <u>(1,444,534)</u> |
| Business-type activities:                                    |                     |                      |                                    |                                  |   |                          |                    |
| Regional jail  | 2,123,309           | 2,726,784            | 43,559                             |                                  |   | 647,034                  | 649,846            |
| Solid waste  | 475,733             | 248,838              |                                    |                                  |   | (226,895)                | (212,377)          |
| Total Business-type Activities                               | <u>2,599,042</u>    | <u>2,975,622</u>     | <u>43,559</u>                      | <u>0</u>                         | <u>0</u>  | <u>420,139</u>           | <u>437,469</u>     |
| Total Primary Government                                     | <u>\$ 7,474,526</u> | <u>3,313,770</u>     | <u>785,530</u>                     | <u>2,350,831</u>                 | <u>(1,444,534)</u>                              | <u>420,139</u>           | <u>(1,007,065)</u> |
| General revenues:  |                     |                      |                                    |                                  |   |                          |                    |
| Property taxes   |                     |                      |                                    |                                  | \$ 3,271,916                                    | 74,903                   | 3,346,819          |
| Road & bridge privilege taxes                                |                     |                      |                                    |                                  | 103,029   |                          | 103,029            |
| Grants and contributions not restricted to specific programs |                     |                      |                                    |                                  | 253,904   |                          | 253,904            |
| Unrestricted investment income                               |                     |                      |                                    |                                  | 11,948  | 2,335                    | 14,283             |
| Miscellaneous  |                     |                      |                                    |                                  | 80,747  | 17,330                   | 80,747             |
| Total General Revenues                                       |                     |                      |                                    |                                  | <u>3,721,544</u>                                | <u>94,568</u>            | <u>3,798,782</u>   |
| Changes in Net Assets  |                     |                      |                                    |                                  | <u>2,277,010</u>                                | <u>514,707</u>           | <u>2,791,717</u>   |
| Net Assets - Beginning                                       |                     |                      |                                    |                                  | 5,552,853                                       | 1,508,935                | 7,061,788          |
| Prior period adjustment                                      |                     |                      |                                    |                                  | (293,919)                                       |                          | (293,919)          |
| Net Assets - Beginning, as restated                          |                     |                      |                                    |                                  | <u>5,258,934</u>                                | <u>1,508,935</u>         | <u>6,767,869</u>   |
| Net Assets - Ending  |                     |                      |                                    |                                  | <u>\$ 7,535,944</u>                             | <u>2,023,642</u>         | <u>9,559,586</u>   |

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

KEMPER COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2004

Exhibit 3

|   | Major Funds         |                                       |                              |                                | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------------------------|------------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund     | Countywide<br>Road and<br>Bridge Fund | State Aid<br>Special<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>   |                     |                                       |                              |                                |                                |
| Cash  | \$ 1,296,348        | 31,643                                | 41,644                       | 1,017,864                      | 2,387,499                      |
| Property tax receivable   | 2,106,690           | 1,230,858                             |                              | 62,891                         | 3,400,439                      |
| Fines receivable (net of allowance for uncollectibles of \$286,236) | 135,125             |                                       |                              |                                | 135,125                        |
| Loans receivable  |                     |                                       |                              | 790,549                        | 790,549                        |
| Intergovernmental receivables                                       | 41,941              |                                       |                              | 16,552                         | 58,493                         |
| Other receivables   | 3,959               |                                       |                              | 4,114                          | 8,073                          |
| Due from other funds  | 12,968              | 47,556                                |                              | 1,170                          | 61,694                         |
| <b>Total Assets</b>   | <b>\$ 3,597,031</b> | <b>1,310,057</b>                      | <b>41,644</b>                | <b>1,893,140</b>               | <b>6,841,872</b>               |
| <b>LIABILITIES AND FUND BALANCES</b>                                |                     |                                       |                              |                                |                                |
| Liabilities:  |                     |                                       |                              |                                |                                |
| Claims payable  | \$ 70,544           | 49,933                                | 26,710                       | 114,859                        | 262,046                        |
| Intergovernmental payables  | 37,048              |                                       |                              |                                | 37,048                         |
| Due to other funds  | 52,902              |                                       |                              |                                | 52,902                         |
| Deferred revenue  | 2,241,815           | 1,230,858                             |                              | 62,891                         | 3,535,564                      |
| Other payables  | 81,452              |                                       |                              |                                | 81,452                         |
| <b>Total Liabilities</b>  | <b>2,483,761</b>    | <b>1,280,791</b>                      | <b>26,710</b>                | <b>177,750</b>                 | <b>3,969,012</b>               |
| Fund balances:  |                     |                                       |                              |                                |                                |
| Reserved for:   |                     |                                       |                              |                                |                                |
| Debt service  |                     |                                       |                              | 4,349                          | 4,349                          |
| Loans receivable  |                     |                                       |                              | 790,549                        | 790,549                        |
| Other   |                     |                                       |                              | 1,064                          | 1,064                          |
| Unreserved, reported in:  |                     |                                       |                              |                                |                                |
| General Fund  | 1,113,270           |                                       |                              |                                | 1,113,270                      |
| Special Revenue Funds   |                     | 29,266                                | 14,934                       | 919,428                        | 963,628                        |
| <b>Total Fund Balances</b>  | <b>1,113,270</b>    | <b>29,266</b>                         | <b>14,934</b>                | <b>1,715,390</b>               | <b>2,872,860</b>               |
| <b>Total Liabilities and Fund Balances</b>                          | <b>\$ 3,597,031</b> | <b>1,310,057</b>                      | <b>41,644</b>                | <b>1,893,140</b>               | <b>6,841,872</b>               |

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

KEMPER COUNTY  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2004

Exhibit 3-1

|  | <u>Amount</u>       |
|--|---------------------|
| Total Fund Balance - Governmental Funds  | \$ 2,872,860        |
| Amounts reported for governmental services in the Statement of Net Assets<br>are different because:  |                     |
| Capital assets are used in governmental activities and are not financial resources and,<br>therefore, are not reported in the funds, net of accumulated depreciation of \$3,208,870. | 5,714,575           |
| Other long-term assets are not available to pay for current period expenditures and,<br>therefore, are deferred in the funds.  | 135,125             |
| Long-term liabilities are not due and payable in the current-period and,<br>therefore, are not reported in the funds.  | <u>(1,186,616)</u>  |
| Total Net Assets - Governmental Activities   | <u>\$ 7,535,944</u> |

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

KEMPER COUNTY  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2004

Exhibit 4

|   | Major Funds      |                                     |                              | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------------|-------------------------------------|------------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund  | Countywide<br>Road & Bridge<br>Fund | State Aid<br>Special<br>Fund |                                |                                |
| <b>REVENUES</b>                                 |                  |                                     |                              |                                |                                |
| Property taxes                                  | \$ 1,993,997     | 1,214,066                           |                              | 63,853                         | 3,271,916                      |
| Road and bridge privilege taxes                 |                  | 103,030                             |                              |                                | 103,030                        |
| Licenses, commissions and other revenue         | 56,146           |                                     |                              | 6,302                          | 62,448                         |
| Fines and forfeitures                           | 101,689          |                                     |                              |                                | 101,689                        |
| Intergovernmental revenues                      | 448,227          | 702,218                             | 1,344,940                    | 851,320                        | 3,346,705                      |
| Charges for services                            | 28,362           |                                     |                              | 76,290                         | 104,652                        |
| Interest income                                 | 7,236            | 691                                 |                              | 4,021                          | 11,948                         |
| Miscellaneous revenues                          | 8,117            | 10,920                              |                              | 61,710                         | 80,747                         |
| <b>Total Revenues</b>                           | <b>2,643,774</b> | <b>2,030,925</b>                    | <b>1,344,940</b>             | <b>1,063,496</b>               | <b>7,083,135</b>               |
| <b>EXPENDITURES</b>                             |                  |                                     |                              |                                |                                |
| Current:  |                  |                                     |                              |                                |                                |
| General government                              | 1,294,656        |                                     |                              |                                | 1,294,656                      |
| Public safety                                   | 831,174          |                                     |                              | 102,017                        | 933,191                        |
| Public works                                    |                  | 2,161,040                           | 1,357,424                    | 499,317                        | 4,017,781                      |
| Health and welfare                              | 156,126          |                                     |                              |                                | 156,126                        |
| Culture and recreation                          | 37,102           |                                     |                              | 5,077                          | 42,179                         |
| Conservation of natural resources               | 83,979           |                                     |                              |                                | 83,979                         |
| Economic development and assistance             | 106,193          |                                     |                              | 101,088                        | 207,281                        |
| Debt service:                                   |                  |                                     |                              |                                |                                |
| Principal                                       | 63,944           | 135,556                             |                              | 46,720                         | 246,220                        |
| Interest  | 5,943            | 35,860                              |                              | 7,986                          | 49,789                         |
| <b>Total Expenditures</b>                       | <b>2,579,117</b> | <b>2,332,456</b>                    | <b>1,357,424</b>             | <b>762,205</b>                 | <b>7,031,202</b>               |
| Excess of Revenues over<br>(under) Expenditures | 64,657           | (301,531)                           | (12,484)                     | 301,291                        | 51,933                         |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                  |                                     |                              |                                |                                |
| Long-term capital debt issued                   | 24,928           | 230,219                             |                              |                                | 255,147                        |
| Proceeds from sale of capital assets            |                  | 736                                 |                              |                                | 736                            |
| <b>Total Other Financing Sources and Uses</b>   | <b>24,928</b>    | <b>230,955</b>                      | <b>0</b>                     | <b>0</b>                       | <b>255,883</b>                 |
| <b>Net Changes in Fund Balances</b>             | <b>89,585</b>    | <b>(70,576)</b>                     | <b>(12,484)</b>              | <b>301,291</b>                 | <b>307,816</b>                 |
| Fund Balances - Beginning                       | 1,023,685        | 99,842                              | 27,418                       | 1,414,099                      | 2,565,044                      |
| Fund Balances - Ending                          | \$ 1,113,270     | 29,266                              | 14,934                       | 1,715,390                      | 2,872,860                      |

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

KEMPER COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2004

|  | <u>Amount</u>       |
|--|---------------------|
| Net Changes in Fund Balances - Governmental Funds  | \$ 307,816          |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                     |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,282,357 exceeded depreciation of \$345,386 in the current period.  | 1,936,971           |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$11,292 and the proceeds from the sale of \$736 in the current period.   | (12,028)            |
| 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.   | 67,258              |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$255,147 exceeded debt repayments of \$246,220.  | (8,927)             |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of the net increase in compensated absences. | <u>(14,080)</u>     |
| Change in Net Assets of Governmental Activities  | <u>\$ 2,277,010</u> |

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

|  | Business-type Activities - Enterprise Funds |  |                  |
|--|---|--|------------------|
|  | Major Fund -<br>Regional Jail<br>Fund       | Nonmajor Fund -<br>Solid Waste<br>Fund | Total            |
| <b>ASSETS</b>  |   |  |                  |
| Current assets:  |   |  |                  |
| Cash and investments   | \$ 2,019,832                                | 35,918                                 | 2,055,750        |
| Accounts receivable (net of allowance for uncollectibles of \$331,731) |   | 57,587                                 | 57,587           |
| Intergovernmental receivables  |   | 3,664                                  | 3,664            |
| Due from other funds   |   | 1,297                                  | 1,297            |
| Due from proprietary   |   | 7,483                                  | 7,483            |
| Total Current Assets   | <u>2,019,832</u>                            | <u>105,949</u>                         | <u>2,125,781</u> |
| Noncurrent assets:   |   |  |                  |
| Capital assets, net  | 4,992,614                                   | 206,894                                | 5,199,508        |
| Total Noncurrent Assets  | <u>4,992,614</u>                            | <u>206,894</u>                         | <u>5,199,508</u> |
| Total Assets   | <u>7,012,446</u>                            | <u>312,843</u>                         | <u>7,325,289</u> |
| <b>LIABILITIES</b>   |   |  |                  |
| Current liabilities:   |   |  |                  |
| Claims payable   | 56,284                                      | 2,453                                  | 58,737           |
| Due to other funds   | 12,968                                      |  | 12,968           |
| Due to proprietary   | 7,483                                       |  | 7,483            |
| Capital debt:  |   |  |                  |
| Capital leases payable   |   | 20,963                                 | 20,963           |
| Other long-term liabilities  | 230,000                                     |  | 230,000          |
| Total Current Liabilities  | <u>306,735</u>                              | <u>23,416</u>                          | <u>330,151</u>   |
| Noncurrent liabilities:  |   |  |                  |
| Capital debt:  |   |  |                  |
| Capital leases payable   |   | 9,054                                  | 9,054            |
| Other long-term liabilities  | 4,945,000                                   |  | 4,945,000        |
| Non-capital debt:  |   |  |                  |
| Compensated absences payable   | 13,007                                      | 4,435                                  | 17,442           |
| Total Noncurrent Liabilities   | <u>4,958,007</u>                            | <u>13,489</u>                          | <u>4,971,496</u> |
| <b>NET ASSETS</b>  |   |  |                  |
| Invested in capital assets, net of related debt                        | (182,386)                                   | 176,877                                | (5,509)          |
| Restricted for public safety   | 1,930,090                                   |  | 1,930,090        |
| Restricted for public works  |   | 99,061                                 | 99,061           |
| Total Net Assets   | <u>\$ 1,747,704</u>                         | <u>275,938</u>                         | <u>2,023,642</u> |

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2004

|                                       | Business-type Activities - Enterprise Funds |  |                  |
|---------------------------------------|---|--|------------------|
|                                       | Major Fund -<br>Regional Jail<br>Fund       | Nonmajor Fund -<br>Solid Waste<br>Fund | Totals           |
| Operating Revenues                    |   |  |                  |
| Charges for services                  | \$ 2,726,784                                | 248,838                                | 2,975,622        |
| Operating grants                      | 43,559                                      |  | 43,559           |
| Miscellaneous                         | 2,812                                       | 14,518                                 | 17,330           |
| Total Operating Revenues              | <u>2,773,155</u>                            | <u>263,356</u>                         | <u>3,036,511</u> |
| Operating Expenses                    |   |  |                  |
| Personal services                     | 1,017,085                                   | 225,858                                | 1,242,943        |
| Contractual services                  | 557,902                                     | 90,975                                 | 648,877          |
| Materials and supplies                | 105,110                                     | 56,187                                 | 161,297          |
| Depreciation expense                  | 123,381                                     | 41,572                                 | 164,953          |
| Indirect administrative cost          | 12,968                                      |  | 12,968           |
| Total Operating Expenses              | <u>1,816,446</u>                            | <u>414,592</u>                         | <u>2,231,038</u> |
| Operating Income (Loss)               | <u>956,709</u>                              | <u>(151,236)</u>                       | <u>805,473</u>   |
| Nonoperating Revenues (Expenses)      |   |  |                  |
| Property tax                          |   | 74,903                                 | 74,903           |
| Interest income                       | 2,335                                       |  | 2,335            |
| Gain (loss) on sale of capital assets |   | (59,059)                               | (59,059)         |
| Interest expense                      | (306,863)                                   | (2,082)                                | (308,945)        |
| Net Nonoperating Revenue (Expenses)   | <u>(304,528)</u>                            | <u>13,762</u>                          | <u>(290,766)</u> |
| Changes in Net Assets                 | <u>652,181</u>                              | <u>(137,474)</u>                       | <u>514,707</u>   |
| Net Assets - Beginning                | <u>1,095,523</u>                            | <u>413,412</u>                         | <u>1,508,935</u> |
| Net Assets - Ending                   | <u>\$ 1,747,704</u>                         | <u>275,938</u>                         | <u>2,023,642</u> |

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

KEMPER COUNTY  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2004

Exhibit 7

|  | Business-type Activities - Enterprise Funds |  | Totals           |
|--|---|--|------------------|
|  | Major Fund -<br>Regional Jail<br>Fund       | Nonmajor Fund -<br>Solid Waste<br>Fund |                  |
| Cash Flows From Operating Activities   |   |  |                  |
| Receipts from users  | \$ 2,726,784                                |  | 2,726,784        |
| Receipts from customers  |   | 257,897                                | 257,897          |
| Payments to suppliers  | (652,986)                                   | (147,556)                              | (800,542)        |
| Payments to employees  | (1,011,905)                                 | (233,940)                              | (1,245,845)      |
| Payments to General Fund for indirect costs  | (14,965)                                    |  | (14,965)         |
| Operating grants received  | 43,559                                      |  | 43,559           |
| Other operating cash receipts  | 2,812                                       | 14,518                                 | 17,330           |
| Net Cash Provided (Used) by Operating Activities   | <u>1,093,299</u>                            | <u>(109,081)</u>                       | <u>984,218</u>   |
| Cash Flows From Noncapital Financing Activities  |   |  |                  |
| Cash received from property taxes  |   | 75,195                                 | 75,195           |
| Cash received from other funds:  |   |  |                  |
| Loans from other funds   | 7,483                                       |  | 7,483            |
| Cash paid to other funds:  |   |  |                  |
| Loans made to other funds  |   | (7,483)                                | (7,483)          |
| Net Cash Provided (Used) by Noncapital Financing Activities                                    | <u>7,483</u>                                | <u>(7,483)</u>                         | <u>75,195</u>    |
| Cash Flows From Capital and Related Financing Activities                                       |   |  |                  |
| Proceeds from sale of capital assets   |   | 23,920                                 | 23,920           |
| Acquisition and construction of capital assets   | (56,496)                                    | (86,221)                               | (142,717)        |
| Principal paid on long-term debt   | (227,534)                                   | (19,925)                               | (247,459)        |
| Interest paid on debt  | (306,863)                                   | (2,082)                                | (308,945)        |
| Net Cash Provided (Used) by Capital and Related Financing Activities                           | <u>(590,893)</u>                            | <u>(84,308)</u>                        | <u>(675,201)</u> |
| Cash Flows From Investing Activities   |   |  |                  |
| Interest on investments  | 2,335                                       |  | 2,335            |
| Net Cash Provided (Used) by Investing Activities   | <u>2,335</u>                                | <u>0</u>                               | <u>2,335</u>     |
| Net Increase (Decrease) in Cash and Cash Equivalents   | 512,224                                     | (125,677)                              | 386,547          |
| Cash and Cash Equivalents at Beginning of Year   | <u>1,507,608</u>                            | <u>161,595</u>                         | <u>1,669,203</u> |
| Cash and Cash Equivalents at End of Year   | <u>\$ 2,019,832</u>                         | <u>35,918</u>                          | <u>2,055,750</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |   |  |                  |
| Operating income (loss)  | \$ 956,709                                  | (151,236)                              | 805,473          |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |   |  |                  |
| Depreciation expense   | 123,381                                     | 41,572                                 | 164,953          |
| Provision for uncollectible accounts   |   | 42,620                                 | 42,620           |
| Changes in assets and liabilities:   |   |  |                  |
| (Increase) decrease in accounts receivable   |   | (29,897)                               | (29,897)         |
| (Increase) decrease in intergovernmental receivables   |   | (3,664)                                | (3,664)          |
| Increase (decrease) in claims payable  | 9,965                                       | (10,693)                               | (728)            |
| Increase (decrease) in compensated absences liability  | 5,241                                       | 2,217                                  | 7,458            |
| Increase (decrease) in interfund payables  | (1,997)                                     |  | (1,997)          |
| Total Adjustments  | <u>136,590</u>                              | <u>42,155</u>                          | <u>178,745</u>   |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 1,093,299</u>                         | <u>(109,081)</u>                       | <u>984,218</u>   |

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

Noncash capital and related financing activities

|                                    |           |
|------------------------------------|-----------|
| Loss on disposal of capital assets | \$ 59,059 |
|------------------------------------|-----------|

KEMPER COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2004

Exhibit 8

|                                    | <u>Agency<br/>Funds</u> |
|------------------------------------|-------------------------|
| <b>ASSETS</b>                      |                         |
| Cash                               | \$ 149,690              |
| Due from other funds               | <u>2,879</u>            |
| Total Assets                       | <u>\$ 152,569</u>       |
| <b>LIABILITIES</b>                 |                         |
| Amounts held in custody for others | \$ 133,433              |
| Intergovernmental payables         | <u>19,136</u>           |
| Total Liabilities                  | <u>\$ 152,569</u>       |

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

## KEMPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Kemper County Economic Development Authority

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

## KEMPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

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

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

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

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

## KEMPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

The county reports the following major Governmental Funds:

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

Countywide Road and Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance.

State Aid Special Fund - This fund is used to account for monies from the State of Mississippi, Department of Transportation that are restricted for the construction of roads and bridges.

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

## KEMPER COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2004

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

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

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

| <u>Explanation</u> | <u>Amount</u>              |
|--------------------|----------------------------|
| Capital assets     | \$ <u><u>(293,919)</u></u> |

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$2,585,312, and the bank balance was \$2,657,656. 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.

Investments:

The county's investments at year end consisted entirely of money market mutual funds held by the Hancock Bank trust department. At year end, the carrying amount of the county's investments was \$2,007,627 and the cost was \$2,007,627. All of the county's investments are uninsured and unregistered. The money market mutual fund investments are not backed by the full faith and credit of the federal government.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

Due From/To Other Funds:

| <u>Receivable Fund</u>     | <u>Payable Fund</u> | <u>Amount</u>    |
|----------------------------|---------------------|------------------|
| General                    | Regional Jail       | \$ 12,968        |
| Countywide Road and Bridge | General             | 47,556           |
| Other Governmental Funds   | General             | 1,170            |
| Other Enterprise Funds     | General             | 1,297            |
| Other Enterprise Funds     | Regional Jail       | 7,483            |
| Agency Funds               | General             | <u>2,879</u>     |
| Total                      |                     | <u>\$ 73,353</u> |

The Regional Jail Fund payables are the result of the payment of the indirect administrative costs incurred during the year. All other amounts listed are the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

| Description                      | Amount           |
|----------------------------------|------------------|
| Legislative tax credit           | \$ 34,286        |
| Emergency medical services grant | 7,655            |
| State Aid Road funds             | <u>16,552</u>    |
| Total Governmental Activities    | <u>\$ 58,493</u> |

Business-type Activities:

| Description                   |                 |
|-------------------------------|-----------------|
| Town of Dekalb - garbage fees | <u>\$ 3,664</u> |

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

| Description | Date of Loan | Interest Rate | Maturity Date | Balance Payable   |
|-------------|--------------|---------------|---------------|-------------------|
| Trans Tech  | 10/15/02     | 3.00%         | 03/01/09      | \$ 207,632        |
| Pharma Pac  | 06/27/03     | 0.50%         | 12/01/13      | <u>582,917</u>    |
| Total       |              |               |               | <u>\$ 790,549</u> |

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

|  | Balance<br>Oct. 1, 2003 | Additions        | Deletions | Adjustments * | Balance<br>Sept. 30, 2004 |
|--|-------------------------|------------------|-----------|---------------|---------------------------|
| <u>Non-depreciable capital assets:</u> |                         |                  |           |               |                           |
| Land                                   | \$ 419,884              |                  |           |               | 419,884                   |
| Construction in progress               |                         | 1,746,957        |           |               | 1,746,957                 |
| Total non-depreciable capital assets   | <u>419,884</u>          | <u>1,746,957</u> | <u>0</u>  | <u>0</u>      | <u>2,166,841</u>          |
| <u>Depreciable capital assets:</u>     |                         |                  |           |               |                           |
| Infrastructure                         | 548,459                 | 258,214          |           |               | 806,673                   |
| Buildings                              | 1,889,029               |                  |           |               | 1,889,029                 |
| Mobile equipment                       | 2,878,780               | 28,065           | 120,280   | (136,504)     | 2,650,061                 |

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

|   | Balance<br>Oct. 1, 2003 | Additions        | Deletions      | Adjustments *    | Balance<br>Sept. 30, 2004 |
|---|-------------------------|------------------|----------------|------------------|---------------------------|
| Furniture and equipment                     | 322,319                 |                  |                | (1,489)          | 320,830                   |
| Leased property under capital leases        | 945,126                 | 249,121          |                | (104,236)        | 1,090,011                 |
| Total depreciable capital assets            | <u>6,583,713</u>        | <u>535,400</u>   | <u>120,280</u> | <u>(242,229)</u> | <u>6,756,604</u>          |
| <u>Less accumulated depreciation for:</u>   |                         |                  |                |                  |                           |
| Infrastructure                              | 17,626                  | 22,790           |                |                  | 40,416                    |
| Buildings                                   | 818,167                 | 31,491           |                |                  | 849,658                   |
| Mobile equipment                            | 1,577,436               | 166,387          | 108,252        | 12,715           | 1,648,286                 |
| Furniture and equipment                     | 306,981                 |                  |                |                  | 306,981                   |
| Leased property under capital leases        | 199,836                 | 124,718          |                | 38,975           | 363,529                   |
| Total accumulated depreciation              | <u>2,920,046</u>        | <u>345,386</u>   | <u>108,252</u> | <u>51,690</u>    | <u>3,208,870</u>          |
| Total depreciable capital assets, net       | <u>3,663,667</u>        | <u>190,014</u>   | <u>12,028</u>  | <u>(293,919)</u> | <u>3,547,734</u>          |
| Governmental activities capital assets, net | <u>\$ 4,083,551</u>     | <u>1,936,971</u> | <u>12,028</u>  | <u>(293,919)</u> | <u>5,714,575</u>          |

\* Adjustments are to correct prior year errors.

Business-type activities:

|  | Balance<br>Oct. 1, 2003 | Additions       | Deletions      | Adjustments ** | Balance<br>Sept. 30, 2004 |
|--|-------------------------|-----------------|----------------|----------------|---------------------------|
| <u>Depreciable capital assets:</u>           |                         |                 |                |                |                           |
| Buildings                                    | \$ 5,141,761            |                 | 30             |                | 5,141,731                 |
| Mobile equipment                             | 182,588                 | 99,611          | 102,457        | 43,471         | 223,213                   |
| Furniture and equipment                      | 6,644                   | 43,106          |                |                | 49,750                    |
| Leased property under capital leases         | 126,156                 |                 |                | (43,471)       | 82,685                    |
| Total depreciable capital assets             | <u>5,457,149</u>        | <u>142,717</u>  | <u>102,487</u> | <u>0</u>       | <u>5,497,379</u>          |
| <u>Less accumulated depreciation for:</u>    |                         |                 |                |                |                           |
| Buildings                                    | 102,834                 | 102,835         |                |                | 205,669                   |
| Mobile equipment                             | 19,131                  | 31,312          | 19,508         |                | 30,935                    |
| Furniture and equipment                      | 5,979                   | 12,902          |                |                | 18,881                    |
| Leased property under capital leases         | 24,482                  | 17,904          |                |                | 42,386                    |
| Total accumulated depreciation               | <u>152,426</u>          | <u>164,953</u>  | <u>19,508</u>  | <u>0</u>       | <u>297,871</u>            |
| Business-type activities capital assets, net | <u>\$ 5,304,723</u>     | <u>(22,236)</u> | <u>82,979</u>  | <u>0</u>       | <u>5,199,508</u>          |

\*\* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Depreciation expense was charged to the following functions:

|   | <u>Amount</u>            |
|---|--------------------------|
| Governmental Activities:                            |                          |
| General government                                  | \$ 34,009                |
| Public safety                                       | 53,556                   |
| Public works  | <u>257,821</u>           |
| Total governmental activities depreciation expense  | \$ <u><u>345,386</u></u> |
| Business-type activities:                           |                          |
| Solid waste   | \$ 41,572                |
| Correctional facility                               | <u>123,381</u>           |
| Total business-type activities depreciation expense | \$ <u><u>164,953</u></u> |

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

| <u>Description of Commitment</u> | <u>Remaining<br/>Financial<br/>Commitment</u> | <u>Expected Date<br/>of Completion</u> |
|----------------------------------|---|--|
| Various State Aid Road projects  | \$ 477,125                                    | September, 2005                        |
| Various State Aid Road projects  | 254,155                                       | September, 2005                        |

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

| Classes of Property                  | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------------|----------------------------|-----------------------------|
| Mobile equipment                     | \$ 1,038,750               | 82,685                      |
| Furniture and equipment              | <u>51,261</u>              | <u>0</u>                    |
| Total                                | 1,090,011                  | 82,685                      |
| Less: Accumulated depreciation       | <u>363,529</u>             | <u>42,386</u>               |
| Leased Property Under Capital Leases | <u>\$ 726,482</u>          | <u>40,299</u>               |

The following is a schedule by years of the total payments due as of September 30, 2004:

| Year Ending September 30 | Governmental Activities |               | Business-type Activities |              |
|--------------------------|-------------------------|---------------|--------------------------|--------------|
|                          | Principal               | Interest      | Principal                | Interest     |
| 2005                     | \$ 169,467              | 25,558        | 20,963                   | 1,045        |
| 2006                     | 520,390                 | 18,446        | 9,054                    | 116          |
| 2007                     | 94,927                  | 3,949         |                          |              |
| 2008                     | 60,378                  | 1,374         |                          |              |
| 2009                     | <u>19,417</u>           | <u>219</u>    |                          |              |
| Total                    | <u>\$ 864,579</u>       | <u>49,546</u> | <u>30,017</u>            | <u>1,161</u> |

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

| Description and Purpose        | Amount<br>Outstanding | Interest<br>Rate | Final<br>Maturity<br>Date |
|--------------------------------|-----------------------|------------------|---------------------------|
| Governmental Activities:       |                       |                  |                           |
| A. General Obligation Bonds:   |                       |                  |                           |
| District 2 road and bridge     | \$ 5,000              | 9.25%            | 05/05                     |
| District 4 road and bridge     | 5,000                 | 9.25%            | 05/05                     |
| District 5 road and bridge     | <u>5,000</u>          | 9.25%            | 05/05                     |
| Total General Obligation Bonds | <u>\$ 15,000</u>      |                  |                           |

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

| Description and Purpose                     | Amount<br>Outstanding | Interest<br>Rate | Final<br>Maturity<br>Date |
|---|-----------------------|------------------|---------------------------|
| <b>B. Capital Leases:</b>                   |                       |                  |                           |
| 3 Caterpillar motor graders                 | \$ 343,432            | 5.25%            | 02/06                     |
| 2 John Deere motor graders                  | 155,544               | 4.89%            | 04/06                     |
| AS400 computer system                       | 33,167                | 3.91%            | 10/07                     |
| Rubber tire roller                          | 32,083                | 3.97%            | 11/07                     |
| Asphalt tar truck                           | 63,939                | 3.23%            | 04/08                     |
| Crown Victoria                              | 20,248                | 2.88%            | 02/07                     |
| 2 dump trucks                               | 88,025                | 2.67%            | 06/08                     |
| 2 John Deere tractors                       | <u>128,141</u>        | 2.99%            | 05/10                     |
| Total Capital Leases                        | <u>\$ 864,579</u>     |                  |                           |
| <b>C. Other Loans:</b>                      |                       |                  |                           |
| Elevator                                    | \$ 42,718             | 4.45%            | 09/05                     |
| Crown Victoria                              | 3,629                 | 3.95%            | 02/05                     |
| International truck                         | 23,366                | 4.05%            | 12/05                     |
| 2 fire trucks                               | 90,106                | 3.00%            | 10/07                     |
| Fire truck                                  | <u>71,909</u>         | 2.00%            | 08/13                     |
| Total Other Loans                           | <u>\$ 231,728</u>     |                  |                           |
| <b>Business-type Activities:</b>            |                       |                  |                           |
| <b>A. Limited Obligation Bonds:</b>         |                       |                  |                           |
| Urban renewal revenue bonds - regional jail | \$ <u>5,175,000</u>   | 5.20/6.25%       | 09/19                     |
| <b>B. Capital Leases:</b>                   |                       |                  |                           |
| 2 garbage trucks                            | \$ <u>30,017</u>      | 5.09%            | 02/06                     |

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds |              |
|--------------------------|--------------------------|--------------|
|                          | Principal                | Interest     |
| 2005                     | \$ <u>15,000</u>         | <u>1,389</u> |

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

| <u>Year Ending September 30</u> | <u>Other Loans</u> |                 |
|---------------------------------|--------------------|-----------------|
|                                 | <u>Principal</u>   | <u>Interest</u> |
| 2005                            | \$ 95,535          | 5,982           |
| 2006                            | 38,195             | 2,751           |
| 2007                            | 34,345             | 1,801           |
| 2008                            | 11,990             | 1,144           |
| 2009                            | 10,101             | 941             |
| 2010 - 2014                     | <u>41,562</u>      | <u>1,683</u>    |
| Total                           | <u>\$ 231,728</u>  | <u>14,302</u>   |

Business-type Activities:

| <u>Year Ending September 30</u> | <u>Limited Obligation Bonds</u> |                  |
|---------------------------------|---------------------------------|------------------|
|                                 | <u>Principal</u>                | <u>Interest</u>  |
| 2005                            | \$ 230,000                      | 292,565          |
| 2006                            | 245,000                         | 278,190          |
| 2007                            | 255,000                         | 262,878          |
| 2008                            | 270,000                         | 246,940          |
| 2009                            | 285,000                         | 230,062          |
| 2010 - 2014                     | 1,685,000                       | 901,265          |
| 2015 - 2019                     | <u>2,205,000</u>                | <u>390,676</u>   |
| Total                           | <u>\$ 5,175,000</u>             | <u>2,602,576</u> |

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

|                          | <u>Balance</u>      | <u>Additions</u> | <u>Reductions</u> | <u>Adjustments</u> | <u>Balance</u>        | <u>Amount due</u> |
|--------------------------|---------------------|------------------|-------------------|--------------------|-----------------------|-------------------|
|                          | <u>Oct. 1, 2003</u> |                  |                   |                    | <u>Sept. 30, 2004</u> | <u>within one</u> |
|                          |                     |                  |                   |                    |                       | <u>year</u>       |
| Governmental Activities: |                     |                  |                   |                    |                       |                   |
| Compensated absences     | \$ 61,229           | 44,266           | 30,186            |                    | 75,309                |                   |
| General obligation bonds | 30,000              |                  | 15,000            |                    | 15,000                | 15,000            |
| Capital leases           | 741,739             | 255,147          | 132,307           |                    | 864,579               | 169,467           |
| Other loans              | 330,641             |                  | 98,913            |                    | 231,728               | 95,535            |
| Total                    | <u>\$ 1,163,609</u> | <u>299,413</u>   | <u>276,406</u>    | <u>0</u>           | <u>1,186,616</u>      | <u>280,002</u>    |

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

|                           | Balance<br>Oct. 1, 2003 | Additions | Reductions | Adjustments | Balance<br>Sept. 30, 2004 | Amount due<br>within one<br>year |
|---------------------------|-------------------------|-----------|------------|-------------|---------------------------|----------------------------------|
| Business-type Activities: |                         |           |            |             |                           |                                  |
| Compensated absences      | \$ 9,984                | 20,062    | 12,604     |             | 17,442                    |                                  |
| Limited obligation bonds  | 5,395,000               |           | 220,000    |             | 5,175,000                 | 230,000                          |
| Capital leases            | 57,476                  |           | 27,459     |             | 30,017                    | 20,963                           |
| Total                     | \$ 5,462,460            | 20,062    | 260,063    | 0           | 5,222,459                 | 250,963                          |

(11) Contingencies.

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

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

(12) Joint Venture.

The county participates in the following joint venture:

Kemper County is a participant with Newton County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Kemper County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was to \$35,854 in fiscal year 2004. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 the support of the district in fiscal year 2004.

The Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Kemper County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

KEMPER COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2004

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$20,538 for support of the commission in fiscal year 2004.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee and Oktibbeha. The Kemper County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$167,025 for maintenance and support of the college in fiscal year 2004.

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$243,615, \$238,063 and \$213,865, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2004, Kemper County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u>               |
|-------------------|----------------------|---------------------|--------------------------|--|
| 02/05/05          | 3.21%                | \$ 23,651           | Lease purchase           | Regional jail revenues                   |
| 04/03/05          | 3.37%                | 13,479              | Lease purchase           | Countywide Road and Bridge Fund revenues |

Subsequent to the audit report date of September 7, 2005, Kemper County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u>               |
|-------------------|----------------------|---------------------|--------------------------|--|
| 11/01/05          | 4.00/5.50%           | \$ 1,125,000        | General Obligation Bonds | Tax revenues                             |
| 11/07/05          | 3.74%                | 853,170             | Lease purchase           | Countywide Road and Bridge Fund revenues |
| 11/21/05          | 3.19%                | 468,200             | Lease purchase           | Countywide Road and Bridge Fund revenues |

KEMPER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2004

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 2,019,781       | 2,022,781        | 1,992,248                      | (30,533)  |
| Road and bridge privilege taxes                 | 3,000              |                  |                                |   |
| Licenses, commissions and other revenue         | 31,991             | 31,991           | 45,130                         | 13,139  |
| Fines and forfeitures                           | 107,494            | 107,494          | 100,061                        | (7,433)   |
| Intergovernmental revenues                      | 254,149            | 392,831          | 458,350                        | 65,519  |
| Charges for services                            | 29,398             | 57,759           | 28,362                         | (29,397)  |
| Interest income                                 | 23,555             | 23,555           | 7,262                          | (16,293)  |
| Miscellaneous revenues                          |                    | 30,959           | 54,382                         | 23,423  |
| <b>Total Revenues</b>                           | <u>2,469,368</u>   | <u>2,667,370</u> | <u>2,685,795</u>               | <u>18,425</u>   |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| General government                              | 1,938,817          | 1,764,428        | 1,368,405                      | 396,023   |
| Public safety                                   | 553,049            | 909,791          | 875,734                        | 34,057  |
| Health and welfare                              | 165,265            | 165,265          | 155,830                        | 9,435   |
| Culture and recreation                          | 38,834             | 40,846           | 37,102                         | 3,744   |
| Education                                       | 44,500             | 44,500           | 17,778                         | 26,722  |
| Conservation of natural resources               | 84,218             | 84,218           | 83,708                         | 510   |
| Economic development and assistance             | 101,402            | 107,482          | 106,193                        | 1,289   |
| <b>Total Expenditures</b>                       | <u>2,926,085</u>   | <u>3,116,530</u> | <u>2,644,750</u>               | <u>471,780</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(456,717)</u>   | <u>(449,160)</u> | <u>41,045</u>                  | <u>490,205</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                  |                                |   |
| Transfers in                                    |                    |                  | 52,659                         | 52,659  |
| Transfers out                                   |                    | (43,695)         | (44,901)                       | (1,206)   |
| <b>Total Other Financing Sources and Uses</b>   | <u>0</u>           | <u>(43,695)</u>  | <u>7,758</u>                   | <u>51,453</u>   |
| Net Change in Fund Balance                      | (456,717)          | (492,855)        | 48,803                         | 541,658   |
| Fund Balances - Beginning                       | <u>456,717</u>     | <u>492,855</u>   | <u>1,080,694</u>               | <u>587,839</u>  |
| Fund Balances - Ending                          | <u>\$ 0</u>        | <u>0</u>         | <u>1,129,497</u>               | <u>1,129,497</u>  |

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

KEMPER COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road & Bridge Fund  
 For the Year Ended September 30, 2004

|   | Original<br>Budget | Final<br>Budget  | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                  |                                |   |
| Property taxes                                  | \$ 1,168,625       | 1,217,073        | 1,213,188                      | (3,885)   |
| Road and bridge privilege taxes                 | 93,777             | 45,073           | 79,335                         | 34,262  |
| Intergovernmental revenues                      | 620,865            | 620,865          | 574,591                        | (46,274)  |
| Interest income                                 |                    |                  | 691                            | 691   |
| Miscellaneous revenues                          | 3,316              | 3,316            | 11,656                         | 8,340   |
| Total Revenues                                  | <u>1,886,583</u>   | <u>1,886,327</u> | <u>1,879,461</u>               | <u>(6,866)</u>  |
| <b>EXPENDITURES</b>                             |                    |                  |                                |   |
| Current:  |                    |                  |                                |   |
| Public works                                    | 2,015,270          | 2,150,879        | 2,150,879                      |   |
| Debt service:                                   |                    |                  |                                |   |
| Principal                                       | 135,609            |                  |                                |   |
| Total Expenditures                              | <u>2,150,879</u>   | <u>2,150,879</u> | <u>2,150,879</u>               | <u>0</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(264,296)</u>   | <u>(264,552)</u> | <u>(271,418)</u>               | <u>(6,866)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                  |                                |   |
| Transfers in                                    | 151,000            | 151,000          | 158,207                        | 7,207   |
| Other financing sources                         |                    | 151,000          |                                | (151,000)   |
| Total Other Financing Sources and Uses          | <u>151,000</u>     | <u>302,000</u>   | <u>158,207</u>                 | <u>(143,793)</u>  |
| Net Change in Fund Balance                      | (113,296)          | 37,448           | (113,211)                      | (150,659)   |
| Fund Balances - Beginning                       | <u>113,296</u>     | <u>113,296</u>   | <u>144,854</u>                 | <u>31,558</u>   |
| Fund Balances - Ending                          | <u>\$ 0</u>        | <u>150,744</u>   | <u>31,643</u>                  | <u>(119,101)</u>  |

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

KEMPER COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 State Aid Special Fund  
 For the Year Ended September 30, 2004

|   | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                 |                                |   |
| Intergovernmental revenues                      | \$ 952,000         | 952,000         | 208,448                        | (743,552)   |
| Total Revenues                                  | <u>952,000</u>     | <u>952,000</u>  | <u>208,448</u>                 | <u>(743,552)</u>  |
| <b>EXPENDITURES</b>                             |                    |                 |                                |   |
| Current:  |                    |                 |                                |   |
| Public works                                    | 952,000            | 952,000         | 194,222                        | 757,778   |
| Total Expenditures                              | <u>952,000</u>     | <u>952,000</u>  | <u>194,222</u>                 | <u>757,778</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>0</u>           | <u>0</u>        | <u>14,226</u>                  | <u>14,226</u>   |
| Net Change in Fund Balance                      | 0                  | 0               | 14,226                         | 14,226  |
| Fund Balances - Beginning                       | <u>0</u>           | <u>0</u>        | <u>27,418</u>                  | <u>27,418</u>   |
| Fund Balances - Ending                          | <u>\$ 0</u>        | <u>0</u>        | <u>41,644</u>                  | <u>41,644</u>   |

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

KEMPER COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

|  | <u>Governmental Fund Types</u> |  |                                       |
|--|--------------------------------|--|---------------------------------------|
|  | <u>General<br/>Fund</u>        | <u>Countywide<br/>Road and<br/>Bridge Fund</u> | <u>State Aid<br/>Special<br/>Fund</u> |
| Budget (Cash Basis)                      | \$ 48,803                      | (113,211)                                      | 14,226                                |
| Increase (Decrease)                      |                                |  |                                       |
| Net adjustments for revenue accruals     | 120,253                        | 224,212  | 1,136,492                             |
| Net adjustments for expenditure accruals | <u>(79,471)</u>                | <u>(181,577)</u>                               | <u>(1,163,202)</u>                    |
| GAAP Basis                               | <u>\$ 89,585</u>               | <u>(70,576)</u>                                | <u>(12,484)</u>                       |

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KEMPER COUNTY

SPECIAL REPORTS

KEMPER COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Kemper County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Kemper County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated September 7, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kemper County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

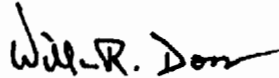
#### Compliance and Other Matters

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

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



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 7, 2005



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Kemper County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Kemper County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Kemper County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Kemper County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

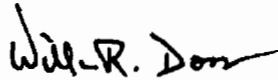
In our opinion, Kemper County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Kemper County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT  
State Auditor



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 7, 2005

KEMPER COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2004

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

KEMPER COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2004

Schedule 2

Our test results did not identify any emergency purchases.

KEMPER COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2004

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

KEMPER COUNTY

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KEMPER COUNTY

SCHEDULE OF FINDINGS

KEMPER COUNTY

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KEMPER COUNTY

Schedule of Findings  
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements:      | Unqualified |
| 2. | Internal control over financial reporting:   |             |
|    | a. Material weakness identified?   | No          |
|    | b. Reportable condition identified that is not considered to be a material weakness? | No          |
| 3. | Noncompliance material to the primary government financial statements?               | No          |

Section 2: Financial Statement Findings

The results of our test did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.