

KEMPER COUNTY, MISSISSIPPI

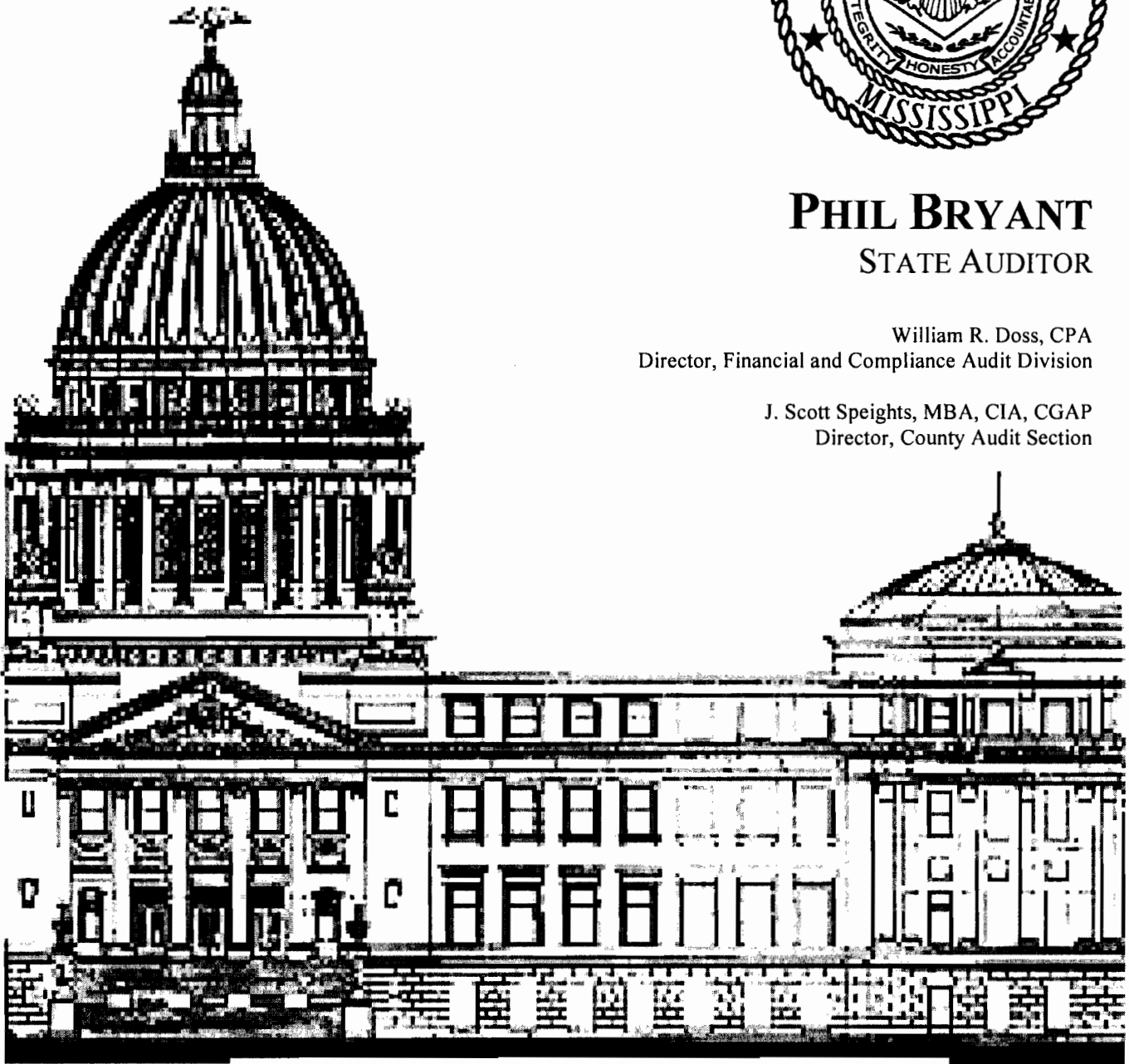
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

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A Report from the County Audit Section

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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, 2006, 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, 2006, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2007, 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.

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



PHIL BRYANT
State Auditor



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

August 1, 2007

KEMPER COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

KEMPER COUNTY
Statement of Net Assets
September 30, 2006

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 3,420,137	2,564,372	5,984,509
Property tax receivable	3,579,236	107,428	3,686,664
Accounts receivable (net of allowance for uncollectibles of \$376,618)		70,073	70,073
Fines receivable (net of allowance for uncollectibles of \$365,266)	60,100		60,100
Loans receivable	664,906		664,906
Intergovernmental receivables	154,422	3,504	157,926
Other receivables	3,855		3,855
Internal balances	6,845	(6,845)	
Capital assets:			
Land and construction in progress	1,631,309		1,631,309
Other capital assets, net	6,125,209	4,921,860	11,047,069
Total Assets	15,646,019	7,660,392	23,306,411
LIABILITIES			
Claims payable	258,592	88,142	346,734
Intergovernmental payables	48,024		48,024
Other payables	60,399		60,399
Accrued interest payable		21,907	21,907
Unearned revenue		13,455	13,455
Deferred revenue	3,579,236	107,428	3,686,664
Long-term liabilities			
Due within one year:			
Capital debt	242,876	263,056	505,932
Non-capital debt	183,778		183,778
Due in more than one year:			
Capital debt	2,141,379	4,447,742	6,589,121
Non-capital debt	1,261,909	21,359	1,283,268
Total Liabilities	7,776,193	4,963,089	12,739,282
NET ASSETS			
Invested in capital assets, net of related debt	5,372,263	211,062	5,583,325
Restricted:			
Expendable:			
Debt service	5,873		5,873
Public safety	158,732	2,388,124	2,546,856
Public works	496,578	98,117	594,695
Culture and recreation	19,176		19,176
Economic development	1,399,470		1,399,470
Capital projects	64,288		64,288
Unrestricted	353,446		353,446
Total Net Assets	\$ 7,869,826	2,697,303	10,567,129

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

KEMPER COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 1,616,837	177,201		106,012	(1,333,624)		(1,333,624)
Public safety	1,132,005	88,831	68,860	165,137	(809,177)		(809,177)
Public works	2,451,777		875,629	48,254	(1,527,894)		(1,527,894)
Health and welfare	160,915		21,158		(139,757)		(139,757)
Culture and recreation	49,120		6,500		(42,620)		(42,620)
Conservation of natural resources	78,491				(78,491)		(78,491)
Economic development and assistance	884,329		751,990		(132,339)		(132,339)
Interest on long-term debt	54,385				(54,385)		(54,385)
Total Governmental Activities	<u>6,427,859</u>	<u>266,032</u>	<u>1,724,137</u>	<u>319,403</u>	<u>(4,118,287)</u>	<u>0</u>	<u>(4,118,287)</u>
Business-type activities:							
Regional jail	2,384,152	2,887,850				503,698	503,698
Solid waste	422,793	270,188				(152,605)	(152,605)
Total Business-type Activities	<u>2,806,945</u>	<u>3,158,038</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>351,093</u>	<u>351,093</u>
Total Primary Government	<u>\$ 9,234,804</u>	<u>3,424,070</u>	<u>1,724,137</u>	<u>319,403</u>	<u>(4,118,287)</u>	<u>351,093</u>	<u>(3,767,194)</u>
General revenues:							
Property taxes					\$ 3,458,671	100,822	3,559,493
Road & bridge privilege taxes					104,170		104,170
Grants and contributions not restricted to specific programs					263,912		263,912
Unrestricted investment income					25,630	79,012	104,642
Miscellaneous					431,936	15,616	447,552
Total General Revenues					<u>4,284,319</u>	<u>195,450</u>	<u>4,479,769</u>
Changes in Net Assets					166,032	546,543	712,575
Net Assets - Beginning					<u>7,703,794</u>	<u>2,150,760</u>	<u>9,854,554</u>
Net Assets - Ending					<u>\$ 7,869,826</u>	<u>2,697,303</u>	<u>10,567,129</u>

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

KEMPER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	Major Funds						Total Governmental Funds
	General	Pharma Pac	Countywide Road and Bridge Fund	Equipment Sale Fund	Building Renovation Fund	Other Governmental Funds	
	Fund	Fund	Fund	Fund	Fund	Funds	
ASSETS							
Cash	\$ 1,887,091	740,006	5,234	48,559	77,232	662,015	3,420,137
Property tax receivable	2,155,385		1,261,477			162,374	3,579,236
Fines receivable (net of allowance for uncollectibles of \$365,266)	60,100						60,100
Loans receivable		457,274				207,632	664,906
Intergovernmental receivables	39,092	47,874				67,456	154,422
Other receivables	3,855						3,855
Due from other funds	8,700		32,263			910	41,873
Total Assets	<u>\$ 4,154,223</u>	<u>1,245,154</u>	<u>1,298,974</u>	<u>48,559</u>	<u>77,232</u>	<u>1,100,387</u>	<u>7,924,529</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 56,254	54,380	86,047		12,944	48,967	258,592
Amounts held in custody for others	60,399						60,399
Intergovernmental payables	44,787						44,787
Due to other funds	38,265						38,265
Deferred revenue	2,215,485		1,261,477			162,374	3,639,336
Total Liabilities	<u>2,415,190</u>	<u>54,380</u>	<u>1,347,524</u>	<u>0</u>	<u>12,944</u>	<u>211,341</u>	<u>4,041,379</u>
Fund balances:							
Reserved for:							
Debt service						5,873	5,873
Loans receivable		457,274				207,632	664,906
Unreserved - undesignated, reported in:							
General Fund	1,739,033						1,739,033
Special Revenue Funds		733,500	(48,550)	48,559		675,541	1,409,050
Capital Project Funds					64,288		64,288
Total Fund Balances	<u>1,739,033</u>	<u>1,190,774</u>	<u>(48,550)</u>	<u>48,559</u>	<u>64,288</u>	<u>889,046</u>	<u>3,883,150</u>
Total Liabilities and Fund Balances	<u>\$ 4,154,223</u>	<u>1,245,154</u>	<u>1,298,974</u>	<u>48,559</u>	<u>77,232</u>	<u>1,100,387</u>	<u>7,924,529</u>

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

KEMPER COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,883,150
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,437,186.	7,756,518
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	60,100
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,829,942)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,869,826</u>

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

KEMPER COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	Major Funds						Total Governmental Funds
	General Fund	Pharma Pac Fund	Countywide Road and Bridge Fund	Equipment Sale Fund	Building Renovation Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$ 2,122,210		1,287,920			48,541	3,458,671
Road and bridge privilege taxes			104,145				104,145
Licenses, commissions and other revenue	51,442					6,682	58,124
Fines and forfeitures	131,688						131,688
Intergovernmental revenues	539,860	737,325	565,722		120,000	344,545	2,307,452
Charges for services						77,052	77,052
Interest income	15,625	237	2,172		1,359	6,237	25,630
Miscellaneous revenues	14,574		2,540			158,595	175,709
Total Revenues	<u>2,875,399</u>	<u>737,562</u>	<u>1,962,499</u>	<u>0</u>	<u>121,359</u>	<u>641,652</u>	<u>6,338,471</u>
EXPENDITURES							
Current:							
General government	1,603,849						1,603,849
Public safety	646,621					682,859	1,329,480
Public works			2,801,060	597,902	1,182,071	94,049	4,675,082
Health and welfare	147,333					5,000	152,333
Culture and recreation	27,408					21,712	49,120
Conservation of natural resources	78,491						78,491
Economic development and assistance	97,031	743,825				38,393	879,249
Debt service:							
Principal	20,554	62,839	147,142	878,689		38,937	1,148,161
Interest	1,244	243	36,825	12,145		3,928	54,385
Total Expenditures	<u>2,622,531</u>	<u>806,907</u>	<u>2,985,027</u>	<u>1,488,736</u>	<u>1,182,071</u>	<u>884,878</u>	<u>9,970,150</u>
Excess of Revenues over (under) Expenditures	<u>252,868</u>	<u>(69,345)</u>	<u>(1,022,528)</u>	<u>(1,488,736)</u>	<u>(1,060,712)</u>	<u>(243,226)</u>	<u>(3,631,679)</u>

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Pharma Pac Fund	Countywide Road and Bridge Fund	Equipment Sale Fund	Building Renovation Fund		
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued			853,170	468,200	1,125,000	182,520	2,628,890
Long-term non-capital debt issued		740,000					740,000
Proceeds from sale of capital assets	550			1,069,095			1,069,645
Transfers in			130,000			29,047	159,047
Transfers out	(9,185)					(149,862)	(159,047)
Total Other Financing Sources and Uses	<u>(8,635)</u>	<u>740,000</u>	<u>983,170</u>	<u>1,537,295</u>	<u>1,125,000</u>	<u>61,705</u>	<u>4,438,535</u>
Net Changes in Fund Balances	244,233	670,655	(39,358)	48,559	64,288	(181,521)	806,856
Fund Balances - Beginning	<u>1,494,800</u>	<u>520,119</u>	<u>(9,192)</u>	<u>0</u>	<u>0</u>	<u>1,070,567</u>	<u>3,076,294</u>
Fund Balances - Ending	<u>\$ 1,739,033</u>	<u>1,190,774</u>	<u>(48,550)</u>	<u>48,559</u>	<u>64,288</u>	<u>889,046</u>	<u>3,883,150</u>

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

KEMPER COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2006

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 806,856
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 \$3,030,807 exceeded depreciation of \$636,222 in the current period.	2,394,585
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 net gain of \$256,227 and the proceeds from the sale of \$1,069,645 in the current period.	(813,418)
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.	(807)
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 \$3,368,890 exceeded debt repayments of \$1,148,161.	(2,220,729)
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. Thus, the change in net assets differs from change in fund balances by the amount of increase in compensated absences.	<u>(455)</u>
Change in Net Assets of Governmental Activities	<u>\$ 166,032</u>

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

	Business-type Activities - Enterprise Funds		
	Major Fund - Regional Jail Fund	Nonmajor Fund - Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,512,474	51,898	2,564,372
Property tax receivable		107,428	107,428
Accounts receivable (net of allowance for uncollectibles of \$376,618)		70,073	70,073
Intergovernmental receivables		3,504	3,504
Due from other funds		1,855	1,855
Total Current Assets	<u>2,512,474</u>	<u>234,758</u>	<u>2,747,232</u>
Noncurrent assets:			
Other capital assets, net	4,789,781	132,079	4,921,860
Total Noncurrent Assets	<u>4,789,781</u>	<u>132,079</u>	<u>4,921,860</u>
Total Assets	<u>7,302,255</u>	<u>366,837</u>	<u>7,669,092</u>
LIABILITIES			
Current liabilities:			
Claims payable	76,191	11,951	88,142
Due to other funds	8,700		8,700
Accrued interest payable	21,907		21,907
Deferred revenue		107,428	107,428
Unearned revenue		13,455	13,455
Capital debt:			
Capital leases payable	8,056		8,056
Other long-term liabilities	255,000		255,000
Total Current Liabilities	<u>369,854</u>	<u>132,834</u>	<u>502,688</u>
Noncurrent liabilities:			
Capital debt:			
Capital leases payable	2,742		2,742
Other long-term liabilities	4,445,000		4,445,000
Non-capital debt:			
Compensated absences payable	17,552	3,807	21,359
Total Noncurrent Liabilities	<u>4,465,294</u>	<u>3,807</u>	<u>4,469,101</u>
NET ASSETS			
Invested in capital assets, net of related debt	78,983	132,079	211,062
Restricted for:			
Public safety	2,388,124		2,388,124
Public works		98,117	98,117
Total Net Assets	<u>\$ 2,467,107</u>	<u>230,196</u>	<u>2,697,303</u>

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

KEMPER COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2006

Exhibit 6

	Business-type Activities - Enterprise Funds		Totals
	Major Fund - Regional Jail Fund	Nonmajor Fund - Solid Waste Fund	
Operating Revenues			
Charges for services	\$ 2,840,998	269,969	3,110,967
Miscellaneous	46,852	15,616	62,468
Total Operating Revenues	<u>2,887,850</u>	<u>285,585</u>	<u>3,173,435</u>
Operating Expenses			
Personal services	1,155,221	240,238	1,395,459
Contractual services	649,430	76,120	725,550
Materials and supplies	129,505	60,077	189,582
Depreciation expense	134,066	42,457	176,523
Indirect administrative cost	38,528	3,785	42,313
Total Operating Expenses	<u>2,106,750</u>	<u>422,677</u>	<u>2,529,427</u>
Operating Income (Loss)	<u>781,100</u>	<u>(137,092)</u>	<u>644,008</u>
Nonoperating Revenues (Expenses)			
Property tax		101,041	101,041
Interest income	79,012		79,012
Interest expense	(277,402)	(116)	(277,518)
Net Nonoperating Revenue (Expenses)	<u>(198,390)</u>	<u>100,925</u>	<u>(97,465)</u>
Changes in Net Assets	582,710	(36,167)	546,543
Net Assets - Beginning	<u>1,884,397</u>	<u>266,363</u>	<u>2,150,760</u>
Net Assets - Ending	<u>\$ 2,467,107</u>	<u>230,196</u>	<u>2,697,303</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, 2006

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Fund - Regional Jail Fund	Nonmajor Fund - Solid Waste Fund	Totals
Cash Flows From Operating Activities			
Receipts from users	\$ 2,840,998		2,840,998
Receipts from customers		268,542	268,542
Payments to employees	(1,149,046)	(240,029)	(1,389,075)
Payments for claims	(805,934)	(135,987)	(941,921)
Payments to General Fund for indirect costs	(33,928)	(3,785)	(37,713)
Other operating cash receipts	46,852	15,616	62,468
Net Cash Provided (Used) by Operating Activities	<u>898,942</u>	<u>(95,643)</u>	<u>803,299</u>
Cash Flows From Noncapital Financing Activities			
Cash received from property taxes		101,041	101,041
Principal paid on long-term debt	(252,792)	(9,054)	(261,846)
Interest expense	(278,678)	(116)	(278,794)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(531,470)</u>	<u>91,871</u>	<u>(439,599)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(35,274)		(35,274)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(35,274)</u>	<u>0</u>	<u>(35,274)</u>
Cash Flows From Investing Activities			
Interest on investments	79,012		79,012
Net Cash Provided (Used) by Investing Activities	<u>79,012</u>	<u>0</u>	<u>79,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	411,210	(3,772)	407,438
Cash and Cash Equivalents at Beginning of Year	2,101,264	55,670	2,156,934
Cash and Cash Equivalents at End of Year	<u>\$ 2,512,474</u>	<u>51,898</u>	<u>2,564,372</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 781,100	(137,092)	644,008
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	134,066	42,457	176,523
Provision for uncollectible accounts		17,517	17,517
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		(29,114)	(29,114)
(Increase) decrease in intergovernmental receivables		(3,504)	(3,504)
(Increase) decrease in due from other funds		219	219
Increase (decrease) in claims payable	(22,399)	210	(22,189)
Increase (decrease) in compensated absences liability	1,575	209	1,784
Increase (decrease) in unearned revenue		13,455	13,455
Increase (decrease) in interfund payables	4,600		4,600
Total Adjustments	<u>117,842</u>	<u>41,449</u>	<u>159,291</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 898,942</u>	<u>(95,643)</u>	<u>803,299</u>

Noncash Capital Financing Activity:

Kemper County lease purchased mobile equipment for \$23,651 for three years at 3.21% interest. Principal payments of \$9,054 were made on the lease during the year.

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

KEMPER COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 234,954
Due from other funds	3,237
Total Assets	<u>\$ 238,191</u>
LIABILITIES	
Amounts held in custody for others	\$ 173,738
Intergovernmental payables	64,453
Total Liabilities	<u>\$ 238,191</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, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component unit which has 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 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, 2006

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-type activities 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 (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

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.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

The county reports the following major Governmental Funds:

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

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

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.

Equipment Sale Fund - This fund was used by the county to account for the fiscal year's sale of major road equipment and vehicles and to also record the pay-off of lease purchase obligations of the financed assets sold. The remaining funds available are for road and bridge purposes.

Building Renovation Fund - This fund was used by the county to account for bond issue proceeds and federal grant monies used for the renovation of the county's courthouse and the county's farmers market building.

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 (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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 statements. 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 and estimated useful lives:

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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, construction or improvements of those assets.

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

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

Fund Financial Statements:

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

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

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.

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$3,714,481, and the bank balance was \$3,781,492. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

Investments:

The county's investments at year-end consisted entirely of money market mutual funds held by the Hancock Bank trust department. At year-end, the carrying amount of the county's investments was \$2,504,982 and the cost was \$2,504,982. 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. As of September 30, 2006, the county's investment in Hancock Horizon Treasury Securities Money Market Fund was rated AAAM by Standard and Poors.

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year. The average weighted maturity of the securities in the Hancock Horizon Treasury Securities Money Market Fund was less than one year.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Regional Jail	\$ 8,700
Countywide Road and Bridge	General	32,263
Other Governmental Funds	General	910
Other Enterprise Funds	General	1,855
Agency Funds	General	<u>3,237</u>
Total		<u>\$ 46,965</u>

The Regional Jail Fund payable represents indirect administrative costs incurred during the previous and current fiscal years. All other receivables represent the tax revenue collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road and Bridge Fund	Other Governmental Funds	\$ 130,000
Other Governmental Funds	General Fund	9,185
Other Governmental Funds	Other Governmental Funds	<u>19,862</u>
Total		<u>\$ 159,047</u>

The purpose of the interfund transfer to the Countywide Road and Bridge Fund was to provide funds for public works projects. The principal purpose of the remaining interfund transfers was to provide operating funds to pay for ongoing fund expenditures. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 39,092
State aid road funds	24,320
Community development block grants/state's program	47,874
Disaster grants - public assistance	<u>43,136</u>
Total Governmental Activities	\$ <u>154,422</u>
Business-type Activities:	
Garbage fees due from the Town of Dekalb	\$ <u>3,504</u>

(5) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Trans Tech	10/15/02	3.00%	03/01/10	\$ 207,632
Pharma Pac	06/27/03	0.50%	12/01/13	<u>457,274</u>
Total				\$ <u>664,906</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2006</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 419,884				419,884
Construction in progress	222,747	988,678			1,211,425
Total non-depreciable capital assets	<u>642,631</u>	<u>988,678</u>	<u>0</u>	<u>0</u>	<u>1,631,309</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Depreciable capital assets:</u>					
Infrastructure	3,178,711				3,178,711
Buildings	1,889,029	180,690			2,069,719
Mobile equipment	2,707,968	540,069	262,817	(87,250)	2,897,970
Furniture and equipment	112,217				112,217
Leased property under capital leases	1,103,490	1,321,370	1,208,332	87,250	1,303,778
Total depreciable capital assets	<u>8,991,415</u>	<u>2,042,129</u>	<u>1,471,149</u>	<u>0</u>	<u>9,562,395</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	187,908	147,492			335,400
Buildings	881,149	35,104			916,253
Mobile equipment	1,820,750	206,392	215,921	(40,135)	1,771,086
Furniture and equipment	95,502	2,746			98,248
Leased property under capital leases	473,386	244,488	441,810	40,135	316,199
Total accumulated depreciation	<u>3,458,695</u>	<u>636,222</u>	<u>657,731</u>	<u>0</u>	<u>3,437,186</u>
Total depreciable capital assets, net	<u>5,532,720</u>	<u>1,405,907</u>	<u>813,418</u>	<u>0</u>	<u>6,125,209</u>
Governmental activities capital assets, net	<u>\$ 6,175,351</u>	<u>2,394,585</u>	<u>813,418</u>	<u>0</u>	<u>7,756,518</u>
Business-type activities:					
	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Depreciable capital assets:</u>					
Buildings	\$ 5,141,731				5,141,731
Mobile equipment	165,460	35,274			200,734
Furniture and equipment	49,750				49,750
Leased property under capital leases	164,089				164,089
Total depreciable capital assets	<u>5,521,030</u>	<u>35,274</u>	<u>0</u>	<u>0</u>	<u>5,556,304</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Less accumulated depreciation for:</u>					
Buildings	308,504	102,834			411,338
Mobile equipment	72,142	31,191			103,333
Furniture and equipment	31,813	12,962			44,775
Leased property under capital leases	45,462	29,536			74,998
Total accumulated depreciation	<u>457,921</u>	<u>176,523</u>	<u>0</u>	<u>0</u>	<u>634,444</u>
 Total depreciable capital assets, net	 <u>5,063,109</u>	 <u>(141,249)</u>	 <u>0</u>	 <u>0</u>	 <u>4,921,860</u>
 Business-type activities capital assets, net	 <u>\$ 5,063,109</u>	 <u>(141,249)</u>	 <u>0</u>	 <u>0</u>	 <u>4,921,860</u>

* The adjustments were to correctly classify mobile equipment to capital leases for equipment that has not yet been paid off.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 20,479
Public safety	179,825
Public works	418,777
Health and welfare	8,582
Culture and recreation	3,479
Economic development	5,080
 Total governmental activities depreciation expense	 <u>\$ 636,222</u>
 Business-type activities:	
Solid waste	\$ 42,457
Correctional facility	134,066
 Total business-type activities depreciation expense	 <u>\$ 176,523</u>

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Courthouse renovation	\$ 75,271	December, 2006

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 1,252,517	164,089
Furniture and equipment	<u>51,261</u>	<u> </u>
Total	1,303,778	164,089
Less: Accumulated depreciation	<u>316,199</u>	<u>74,998</u>
Leased Property Under Capital Leases	<u>\$ 987,579</u>	<u>89,091</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 160,078	33,246	8,056	224
2008	124,717	28,218	2,742	18
2009	83,772	24,681		
2010	66,805	22,013		
2011	<u>552,193</u>	<u>5,011</u>		
Total	<u>\$ 987,565</u>	<u>113,169</u>	<u>10,798</u>	<u>242</u>

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(9) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
G. O. building bonds	\$ 1,125,000	4.00/5.50%	11/25
Industrial development bonds (Pharma Pac)	<u>740,000</u>	0.00%	07/16
Total General Obligation Bonds	<u>\$ 1,865,000</u>		
B. Capital Leases:			
AS400 computer system	\$ 12,113	3.91%	10/07
Rubber tire roller	13,147	3.97%	11/07
Asphalt tar truck	29,164	3.23%	04/08
Crown Victoria	3,592	2.88%	02/07
2 dump trucks	42,162	2.67%	06/08
2 John Deere tractors	75,403	2.99%	05/08
GMC pickup	6,909	3.37%	03/08
5 Caterpillar motor graders	<u>805,075</u>	3.74%	12/10
Total Capital Leases	<u>\$ 987,565</u>		
C. Other Loans:			
2 fire trucks	\$ 24,813	3.00%	10/07
Fire truck	71,247	2.00%	08/13
CDBG - Trans Tech	207,632	3.00%	03/10
CDBG - Pharma Pac	457,274	0.50%	12/13
2 fire trucks	<u>175,630</u>	2.00%	05/16
Total Other Loans	<u>\$ 936,596</u>		
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal revenue bonds - regional jail*	<u>\$ 4,700,000</u>	5.20/6.25%	09/19
B. Capital Leases:			
Ford van	<u>\$ 10,798</u>	3.21%	03/08

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 35,000	74,542	231,576	18,169
2008	117,300	47,449	125,286	6,539
2009	122,300	45,386	125,831	4,914
2010	122,300	43,186	109,146	3,368
2011	127,300	40,849	91,668	2,609
2012 - 2016	655,800	169,156	253,089	4,825
2017 - 2021	305,000	112,670		
2022 - 2026	380,000	42,056		
Total	<u>\$ 1,865,000</u>	<u>575,294</u>	<u>936,596</u>	<u>40,424</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 255,000	262,878
2008	270,000	246,940
2009	285,000	230,065
2010	300,000	213,677
2011	320,000	198,078
2012 - 2016	1,875,000	716,698
2017 - 2021	1,395,000	163,485
Total	<u>\$ 4,700,000</u>	<u>2,031,821</u>

Limited Obligation Bonds

- * Limited obligation urban renewal bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,800,000 for the purpose of financing the construction and equipping of the Kemper-Neshoba Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006, the amount of outstanding debt was equal to 5.70% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 40,326	455			40,781	
General obligation bonds		1,865,000			1,865,000	35,000
Capital leases	706,437	1,321,370	1,040,242		987,565	160,078
Other loans	861,995	182,520	107,919		936,596	231,576
Total	\$ 1,608,758	3,369,345	1,148,161	0	3,829,942	426,654
Business-type Activities:						
Compensated absences	\$ 19,575	1,784			21,359	
Limited obligation bonds	4,945,000		245,000		4,700,000	255,000
Capital leases	27,644		16,846		10,798	8,056
Total	\$ 4,992,219	1,784	261,846	0	4,732,157	263,056

(10) Contingencies.

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

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

KEMPER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

(11) 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 \$33,834 in fiscal year 2006. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 2006.

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.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Kemper County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provided \$20,538 for support of the commission in fiscal year 2006.

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 \$167,746 for maintenance and support of the college in fiscal year 2006.

(13) Defined Benefit Pension Plan.

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

KEMPER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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 rate at September 30, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$293,868, \$273,227 and \$243,615, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2006, 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>
12/20/06	3.92%	\$ 34,283	Capital lease	General fund revenues
12/28/06	3.92%	16,037	Capital lease	General fund revenues

KEMPER COUNTY

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KEMPER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,041,395	2,063,053	2,126,811	63,758
Road and bridge privilege taxes	500		425	425
Licenses, commissions and other revenue	43,000	25,000	43,401	18,401
Fines and forfeitures	92,000	92,000	130,808	38,808
Intergovernmental revenues	320,379	341,420	437,265	95,845
Charges for services	40,000	40,000	141,260	101,260
Interest income	3,000	3,000	15,601	12,601
Miscellaneous revenues	10,500	13,705	90,275	76,570
Total Revenues	<u>2,550,774</u>	<u>2,578,178</u>	<u>2,985,846</u>	<u>407,668</u>
EXPENDITURES				
Current:				
General government	1,825,485	1,743,752	1,553,167	190,585
Public safety	698,299	751,504	787,063	(35,559)
Health and welfare	156,265	156,265	147,255	9,010
Culture and recreation	38,834	39,834	37,093	2,741
Education	44,500	44,500	18,552	25,948
Conservation of natural resources	87,711	87,711	79,182	8,529
Economic development and assistance	99,482	99,482	97,031	2,451
Debt service:				
Principal		69,153	20,119	49,034
Interest		82,274		82,274
Total Expenditures	<u>2,950,576</u>	<u>3,074,475</u>	<u>2,739,462</u>	<u>335,013</u>
Excess of Revenues over (under) Expenditures	<u>(399,802)</u>	<u>(496,297)</u>	<u>246,384</u>	<u>72,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			151,017	151,017
Transfers out	(40,495)		(178,078)	(178,078)
Total Other Financing Sources and Uses	<u>(40,495)</u>	<u>0</u>	<u>(27,061)</u>	<u>(27,061)</u>
Net Change in Fund Balance	(440,297)	(496,297)	219,323	45,594
Fund Balances - Beginning	<u>440,297</u>	<u>496,297</u>	<u>1,514,042</u>	<u>1,017,745</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>1,733,365</u>	<u>1,063,339</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)
 Pharma Pac Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 380,000			
Charges for services		63,084		(63,084)
Miscellaneous revenues	63,084	663,936	752,527	88,591
Total Revenues	<u>443,084</u>	<u>727,020</u>	<u>752,527</u>	<u>25,507</u>
EXPENDITURES				
Current:				
Economic development and assistance	380,000	1,403,936	689,445	714,491
Debt service:				
Principal	62,839	62,839	62,839	
Interest	245	245	243	2
Total Expenditures	<u>443,084</u>	<u>1,467,020</u>	<u>752,527</u>	<u>714,493</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(740,000)</u>	<u>0</u>	<u>(688,986)</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		740,000	740,000	0
Total Other Financing Sources and Uses	<u>0</u>	<u>740,000</u>	<u>740,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	740,000	(688,986)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>740,000</u>	<u>(688,986)</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 and Bridge Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,197,462	1,290,809	1,290,809	
Road and bridge privilege taxes	95,000	95,000	106,002	11,002
Intergovernmental revenues	558,000	558,000	560,277	2,277
Interest income	1,300	1,300	2,172	872
Miscellaneous revenues		55,983	24,149	(31,834)
Total Revenues	<u>1,851,762</u>	<u>2,001,092</u>	<u>1,983,409</u>	<u>(17,683)</u>
EXPENDITURES				
Current:				
Public works	1,645,762	1,925,092	1,942,929	(17,837)
Debt service:				
Principal	174,000	174,000	183,967	(9,967)
Interest	32,000	32,000		32,000
Total Expenditures	<u>1,851,762</u>	<u>2,131,092</u>	<u>2,126,896</u>	<u>4,196</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(130,000)</u>	<u>(143,487)</u>	<u>(21,879)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		130,000	147,876	17,876
Total Other Financing Sources and Uses	<u>0</u>	<u>130,000</u>	<u>147,876</u>	<u>17,876</u>
Net Change in Fund Balance	0	0	4,389	(4,003)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>845</u>	<u>845</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>5,234</u>	<u>(3,158)</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)
 Equipment Sale Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 0	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		194,319	129,702	64,617
Debt service:				
Principal		874,327	878,689	(4,362)
Interest		449	12,145	(11,696)
Total Expenditures	<u>0</u>	<u>1,069,095</u>	<u>1,020,536</u>	<u>48,559</u>
Excess of Revenues ovcr (under) Expenditures	<u>0</u>	<u>(1,069,095)</u>	<u>(1,020,536)</u>	<u>(48,559)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,069,095	1,069,095	0
Other financing uses				0
Total Other Financing Sources and Uses	<u>0</u>	<u>1,069,095</u>	<u>1,069,095</u>	<u>0</u>
Net Change in Fund Balance	0	0	48,559	(48,559)
Fund Balances - Beginning			0	0
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>48,559</u>	<u>(48,559)</u>

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

KEMPER COUNTY

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KEMPER COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2006

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</u>	<u>Pharma</u>	<u>Countywide</u>	<u>Equipment</u>
	<u>Fund</u>	<u>Pac</u>	<u>Road and</u>	<u>Sale</u>
		<u>Fund</u>	<u>Bridge</u>	<u>Fund</u>
			<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 219,323	740,000	4,389	48,559
Increase (Decrease)				
Net adjustments for revenue accruals	1,359	(14,965)	(22,621)	
Net adjustments for expenditure accruals	<u>23,551</u>	<u>(54,380)</u>	<u>(21,126)</u>	
GAAP Basis	<u>\$ 244,233</u>	<u>670,655</u>	<u>(39,358)</u>	<u>48,559</u>

KEMPER COUNTY

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KEMPER COUNTY

SUPPLEMENTAL INFORMATION

KEMPER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-035-ED-01	\$ 342,025
Community development block grants/state's program	14.228	1120-03-035-RV-01	15,000
Community development block grants/state's program	14.228	1120-02-035-RV-01	<u>14,665</u>
Total Expenditures of Major Federal Awards			<u>371,690</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnership program	14.239	M01-SG-28-01-0176	<u>23,727</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety - Division of Public Safety Planning Public safety partnership and community policing grant (COPS)	16.710	2005-DJ-BX-0365	<u>2,557</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>16,340</u>
Appalachian Regional Commission/Passed-through the Tennessee Valley Authority Appalachian area development	23.002	MS-14855-1-214	<u>120,000</u>
U.S. Election Assistance Committee/Passed-through the Mississippi Secretary of State's Office Help America Vote Act requirements payments (Note B)	90.401	N/A	<u>77,950</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety Homeland Security Cluster State domestic preparedness equipment support program	97.004	04LE035	19,605
State domestic preparedness equipment support program	97.004	05LE035	2,593
State domestic preparedness equipment support program	97.004	05HS035	11,225
State domestic preparedness equipment support program	97.004	3SSG022	<u>3,052</u>
Subtotal			<u>36,475</u>

KEMPER COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	035-99023-00	5,913
Disaster grants - public assistance	97.036	1604-DR-MS	<u>71,082</u>
Subtotal			<u>76,995</u>
Total U.S. Department of Homeland Security			<u>113,470</u>
Total Expenditures of Other Federal Awards			<u>354,044</u>
Total Expenditures of Federal Awards			<u>\$ 725,734</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in the Schedule, federal awards totaling \$77,950 represent non-cash awards for the computerized voting machines during the fiscal year ended September 30, 2006.

KEMPER COUNTY

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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, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated August 1, 2007. 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.

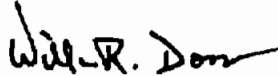
Compliance and Other Matters

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



PHIL BRYANT
State Auditor



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

August 1, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Kemper County, Mississippi

Compliance

We have audited the compliance of Kemper County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. Kemper County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Kemper County, Mississippi's management. Our responsibility is to express an opinion on Kemper County, Mississippi's compliance based on our audit.

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

In our opinion, Kemper County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance

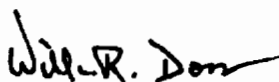
The management of Kemper County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kemper County, Mississippi's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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT
State Auditor



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

August 1, 2007



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, 2006. 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

August 1, 2007

KEMPER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

Schedule 1

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, 2006

Schedule 2

Our test results did not identify any emergency purchases.

KEMPER COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

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

KEMPER COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Kemper County, Mississippi

In planning and performing our audit of the financial statements of Kemper County, Mississippi for the year ended September 30, 2006, we considered Kemper County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Kemper County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 1, 2007, on the financial statements of Kemper County, Mississippi.

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

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

Handwritten signature of Phil Bryant in black ink.

PHIL BRYANT
State Auditor

Handwritten signature of William R. Doss in black ink.

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

August 1, 2007

KEMPER COUNTY

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KEMPER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEMPER COUNTY

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KEMPER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

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? | None Reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | CFDA #14.228 - community development block grants/state's program | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

KEMPER COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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