

# PERRY COUNTY, MISSISSIPPI

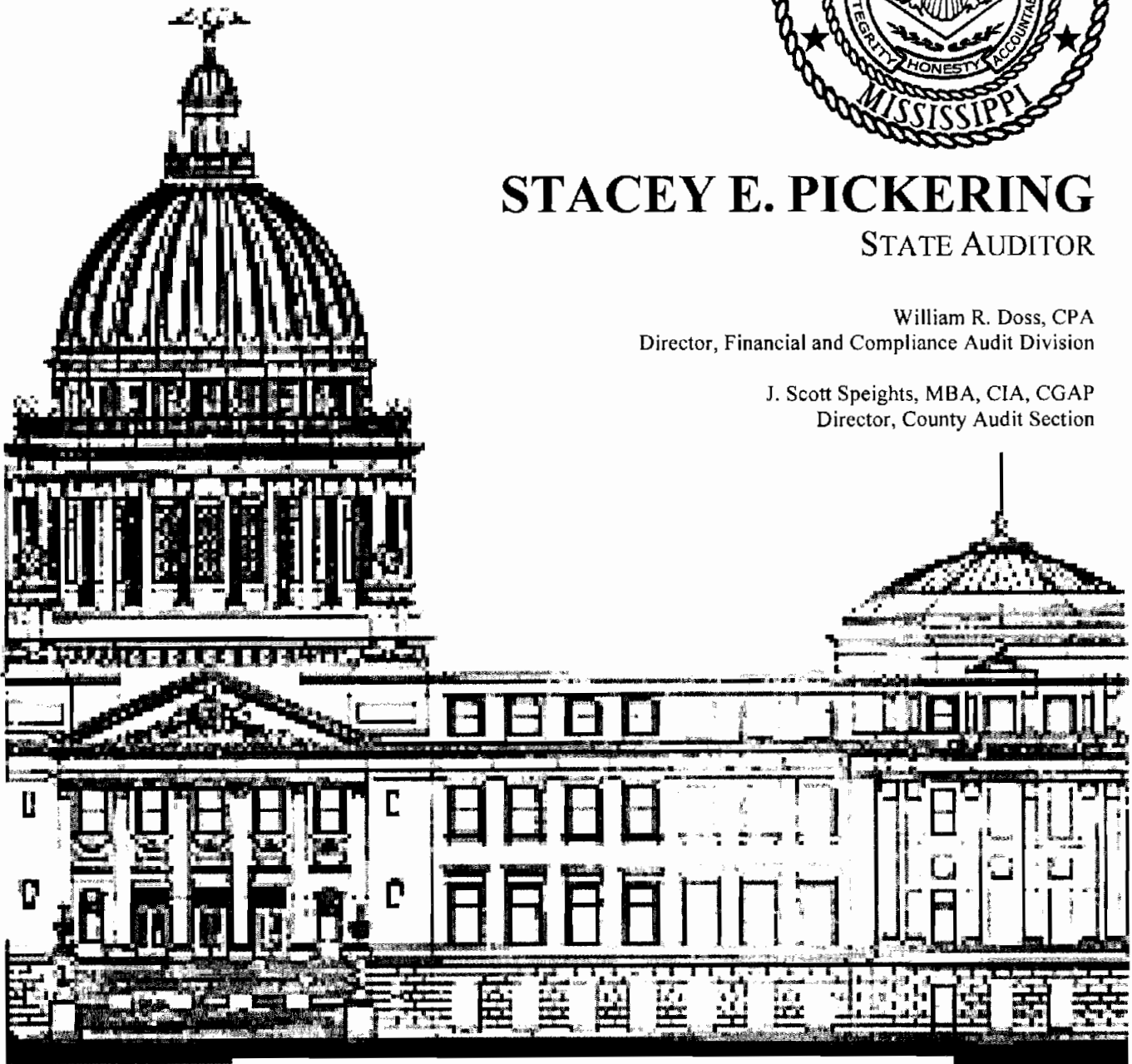
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2007



## STACEY E. PICKERING STATE AUDITOR

William R. Doss, CPA  
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A Report from the County Audit Section

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PERRY COUNTY

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PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Perry County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic 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.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of Perry 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.

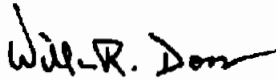
Perry County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry 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.



STACEY E. PICKERING  
State Auditor



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

September 12, 2008

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY  
Statement of Net Assets  
September 30, 2007

Exhibit 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 9,060,686
Property tax receivable	4,523,636
Fines receivable (net of allowance for uncollectibles of \$752,207)	155,194
Intergovernmental receivables	67,624
Other receivables	1,376
Capital assets:	
Land	888,528
Other capital assets, net	<u>18,330,517</u>
Total Assets	<u>33,027,561</u>
<b>LIABILITIES</b>	
Claims payable	164,494
Intergovernmental payables	87,489
Deferred revenue	4,523,636
Unearned revenue	37,872
Other payables	81,404
Long-term liabilities	
Due within one year:	
Capital debt	356,349
Due in more than one year:	
Capital debt	905,318
Non-capital debt	<u>36,336</u>
Total Liabilities	<u>6,192,898</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,957,378
Restricted:	
Expendable:	
General government	167,872
Debt service	613,920
Public safety	200,177
Public works	1,617,333
Health and welfare	343,880
Culture and recreation	433,814
Conservation of natural resources	206,571
Economic development	609,336
Unemployment compensation	84,771
Unrestricted	<u>4,599,611</u>
Total Net Assets	<u>\$ 26,834,663</u>

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

PERRY COUNTY  
Statement of Activities  
For the Year Ended September 30, 2007

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 Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,729,484	250,741	650,347	14,095	(1,814,301)
Public safety	1,409,114	197,707	248,800	70,000	(892,607)
Public works	3,657,300		1,488,341	98,513	(2,070,446)
Health and welfare	148,189		30,258		(117,931)
Culture and recreation	120,800			3,000	(117,800)
Education	588,383				(588,383)
Conservation of natural resources	190,806				(190,806)
Economic development and assistance	277,221		207,048		(70,173)
Interest on long-term debt	83,223				(83,223)
Total Governmental Activities	<u>\$ 9,204,520</u>	<u>448,448</u>	<u>2,624,794</u>	<u>185,608</u>	<u>(5,945,670)</u>
General revenues:					
Property taxes				\$ 4,285,046	
Road & bridge privilege taxes				156,881	
Grants and contributions not restricted to specific programs				603,845	
Unrestricted interest income				369,135	
Miscellaneous				765,607	
Total General Revenues				<u>6,180,514</u>	
Changes in Net Assets				<u>234,844</u>	
Net Assets - Beginning				25,919,496	
Prior period adjustment				680,323	
Net Assets - Beginning, as restated				<u>26,599,819</u>	
Net Assets - Ending				<u>\$ 26,834,663</u>	

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

PERRY COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2007

Exhibit 3

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 4,657,654	4,403,032	9,060,686
Property tax receivable	2,489,267	2,034,369	4,523,636
Fines receivable (net of allowance for uncollectibles of \$752,207)	155,194		155,194
Intergovernmental receivables	67,624		67,624
Other receivables	1,376		1,376
Due from other funds		35,657	35,657
Total Assets	<u>\$ 7,371,115</u>	<u>6,473,058</u>	<u>13,844,173</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Claims payable	\$ 43,165	121,329	164,494
Intergovernmental payables	81,703		81,703
Due to other funds	41,443		41,443
Deferred revenue	2,644,461	2,034,369	4,678,830
Unearned revenue		37,872	37,872
Other payables	81,404		81,404
Total Liabilities	<u>2,892,176</u>	<u>2,193,570</u>	<u>5,085,746</u>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Debt service		613,920	613,920
Unemployment compensation		84,771	84,771
<b>Unreserved - undesignated, reported in:</b>			
General Fund	4,478,939		4,478,939
Special Revenue Funds		3,580,797	3,580,797
Total Fund Balances	<u>4,478,939</u>	<u>4,279,488</u>	<u>8,758,427</u>
Total Liabilities and Fund Balances	<u>\$ 7,371,115</u>	<u>6,473,058</u>	<u>13,844,173</u>

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

PERRY COUNTY  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,758,427
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 \$38,430,554.	19,219,045
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	155,194
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,298,003)</u>
Total Net Assets - Governmental Activities	<u>\$ 26,834,663</u>

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

## PERRY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2007

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 2,549,009	1,736,037	4,285,046
Road and bridge privilege taxes		156,881	156,881
Licenses, commissions and other revenue	146,230	4,182	150,412
Fines and forfeitures	116,316	6,188	122,504
Intergovernmental revenues	1,400,851	2,013,396	3,414,247
Charges for services	58,447	114,920	173,367
Interest income	195,067	174,068	369,135
Miscellaneous revenues	252,083	509,579	761,662
Total Revenues	<u>4,718,003</u>	<u>4,715,251</u>	<u>9,433,254</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,516,626	153,992	2,670,618
Public safety	1,150,363	367,053	1,517,416
Public works		3,173,126	3,173,126
Health and welfare	148,189		148,189
Culture and recreation	10,745	105,671	116,416
Education	588,383		588,383
Conservation of natural resources	39,798	151,008	190,806
Economic development and assistance	9,068	268,153	277,221
Debt service:			
Principal	32,884	420,411	453,295
Interest	2,386	80,837	83,223
Total Expenditures	<u>4,498,442</u>	<u>4,720,251</u>	<u>9,218,693</u>
Excess of Revenues over (under) Expenditures	<u>219,561</u>	<u>(5,000)</u>	<u>214,561</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued	33,325		33,325
Proceeds from sale of capital assets		27,219	27,219
Transfers in		43,246	43,246
Transfers out	(15,964)	(27,282)	(43,246)
Total Other Financing Sources and Uses	<u>17,361</u>	<u>43,183</u>	<u>60,544</u>
Net Changes in Fund Balances	236,922	38,183	275,105
Fund Balances - Beginning	<u>4,242,017</u>	<u>4,241,305</u>	<u>8,483,322</u>
Fund Balances - Ending	<u>\$ 4,478,939</u>	<u>4,279,488</u>	<u>8,758,427</u>

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

PERRY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2007

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 275,105
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 \$1,539,106 were exceeded by depreciation of \$1,980,958 in the current period.	(441,852)
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 \$2,203 and the proceeds from the sale of capital assets of \$27,219 in the current period.	(25,016)
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.	3,907
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 repayments of \$453,295 exceeded debt proceeds of \$33,325.	419,970
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 the change in fund balances by the amount of the following item:	
Reduction in compensated absences	<u>2,730</u>
Change in Net Assets of Governmental Activities	<u>\$ 234,844</u>

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

PERRY COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 2,645
Due from other funds	<u>5,786</u>
Total Assets	<u><u>\$ 8,431</u></u>
<b>LIABILITIES</b>	
Intergovernmental payables	\$ 8,431
Total Liabilities	<u><u>\$ 8,431</u></u>

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

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

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

##### A. Financial Reporting Entity.

Perry 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 Perry County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 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.

The Statement of Net Assets presents the financial condition of the governmental 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. 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 governmental function is self-financing or draws from the general revenues of the county.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

#### 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. Funds are organized into governmental and fiduciary. Major individual Governmental 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 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.

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 Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

#### 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.

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

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities, 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 improvement 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.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

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.

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

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Adjustments to capital assets	\$ <u>680,323</u>

Adjustments were required to correct errors in asset values for mobile equipment, furniture and equipment, and leased property under capital leases as well as errors in accumulated depreciation. See Note 6.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$9,063,331, and the bank balance was \$9,604,923. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 35,657
Agency Funds	General	<u>5,786</u>
Total		\$ <u>41,443</u>

The receivables represent the tax revenue collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 15,964
Other Governmental Funds	Other Governmental Funds	<u>27,282</u>
Total		<u>\$ 43,246</u>

The principal purpose of interfund transfers was to provide funds for grant matches and for unemployment compensation. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 57,207
State homeland security grant program	4,400
Edward Byrne memorial justice assistance grant program	2,691
Hazard mitigation grant	<u>3,326</u>
Total Governmental Activities	<u>\$ 67,624</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance</u> <u>Sept. 30, 2007</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 888,528	<u>0</u>	<u>0</u>	<u>0</u>	<u>888,528</u>
<u>Depreciable capital assets:</u>					
Infrastructure	44,282,477	1,171,754			45,454,231
Buildings	5,907,653	52,086			5,959,739
Improvements other than buildings	50,000				50,000
Mobile equipment	4,104,142	207,439	250,162	140,348	4,201,767
Furniture and equipment	283,776	74,502		(11,550)	346,728
Leased property under capital leases	882,122	33,325		(166,841)	748,606
Total depreciable capital assets	<u>55,510,170</u>	<u>1,539,106</u>	<u>250,162</u>	<u>(38,043)</u>	<u>56,761,071</u>

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
<u>Less accumulated depreciation for:</u>					
Infrastructure	30,524,294	1,479,305		(35,699)	31,967,900
Buildings	2,297,155	92,105		(67,642)	2,321,618
Improvements other than buildings	10,000	2,000			12,000
Mobile equipment	3,627,291	224,911	225,146	(206,030)	3,421,026
Furniture and equipment	279,166	35,051		(106,920)	207,297
Leased property under capital leases	655,202	147,586		(302,075)	500,713
Total accumulated depreciation	<u>37,393,108</u>	<u>1,980,958</u>	<u>225,146</u>	<u>(718,366)</u>	<u>38,430,554</u>
 Total depreciable capital assets, net	 <u>18,117,062</u>	 <u>(441,852)</u>	 <u>(25,016)</u>	 <u>680,323</u>	 <u>18,330,517</u>
 Governmental activities capital assets, net	 <u>\$ 19,005,590</u>	 <u>(441,852)</u>	 <u>(25,016)</u>	 <u>680,323</u>	 <u>19,219,045</u>

\* Adjustments were required to correct errors in asset values for mobile equipment, furniture and equipment, and leased property under capital leases as well as errors in accumulated depreciation. See Note 2.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 110,680
Public safety	124,383
Public works	1,741,511
Culture and recreation	<u>4,384</u>
 Total governmental activities depreciation expense	 <u>\$ 1,980,958</u>

(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 \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 603,442
Furniture and equipment	<u>145,164</u>
Total	748,606
Less: Accumulated depreciation	<u>500,713</u>
Leased Property Under Capital Leases	<u>\$ 247,893</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 156,349	7,158
2009	106,163	2,551
2010	16,547	358
2011	<u>2,608</u>	<u>23</u>
Total	<u>\$ 281,667</u>	<u>10,090</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Partial refunding bonds	\$ 270,000	5.20/5.40%	05-10
Jail building bonds	595,000	5.60/6.00%	06-14
General obligation building bonds	<u>115,000</u>	5.00/5.375%	10-10
Total General Obligation Bonds	<u>\$ 980,000</u>		

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
Computer equipment	\$ 49,552	3.08%	10-08
Motor grader	50,178	3.05%	11-09
Chevrolet CC7500 truck	16,112	3.57%	07-09
Crown Victoria	11,340	3.31%	11-09
Caterpillar backhoe	13,976	3.30%	06-09
Caterpillar backhoe	13,976	3.30%	06-09
Caterpillar backhoe	13,976	3.30%	06-09
Caterpillar backhoe	13,976	3.30%	06-09
Garbage truck	31,397	3.12%	09-09
GMC Sierra ½ ton pickup	7,269	3.46%	06-09
Crown Victoria	14,936	3.83%	01-10
Crown Victoria	15,900	3.83%	01-10
Crown Victoria	1,278	2.65%	12-07
2007 Ford F-150	13,490	3.94%	11-10
2007 Chevy Impala	14,311	4.20%	02-11
Total Capital Leases	\$ <u>281,667</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2008	\$ 200,000	56,174
2009	255,000	43,471
2010	155,000	37,724
2011	85,000	22,200
2012	90,000	17,100
2013 - 2014	195,000	17,700
Total	\$ <u>980,000</u>	<u>194,369</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 1.02% of the latest property assessments.

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2007, \$270,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 39,066		2,730		36,336	
General obligation bonds	1,205,000		225,000		980,000	200,000
Capital leases	476,637	33,325	228,295		281,667	156,349
Total	\$ 1,720,703	33,325	456,025	0	1,298,003	356,349

(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. 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.

(11) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2007
Industrial revenue bonds	\$ 77,000,000

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

#### (12) Joint Ventures.

The county participates in the following joint ventures:

Perry County is a participant with the Counties of Covington, Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$83,754 in fiscal year 2007. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, and the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann.(1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Perry County Board of Supervisors appoints one of the 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five-members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. The county's appropriation to the joint venture was \$1,000 in fiscal year 2007. Complete financial statements for the Richton-Perry County Airport may be obtained from City Hall at 208 Front Street South in Richton, Mississippi.

#### (13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$33,108 for support of the district in fiscal year 2007.

## PERRY COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2007

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provides only modest financial support for the entity.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$52,302 for support of the district in fiscal year 2007.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$266,366 for maintenance and support of the college in fiscal year 2007.

#### (14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$216,725, \$204,484 and \$182,597, respectively, equal to the required contributions for each year.

PERRY COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2007

(15) Subsequent Events.

Subsequent to September 30, 2007, Perry County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/04/2008	3.19%	\$ 38,341	Capital lease	Tax revenue
02/04/2008	3.19%	48,374	Capital lease	Tax revenue
02/04/2008	3.19%	39,310	Capital lease	Tax revenue
04/21/2008	3.14%	58,274	Capital lease	Tax revenue
05/23/2008	3.64%	78,701	Capital lease	Tax revenue
05/23/2008	3.31%	22,811	Capital lease	Tax revenue
06/02/2008	3.46%	60,235	Capital lease	Tax revenue
06/25/2008	3.21%	107,950	Capital lease	Tax revenue
08/04/2008	3.29%	185,475	Capital lease	Tax revenue
07/07/2008	3.21%	96,707	Capital lease	Tax revenue

PERRY COUNTY

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PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,559,275	2,560,246	2,560,246	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	112,350	144,251	144,251	
Fines and forfeitures	125,000	121,021	121,021	
Special assessments				
Contributions to permanent funds				
Intergovernmental revenues	539,604	733,908	805,063	71,155
Charges for services	52,000	58,447	58,447	
Interest income		211,997	211,997	
Miscellaneous revenues	215,300	218,134	146,979	(71,155)
Total Revenues	<u>3,603,529</u>	<u>4,048,004</u>	<u>4,048,004</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,835,824	2,643,059	2,511,714	131,345
Public safety	668,037	1,091,029	1,091,029	
Public works	1,000	1,000	1,000	1,000
Health and welfare	158,264	151,702	151,702	
Culture and recreation	5,200	10,745	10,745	
Education	9,500			
Conservation of natural resources	46,896	40,253	40,253	
Economic development and assistance	17,102	9,068	9,068	
Debt service:				
Principal		26,830	32,354	(5,524)
Interest		2,031	2,916	(885)
Total Expenditures	<u>3,741,823</u>	<u>3,975,717</u>	<u>3,849,781</u>	<u>125,936</u>
Excess of Revenues over (under) Expenditures	<u>(138,294)</u>	<u>72,287</u>	<u>198,223</u>	<u>125,936</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		71,844	1,844	(70,000)
Transfers in	87,725	160,027	124,364	(35,663)
Transfers out	(10,000)	(96,225)	(124,575)	(28,350)
Other financing sources	56,275			
Other financing uses	(157,570)			
Total Other Financing Sources and Uses	<u>(23,570)</u>	<u>135,646</u>	<u>1,633</u>	<u>(134,013)</u>
Net Change in Fund Balance	(161,864)	207,933	199,856	(8,077)
Fund Balances - Beginning	<u>2,552,626</u>	<u>4,116,803</u>	<u>4,189,417</u>	<u>72,614</u>
Fund Balances - Ending	<u>\$ 2,390,762</u>	<u>4,324,736</u>	<u>4,389,273</u>	<u>64,537</u>

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

PERRY COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2007

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. 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:

	Governmental <u>Fund Type</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 199,856
Increase (Decrease)	
Net adjustments for revenue accruals	576,908
Net adjustments for expenditure accruals	<u>(539,842)</u>
GAAP Basis	\$ <u><u>236,922</u></u>

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Agriculture/Passed-through the Mississippi State Treasurer's Office - Federal Forest Service Schools and roads grants to states	10.665	N/A	\$ <u>1,329,284</u>
Total Expenditures of Major Federal Awards			<u>1,329,284</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	MO3-SG-280-254	<u>206,849</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	05LB1561	2,691
Edward Bryne memorial justice assistance grant program	16.738	06HR1561	<u>72,385</u>
Total U.S. Department of Justice			<u>75,076</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>2,860</u>

PERRY COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2007

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	1604-DR-MS	<u>35,836</u>
Passed-through the Mississippi Department of Public Safety Homeland Security grant program	97.067	06LE056	8,489
Homeland Security grant program	97.067	05LE056	24,391
Homeland Security grant program	97.067	05HS056	<u>38,990</u>
Subtotal			<u>71,870</u>
Total U.S. Department of Homeland Security			<u>107,706</u>
Total Expenditures of Other Federal Awards			<u>392,491</u>
Total Expenditures of Federal Awards			<u>\$ 1,721,775</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.

PERRY COUNTY

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PERRY COUNTY

SPECIAL REPORTS

PERRY COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Perry County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of and for the year ended September 30, 2007, and have issued our report thereon dated September 12, 2008. 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 Perry County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perry County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting identified as 07-1, 07-2 and 07-3 that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1 and 07-3 to be material weaknesses.

Compliance and Other Matters

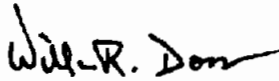
As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

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.



STACEY E. PICKERING  
State Auditor



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

September 12, 2008



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
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  
Perry County, Mississippi

#### Compliance

We have audited the compliance of Perry 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, 2007. Perry 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 Perry County, Mississippi's management. Our responsibility is to express an opinion on Perry 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 Perry 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 Perry County, Mississippi's compliance with those requirements.

In our opinion, Perry 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, 2007.

## Internal Control Over Compliance

The management of Perry 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 Perry County, Mississippi's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

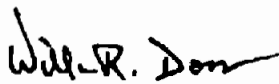
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



STACEY E. PICKERING  
State Auditor



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

September 12, 2008



# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
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  
Perry County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Perry County, Mississippi, as of and for the year ended September 30, 2007. 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 Perry 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 Perry 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.

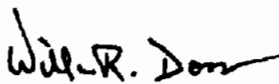
In our opinion, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Perry 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.



STACEY E. PICKERING  
State Auditor



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

September 12, 2008

PERRY COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2007

Schedule 1

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

PERRY COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2007

Schedule 2

Our test results did not identify any emergency purchases.

PERRY COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2007

Schedule 3

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

PERRY COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi for the year ended September 30, 2007, we considered Perry 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 Perry 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 September 12, 2008, on the financial statements of Perry County, Mississippi.

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

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 Stacey E. Pickering in black ink.

STACEY E. PICKERING  
State Auditor

Handwritten signature of William R. Doss in black ink.

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

September 12, 2008

PERRY COUNTY

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PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

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PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

- |     |   |               |
|-----|---|---------------|
| 4.  | Internal control over major programs:   |               |
| a.  | Material weakness identified?   | No            |
| b.  | Significant deficiency 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 program identified as a major program:<br><br>Schools and roads grants to states, CFDA #10.665  |               |
| 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            |

PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material weakness

07-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management does not have personnel that possess the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied on to perform these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response

Perry County, Mississippi, will immediately establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Significant Deficiency

07-2. Finding

An effective system of internal control includes the maintenance of centralized accounting records for all receipts and disbursements. The county entered into a Hazard mitigation grant agreement. During our audit procedures, we noted that federal revenues and expenditures related to this particular grant were not received into and disbursed from the county's General Ledger. We found no evidence that control activities were in place to ensure that all federal revenues and expenditures are included in the county's General Ledger. As a result, the county's federal revenues and expenditures were understated by the excluded amounts. Additionally, internal controls included in the county's General Ledger accounting were absent with respect to these excluded federal monies. The absence of these internal controls could result in the misappropriation of federal funds. An adjustment was proposed and made to reflect the amounts inappropriately excluded.

Recommendation

The Board of Supervisors should implement controls to ensure that all federal revenues and expenditures are properly reflected in the county's General Ledger.

Board of Supervisors' Response

Perry County, Mississippi, will immediately implement controls to ensure that all federal revenues and expenditures are properly reflected in the county's General Ledger.

PERRY COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Significant Deficiency - Material Weakness

07-3. Finding

An effective system of internal controls includes the maintenance of centralized accounting records for all receipts and disbursements.

The following internal control deficiencies were noted in the county's process of accounting for the receipt and disbursement of National Forest Distribution Title I funds.

- a. Fifty percent of the county's National Forest Distribution Title I revenues were not receipted into the General Ledger.
- b. The county's disbursement of these funds to Perry County Schools was not reflected in the county's General Ledger.

Because these revenues and disbursements were not properly reflected in the county's General Ledger, internal controls included in General Ledger accounting were absent for these federal funds. This could result in the misappropriation of federal funds.

The county's revenues and disbursements were understated by the amounts excluded from the General Ledger. An adjustment was proposed and made to reflect the amounts inappropriately excluded.

Recommendation

It is recommended that the Perry County Board of Supervisors take the necessary steps to ensure that the county's federal revenues and disbursements are properly reflected in the county's General Ledger.

It is further recommended that the county receive into and disburse from a separate fund all National Forest Distribution Title I revenues. This would facilitate more effective tracking of the receipts and disbursements of these federal monies.

Board of Supervisors' Response

We will comply and take the necessary steps to ensure that the county's federal revenue and disbursements are properly reflected in the county's General Ledger.

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.