

PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2008

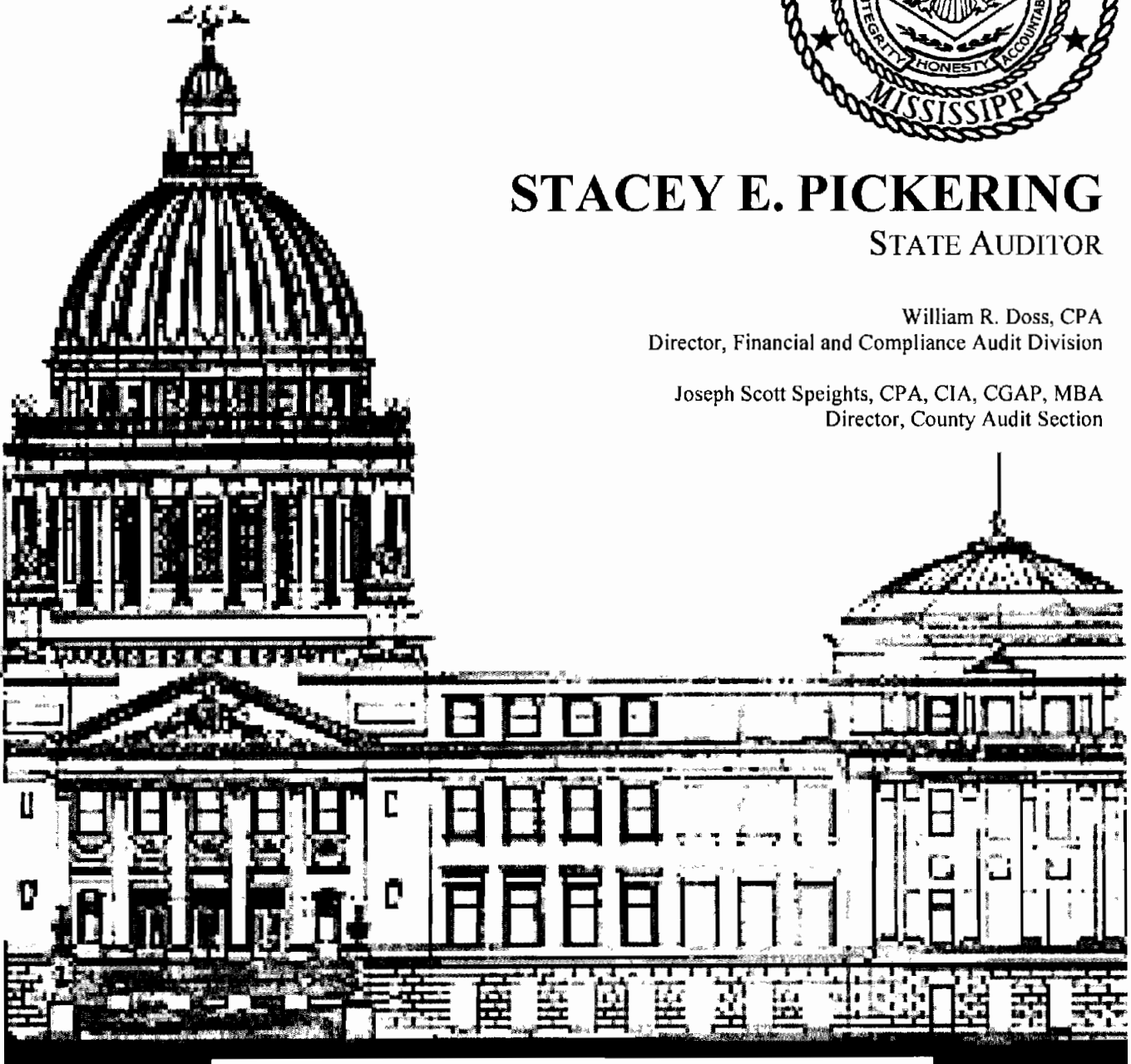


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



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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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, 2008, 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 previously 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, 2008, 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 October 9, 2009, 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.

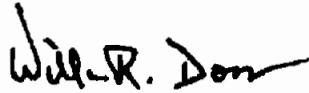
Perry County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

October 9, 2009

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 9,997,094
Property tax receivable	4,553,849
Fines receivable (net of allowance for uncollectibles of \$638,688)	105,841
Intergovernmental receivables	132,872
Other receivables	2,564
Capital assets:	
Land	912,903
Other capital assets, net	18,425,460
Total Assets	<u>34,130,583</u>
LIABILITIES	
Claims payable	247,409
Intergovernmental payables	95,001
Deferred revenue	4,553,849
Unearned revenue	4,266
Other payables	78,047
Long-term liabilities	
Due within one year:	
Capital debt	508,280
Due in more than one year:	
Capital debt	1,080,998
Non-capital debt	40,090
Total Liabilities	<u>6,607,940</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,749,085
Restricted:	
Expendable:	
General government	146,091
Debt service	224,915
Public safety	458,772
Public works	2,877,962
Culture and recreation	359,476
Conservation of natural resources	206,258
Economic development	773,789
Unemployment compensation	95,325
Unrestricted	4,630,970
Total Net Assets	<u>\$ 27,522,643</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, 2008

Exhibit 2

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government	Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 2,351,462	212,087	16,001		(2,123,374)	
Public safety	1,528,899	224,674	141,983	73,476	(1,088,766)	
Public works	4,058,399		1,325,299	1,006,808	(1,726,292)	
Health and welfare	304,029		178,426		(125,603)	
Culture and recreation	208,191			3,405	(204,786)	
Education	560,485		560,485		0	
Conservation of natural resources	198,033		152,205		(45,828)	
Economic development and assistance	70,739				(70,739)	
Interest on long-term debt	67,320				(67,320)	
Total Governmental Activities	\$ 9,347,557	436,761	2,374,399	1,083,689	(5,452,708)	
General revenues:						
Property taxes					\$ 4,545,673	
Road & bridge privilege taxes					161,425	
Grants and contributions not restricted to specific programs					1,001,380	
Unrestricted interest income					348,831	
Miscellaneous					83,379	
Total General Revenues					6,140,688	
Changes in Net Assets					687,980	
Net Assets - Beginning					26,834,663	
Net Assets - Ending					\$ 27,522,643	

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

PERRY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash	\$ 4,772,486	5,224,608	9,997,094
Property tax receivable	2,455,067	2,098,782	4,553,849
Fines receivable (net of allowance for uncollectibles of \$638,688)	105,841		105,841
Intergovernmental receivables	132,872		132,872
Other receivables	2,564		2,564
Due from other funds		42,720	42,720
Total Assets	\$ 7,468,830	7,366,110	14,834,940
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 126,935	120,474	247,409
Intergovernmental payables	89,012		89,012
Due to other funds	48,709		48,709
Deferred revenue	2,560,908	2,098,782	4,659,690
Unearned revenue		4,266	4,266
Other payables	78,047		78,047
Total Liabilities	2,903,611	2,223,522	5,127,133
Fund balances:			
Reserved for:			
Debt service		224,915	224,915
Unemployment compensation		95,325	95,325
Unreserved - undesignated, reported in:			
General Fund	4,565,219		4,565,219
Special Revenue Funds		4,822,348	4,822,348
Total Fund Balances	4,565,219	5,142,588	9,707,807
Total Liabilities and Fund Balances	\$ 7,468,830	7,366,110	14,834,940

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, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,707,807
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 \$40,319,528.	19,338,363
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	105,841
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,629,368)</u>
Total Net Assets - Governmental Activities	\$ <u><u>27,522,643</u></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, 2008

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,470,358	2,075,315	4,545,673
Road and bridge privilege taxes		161,425	161,425
Licenses, commissions and other revenue	143,416	6,113	149,529
Fines and forfeitures	133,186	15,901	149,087
Intergovernmental revenues	1,214,071	3,243,644	4,457,715
Charges for services	74,980	113,521	188,501
Interest income	180,738	168,093	348,831
Miscellaneous revenues	91,073	32,564	123,637
Total Revenues	<u>4,307,822</u>	<u>5,816,576</u>	<u>10,124,398</u>
EXPENDITURES			
Current:			
General government	2,168,812	161,726	2,330,538
Public safety	1,267,852	365,973	1,633,825
Public works	1,000	4,142,030	4,143,030
Health and welfare	153,488	150,541	304,029
Culture and recreation		193,782	193,782
Education	560,485	6,992	567,477
Conservation of natural resources	45,515	152,518	198,033
Economic development and assistance	17,101	53,638	70,739
Debt service:			
Principal	27,583	380,984	408,567
Interest	2,517	64,803	67,320
Total Expenditures	<u>4,244,353</u>	<u>5,672,987</u>	<u>9,917,340</u>
Excess of Revenues over (under) Expenditures	<u>63,469</u>	<u>143,589</u>	<u>207,058</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	22,811	713,367	736,178
Proceeds from sale of capital assets		6,144	6,144
Transfers in		383,722	383,722
Transfers out		(383,722)	(383,722)
Total Other Financing Sources and Uses	<u>22,811</u>	<u>719,511</u>	<u>742,322</u>
Net Changes in Fund Balances	<u>86,280</u>	<u>863,100</u>	<u>949,380</u>
Fund Balances - Beginning	<u>4,478,939</u>	<u>4,279,488</u>	<u>8,758,427</u>
Fund Balances - Ending	\$ <u>4,565,219</u>	<u>5,142,588</u>	<u>9,707,807</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, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 949,380
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,175,308 exceeded depreciation of \$2,010,338 in the current period.	164,970
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 loss of \$39,508 and the proceeds from the sale of \$6,144 in the current period.	(45,652)
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.	(49,353)
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 \$408,567 were exceeded by debt proceeds of \$736,178.	(327,611)
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:	
Increase in compensated absences	<u>(3,754)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>687,980</u></u>

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

PERRY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 17,309
Due from other funds	<u>5,989</u>
Total Assets	<u>\$ 23,298</u>
LIABILITIES	
Intergovernmental payables	\$ <u>23,298</u>
Total Liabilities	<u>\$ 23,298</u>

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

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

(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.

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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

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.

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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

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.

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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

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.

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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

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 absence liability payable only if the payable has matured, for example, an employee resigns or retires.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$10,014,403, and the bank balance was \$10,748,830. 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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 42,720
Agency Funds	General Fund	5,989
		<hr/>
Total		\$ <u>48,709</u>

The receivables represent the tax revenue collected but not settled until October, 2008. All interfund balances are expected to be repaid within one year from the date of the financial statements.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ <u>383,722</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 62,872
State fire truck purchase assistance grant	<u>70,000</u>
Total Governmental Activities	\$ <u>132,872</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	<u>Balance Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2008</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ <u>888,528</u>	<u>24,375</u>	<u>0</u>	<u>0</u>	<u>912,903</u>
<u>Depreciable capital assets:</u>					
Infrastructure	45,454,231	959,853			46,414,084
Buildings	5,959,739	75,864		23,349	6,058,952
Improvements other than buildings	50,000				50,000
Mobile equipment	4,201,767	379,038	167,016		4,413,789
Furniture and equipment	346,728				346,728
Leased property under capital leases	748,606	736,178		(23,349)	1,461,435
Total depreciable capital assets	<u>56,761,071</u>	<u>2,150,933</u>	<u>167,016</u>	<u>0</u>	<u>58,744,988</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	31,967,900	1,483,431			33,451,331
Buildings	2,321,618	95,139		21,014	2,437,771
Improvements other than buildings	12,000	2,000			14,000
Mobile equipment	3,421,026	238,244	121,364		3,537,906
Furniture and equipment	207,297	31,968		(21,014)	218,251
Leased property under capital leases	500,713	159,556			660,269
Total accumulated depreciation	<u>38,430,554</u>	<u>2,010,338</u>	<u>121,364</u>	<u>0</u>	<u>40,319,528</u>
Total depreciable capital assets, net	<u>18,330,517</u>	<u>140,595</u>	<u>45,652</u>	<u>0</u>	<u>18,425,460</u>
Governmental activities					
Capital assets, net	\$ <u>19,219,045</u>	<u>164,970</u>	<u>45,652</u>	<u>0</u>	<u>19,338,363</u>

* Adjustments reflect the reclassification of paid off capital leases.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 65,031
Public safety	157,519
Public works	1,780,371
Culture and recreation	<u>7,417</u>
Total governmental activities depreciation expense	<u>\$ 2,010,338</u>

(6) 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, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,316,271
Furniture and equipment	<u>145,164</u>
Total	1,461,435
Less: Accumulated depreciation	<u>(660,269)</u>
Leased Property Under Capital Leases	<u>\$ 801,166</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 213,280	21,809
2010	151,862	15,972
2011	139,652	11,893
2012	136,196	8,016
2013	<u>203,288</u>	<u>4,523</u>
Total	<u>\$ 844,278</u>	<u>62,213</u>

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

(8) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Partial refunding bonds	\$ 140,000	5.40%	02-09
Jail building bonds	525,000	5.80/6.00%	06-14
General obligation building bonds	<u>80,000</u>	4.60/6.5%	10-10
Total General Obligation Bonds	<u>\$ 745,000</u>		
B. Capital Leases:			
Computer equipment	\$ 3,870	3.08%	10-08
Motor grader	26,497	3.05%	11-09
2005 Chevrolet CC7500 truck	7,454	3.57%	07-09
2005 Crown Victoria	6,187	3.31%	11-09
Caterpillar backhoe	6,089	3.30%	06-09
Caterpillar backhoe	6,089	3.30%	06-09
Garbage truck	15,943	3.12%	09-09
Caterpillar backhoe	6,089	3.30%	06-09
2005 GMC Sierra 1/2 ton pickup	3,150	3.46%	06-09
2006 Crown Victoria	9,518	3.83%	01-10
2006 Crown Victoria	9,564	3.83%	01-10
2007 Ford F-150 pickup	9,410	3.94%	11-10
2007 Chevrolet Impala	10,332	4.20%	02-11
2008 Crown Victoria	21,472	3.31%	06-12
Caterpillar backhoe	6,089	3.30%	06-09
Garbage truck	95,219	3.21%	08-13
2008 Kubota tractor	76,302	3.64%	07-13
2008 Ford 4300 dump truck	58,388	3.46%	08-13
2009 IHC dump truck	54,842	3.14%	06-12
Caterpillar motorgrader	104,623	3.21%	07-13
2008 Kubota tractor	35,369	3.19%	07-13
Cat motor grader	184,097	3.29%	09-13
Case tractor and boom mower	<u>87,685</u>	3.19%	08-12
Total Capital Leases	<u>\$ 844,278</u>		

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

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
2009	\$ 295,000	43,471
2010	80,000	37,724
2011	85,000	22,200
2012	90,000	17,100
2013	95,000	11,700
2014	100,000	6,000
Total	\$ 745,000	138,195

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 the county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to .8% of the latest property assessments.

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, 2008, \$140,000 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, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 36,336	3,754			40,090	
General obligation bonds	980,000		235,000		745,000	295,000
Capital leases	281,667	736,178	173,567		844,278	213,280
Total	\$ 1,298,003	739,932	408,567	0	1,629,368	508,280

(9) 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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

(10) 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, 2008
Industrial revenue bonds	\$ <u>77,000,000</u>

(11) 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 \$78,348 in fiscal year 2008. 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 the 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 2008. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

(12) 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 county 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.

PERRY COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2008

Southeast Mississippi Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, 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 2008.

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 \$17,101 for the support of the district in fiscal year 2008.

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 \$269,675 for the maintenance and support of the college in fiscal year 2008.

(13) 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, 2008 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, 2008, 2007 and 2006 were \$246,608, \$216,725 and \$204,484 respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2008, Perry County issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
04/02/2009	3.21%	\$	63,854	Capital lease	Tax revenue
04/02/2009	3.21%		61,956	Capital lease	Tax revenue

PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,565,227	2,471,874	2,471,874	
Licenses, commissions and other revenue	115,850	137,580	137,580	
Fines and forfeitures	103,000	135,868	135,868	
Intergovernmental revenues	596,263	733,784	733,784	
Charges for services	56,000	74,980	74,980	
Interest income	111,500	180,738	180,738	
Miscellaneous revenues	145,700	184,284	184,284	
Total Revenues	<u>3,693,540</u>	<u>3,919,108</u>	<u>3,919,108</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,910,171	2,163,068	2,162,800	268
Public safety	1,394,585	1,321,597	1,275,353	46,244
Public works	1,000	1,000	1,000	
Health and welfare	176,182	114,638	148,838	(34,200)
Education	52,799	146,606	104,535	42,071
Conservation of natural resources	47,491	40,152	40,152	
Economic development and assistance	17,101	17,101	17,101	
Debt service:				
Principal	38,142	27,801	27,801	
Interest		2,300	2,299	1
Total Expenditures	<u>4,637,471</u>	<u>3,834,263</u>	<u>3,779,879</u>	<u>54,384</u>
Excess of Revenues over (under) Expenditures	<u>(943,931)</u>	<u>84,845</u>	<u>139,229</u>	<u>54,384</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		16,088	16,088	
Transfers in	83,820	100,548	100,548	
Transfers out	(10,000)	(87,579)	(101,773)	(14,194)
Total Other Financing Sources and Uses	<u>73,820</u>	<u>29,057</u>	<u>14,863</u>	<u>(14,194)</u>
Net Change in Fund Balance	(870,111)	113,902	154,092	40,190
Fund Balances - Beginning	4,047,126	4,459,273	4,459,273	0
Fund Balances - Ending	<u>\$ 3,177,015</u>	<u>4,573,175</u>	<u>4,613,365</u>	<u>40,190</u>

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

PERRY COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

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 Fund Type
	<u>General Fund</u>
Budget (Cash Basis)	\$ 154,092
Increase (Decrease)	
Net adjustments for revenue accruals	23,267
Net adjustments for expenditure accruals	<u>(91,079)</u>
GAAP Basis	\$ <u>86,280</u>

PERRY COUNTY

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PERRY COUNTY

SUPPLEMENTAL INFORMATION

PERRY COUNTY

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PERRY COUNTY
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture -- National Forest Funds Mississippi State Treasurer's Office -- Federal Forest Service Schools and roads grants to states*	10.665	N/A	\$ <u>1,273,488</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home investments partnerships program	14.239	MO5-SG-280-254	<u>150,342</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	06HR1561	<u>33,606</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	1604 DR MS	<u>3,500</u>
Total Expenditures of Federal Awards			\$ <u>1,460,936</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

* Denotes major federal award program.

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, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 9, 2009. 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 the 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as 08-1 to be a significant deficiency 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, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

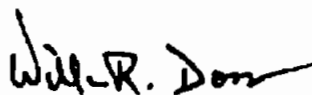
As part of obtaining reasonable assurance about whether Perry County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Perry County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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

October 9, 2009



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, 2008. 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, 2008.

Internal Control Over Compliance

The management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the 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.

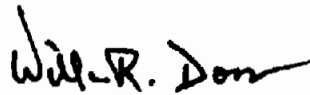
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

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, the Board of Supervisors, others within the entity, 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

October 9, 2009



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, 2008. 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.

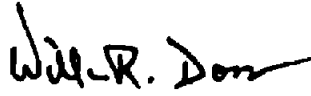
In our opinion, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

October 9, 2009

PERRY COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

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, 2008

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, 2008

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, 2008, 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 October 9, 2009, 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, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Stacey E. Pickering in black ink.

STACEY E. PICKERING
State Auditor

Handwritten signature of William R. Dooss in black ink.

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

October 9, 2009

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, 2008

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 weakness identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the financial statements noted? | 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 disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program:

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 finding 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 Ending September 30, 2008

Section 2: Financial Statement Finding

Board of Supervisors.

Significant Deficiency - Material Deficiency

08 -1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior year audit report, management did not have personnel who possessed 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, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements 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.

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.