

PERRY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

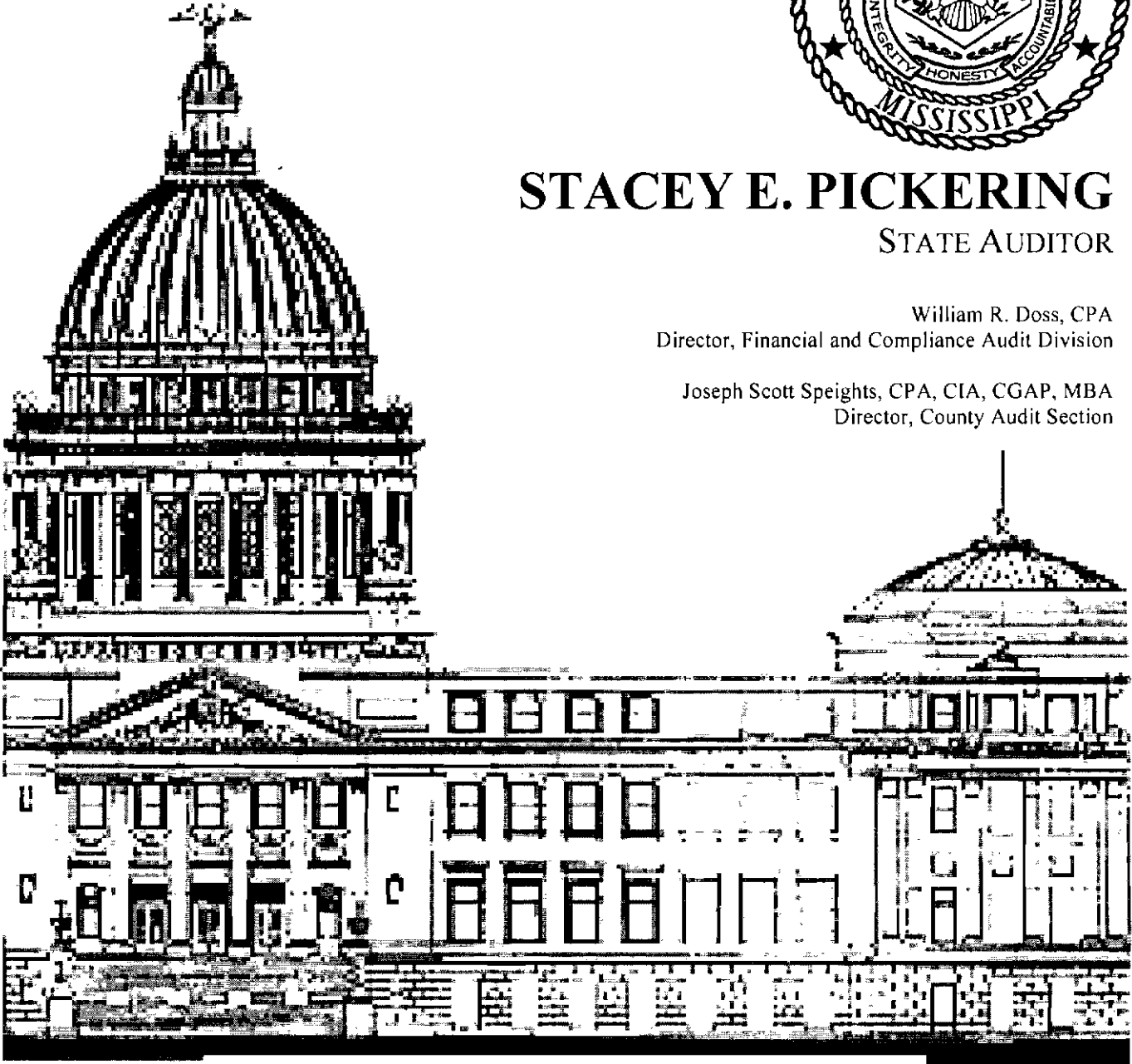


STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 13, 2010

Members of the Board of Supervisors
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Perry County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

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

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, 2009, 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.

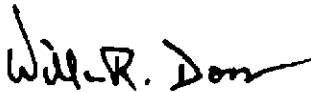
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2009, and the respective 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 August 13, 2010, 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.

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, slightly slanted style.

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

August 13, 2010

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

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PERRY COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 9,570,414
Property tax receivable	4,597,546
Fines receivable (net of allowance for uncollectibles of \$706,559)	131,929
Intergovernmental receivables	185,876
Other receivables	2,506
Capital assets:	
Land	912,903
Other capital assets, net	<u>19,478,324</u>
Total Assets	<u>34,879,498</u>
LIABILITIES	
Claims payable	120,810
Intergovernmental payables	102,702
Deferred revenue	4,597,546
Unearned revenue	32,150
Other payables	68,652
Long-term liabilities	
Due within one year:	
Capital debt	291,689
Due in more than one year:	
Capital debt	916,292
Non-capital debt	<u>40,176</u>
Total Liabilities	<u>6,170,017</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,183,246
Restricted:	
Expendable:	
General government	111,004
Debt service	108,750
Public safety	384,014
Public works	2,546,396
Culture and recreation	340,896
Conservation of natural resources	149,367
Economic development	846,734
Unemployment compensation	116,913
Unrestricted	<u>4,922,161</u>
Total Net Assets	<u>\$ 28,709,481</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, 2009

Exhibit 2

Functions/Programs	Program Revenues			Expenses	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	\$ 330,015			2,668,209			(2,338,194)
Public safety	204,200	300,630		1,971,963			(1,467,133)
Public works	8,421	2,056,124	1,622,510	4,460,205			(773,150)
Health and welfare		80,192		168,415			(88,223)
Culture and recreation			3,000	140,833			(137,833)
Education				731,147			(731,147)
Conservation of natural resources				31,018			(31,018)
Economic development and assistance		157,487		60,620			96,867
Interest on long-term debt				70,979			(70,979)
Total Governmental Activities	\$ 542,636	2,436,946	1,782,997	10,303,389			(5,540,810)
General revenues:							
Property taxes							\$ 4,490,052
Road & bridge privilege taxes							159,824
Grants and contributions not restricted to specific programs							1,205,056
Unrestricted interest income							354,607
Miscellaneous							616,144
Total General Revenues							6,825,683
Changes in Net Assets							1,284,873
Net Assets - Beginning							27,522,643
Prior period adjustment							(98,035)
Net Assets - Beginning, as restated							27,424,608
Net Assets - Ending							\$ 28,709,481

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

PERRY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 4,884,759	4,685,655	9,570,414
Property tax receivable	2,553,690	2,043,856	4,597,546
Fines receivable (net of allowance for uncollectibles of \$706,559)	131,929		131,929
Intergovernmental receivables	185,876		185,876
Other receivables	2,506		2,506
Due from other funds		43,231	43,231
Total Assets	<u>\$ 7,758,760</u>	<u>6,772,742</u>	<u>14,531,502</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 28,148	92,662	120,810
Intergovernmental payables	96,575		96,575
Due to other funds	49,358		49,358
Deferred revenue	2,685,619	2,043,856	4,729,475
Unearned revenue		32,150	32,150
Other payables	68,652		68,652
Total Liabilities	<u>2,928,352</u>	<u>2,168,668</u>	<u>5,097,020</u>
Fund balances:			
Reserved for:			
Debt service		108,750	108,750
Unemployment compensation		116,913	116,913
Unreserved - undesignated, reported in:			
General Fund	4,830,408		4,830,408
Special Revenue Funds		4,378,411	4,378,411
Total Fund Balances	<u>4,830,408</u>	<u>4,604,074</u>	<u>9,434,482</u>
Total Liabilities and Fund Balances	<u>\$ 7,758,760</u>	<u>6,772,742</u>	<u>14,531,502</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, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,434,482
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 \$41,032,603.	20,391,227
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	131,929
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,248,157)</u>
Total Net Assets - Governmental Activities	<u>\$ 28,709,481</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, 2009

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 2,433,697	2,056,355	4,490,052
Road and bridge privilege taxes		159,824	159,824
Licenses, commissions and other revenue	156,137	3,316	159,453
Fines and forfeitures	163,596	7,973	171,569
Intergovernmental revenues	1,525,930	3,899,069	5,424,999
Charges for services	61,417	124,109	185,526
Interest income	181,989	172,618	354,607
Miscellaneous revenues	214,606	368,942	583,548
Total Revenues	<u>4,737,372</u>	<u>6,792,206</u>	<u>11,529,578</u>
EXPENDITURES			
Current:			
General government	2,049,795	556,485	2,606,280
Public safety	1,431,627	384,945	1,816,572
Public works	1,000	5,858,176	5,859,176
Health and welfare	168,415		168,415
Culture and recreation		135,359	135,359
Education	731,147		731,147
Conservation of natural resources	31,018		31,018
Economic development and assistance	20,385	40,235	60,620
Debt service:			
Principal	34,488	472,619	507,107
Interest	1,901	69,078	70,979
Total Expenditures	<u>4,469,776</u>	<u>7,516,897</u>	<u>11,986,673</u>
Excess of Revenues over (under) Expenditures	<u>267,596</u>	<u>(724,691)</u>	<u>(457,095)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		125,810	125,810
Proceeds from sale of capital assets		57,960	57,960
Transfers in		15,069	15,069
Transfers out	(2,407)	(12,662)	(15,069)
Total Other Financing Sources and Uses	<u>(2,407)</u>	<u>186,177</u>	<u>183,770</u>
Net Changes in Fund Balances	265,189	(538,514)	(273,325)
Fund Balances - Beginning	<u>4,565,219</u>	<u>5,142,588</u>	<u>9,707,807</u>
Fund Balances - Ending	<u>\$ 4,830,408</u>	<u>4,604,074</u>	<u>9,434,482</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, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (273,325)
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 \$2,034,947 exceeded depreciation of \$858,684 in the current period.	1,176,263
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 \$32,596 and the proceeds from the sale of \$57,960 in the current period.	(25,364)
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.	26,088
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 \$507,107 exceeded debt proceeds of \$125,810.	381,297
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of the following item:	
Increase in compensated absences	<u>(86)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,284,873</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, 2009

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 20,805
Due from other funds	6,127
Total Assets	\$ <u><u>26,932</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>26,932</u>
Total Liabilities	\$ <u><u>26,932</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, 2009

(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 and notes.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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, 2009

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.

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.

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

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 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.

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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:

	Capitalization Thresholds	Estimated Useful Life
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.

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.

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

(2) Prior Period Adjustment.

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

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets.	\$ <u>(98,035)</u>

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$9,591,219, and the bank balance was \$10,197,904. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. 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, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 43,231
Agency Funds	General Fund	<u>6,127</u>
Total		<u>\$ 49,358</u>

The receivables represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 2,407
Other Governmental Funds	Other Governmental Funds	<u>12,662</u>
Total		<u>\$ 15,069</u>

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

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 48,641
Occupant protection incentive grants	2,152
Hazard mitigation grant	128,250
State and community highway safety grant	6,833
Total Governmental Activities	\$ <u>185,876</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 912,903	0	0	0	912,903
<u>Depreciable capital assets:</u>					
Infrastructure	46,414,084	1,710,123			48,124,207
Buildings	6,058,952				6,058,952
Improvements other than buildings	50,000				50,000
Mobile equipment	4,413,789	62,115	229,202	328,552	4,575,254
Furniture and equipment	346,728	136,900	24,906	130,264	588,986
Leased property under capital leases	1,461,435	125,809		(473,716)	1,113,528
Total depreciable capital assets	<u>58,744,988</u>	<u>2,034,947</u>	<u>254,108</u>	<u>(14,900)</u>	<u>60,510,927</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	33,451,331	371,912		58,676	33,881,919
Buildings	2,437,771	95,139			2,532,910
Improvements other than buildings	14,000	2,000			16,000
Mobile equipment	3,537,906	210,107	206,328	234,241	3,775,926
Furniture and equipment	218,251	36,727	22,416	151,659	384,221
Leased property under capital leases	660,269	142,799		(361,441)	441,627
Total accumulated depreciation	<u>40,319,528</u>	<u>858,684</u>	<u>228,744</u>	<u>83,135</u>	<u>41,032,603</u>
Total depreciable capital assets, net	<u>18,425,460</u>	<u>1,176,263</u>	<u>25,364</u>	<u>(98,035)</u>	<u>19,478,324</u>
Governmental activities capital assets, net	\$ <u>19,338,363</u>	<u>1,176,263</u>	<u>25,364</u>	<u>(98,035)</u>	<u>20,391,227</u>

* Adjustments reflect the reclassification of paid-off capital leases and the correction of prior year errors.

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 75,635
Public safety	153,631
Public works	623,944
Culture and recreation	<u>5,474</u>
Total governmental activities depreciation expense	<u>\$ 858,684</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, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,113,528
Less: Accumulated depreciation	<u>441,627</u>
Leased Property Under Capital Leases	<u>\$ 671,901</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 171,689	20,795
2011	165,087	15,486
2012	160,511	10,081
2013	207,181	4,920
2014	<u>13,513</u>	<u>127</u>
Total	<u>\$ 717,981</u>	<u>51,409</u>

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(9) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail building bonds	\$ 450,000	5.80/6.00%	06-2014
General obligation building bonds	<u>40,000</u>	4.60/6.50%	10-2010
Total General Obligation Bonds	<u>\$ 490,000</u>		
B. Capital Leases:			
Motor grader	\$ 2,069	3.05%	11-2009
2006 Crown Victoria	2,305	3.83%	01-2010
2006 Crown Victoria	2,336	3.83%	01-2010
2007 Ford F-150 pickup	5,167	3.94%	11-2010
2007 Chevrolet Impala	6,183	4.20%	02-2011
2008 Crown Victoria	16,004	3.31%	06-2012
Garbage truck	77,049	3.21%	08-2013
2008 Kubota tractor	61,596	3.64%	07-2013
2008 Ford 4300 dump truck	47,094	3.46%	08-2013
2009 IHC dump truck	40,806	3.14%	06-2012
Caterpillar motor grader	84,286	3.21%	07-2013
2008 Kubota tractor	28,066	3.19%	07-2013
Caterpillar motor grader	165,874	3.29%	09-2013
Case tractor and boom mower	65,029	3.19%	08-2012
4300 International dump body	57,919	3.21%	04-2014
4300 International dump body	<u>56,198</u>	3.21%	04-2014
Total Capital Leases	<u>\$ 717,981</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
2010	\$ 120,000	29,070
2011	85,000	22,200
2012	90,000	17,100
2013	95,000	11,700
2014	<u>100,000</u>	<u>6,000</u>
Total	<u>\$ 490,000</u>	<u>86,070</u>

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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, 2009, the amount of outstanding debt was equal to 0.47% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 40,090	86			40,176	
General obligation bonds	745,000		255,000		490,000	120,000
Capital leases	844,278	125,810	252,107		717,981	171,689
Total	\$ 1,629,368	125,896	507,107	0	1,248,157	291,689

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund and Road Maintenance Funds.

(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, 2009
Industrial revenue bonds	\$ 77,000,000

PERRY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

(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 \$77,296 in fiscal year 2009. 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 2009. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street 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 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.

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 2009.

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.

PERRY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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 \$17,351 for the support of the district in fiscal year 2009.

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 \$266,629 for the maintenance and support of the college in fiscal year 2009.

(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, 2009 was 12% 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, 2009, 2008 and 2007 were \$263,633, \$246,608 and \$216,725, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2009, 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>
12/21/2009	3.10%	\$	63,171	Capital lease	Tax revenue
12/21/2009	3.10%		63,171	Capital lease	Tax revenue
01/29/2010	3.10%		23,363	Capital lease	Tax revenue
03/15/2010	3.10%		96,185	Capital lease	Tax revenue
04/08/2010	3.07%		24,675	Capital lease	Tax revenue
04/08/2010	3.07%		23,375	Capital lease	Tax revenue
05/25/2010	3.14%		71,943	Capital lease	Tax revenue
05/25/2010	3.14%		71,943	Capital lease	Tax revenue
05/25/2010	3.14%		23,914	Capital lease	Tax revenue
06/02/2010	3.50/4.25%		6,000,000	G. O. Bond	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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,414,356	2,432,016	2,432,016	
Licenses, commissions and other revenue	114,500	154,957	154,957	
Fines and forfeitures	107,200	161,372	161,372	
Intergovernmental revenues	654,560	1,458,695	1,458,695	
Charges for services	58,000	61,417	61,417	
Interest income	115,550	181,939	181,939	
Miscellaneous revenues	239,622	170,002	170,002	
Total Revenues	<u>3,703,788</u>	<u>4,620,398</u>	<u>4,620,398</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,455,999	2,053,968	2,053,968	
Public safety	1,312,649	1,507,506	1,507,506	
Public works	1,000	1,000	1,000	
Health and welfare	326,809	172,658	172,658	
Culture and recreation	17,101			
Education	47,800	731,147	731,147	
Conservation of natural resources	48,025	36,230	36,230	
Economic development and assistance		20,385	20,385	
Debt service:				
Principal	31,891	8,393	8,393	
Interest		649	649	
Total Expenditures	<u>5,241,274</u>	<u>4,531,936</u>	<u>4,531,936</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,537,486)</u>	<u>88,462</u>	<u>88,462</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		5,371	5,371	
Transfers in		90,734	90,734	
Transfers out	(23,794)	(93,141)	(93,141)	
Other financing uses		(38,439)	(38,439)	
Total Other Financing Sources and Uses	<u>(23,794)</u>	<u>(35,475)</u>	<u>(35,475)</u>	<u>0</u>
Net Change in Fund Balance	(1,561,280)	52,987	52,987	0
Fund Balances - Beginning	3,956,012	4,571,293	4,571,293	0
Fund Balances - Ending	<u>\$ 2,394,732</u>	<u>4,624,280</u>	<u>4,624,280</u>	<u>0</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, 2009

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)	\$ 52,987
Increase (Decrease)	
Net adjustments for revenue accruals	20,870
Net adjustments for expenditure accruals	<u>191,332</u>
GAAP Basis	<u>\$ 265,189</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, 2009

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Department of Treasury Schools and roads - grants to states*	10.665	N/A	\$ 1,342,088
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	08-056-PF-01	80.087
Home investment partnerships program	14.239	M08-SG-280-254	77.400
Total U.S. Department of Housing and Urban Development			<u>157,487</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	7.785
Edward Byrne memorial justice assistance grant program	16.738	08LB1561	4.903
Total U.S. Department of Justice			<u>12,688</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 070 B	3.800
Highway planning and construction	20.205	EFLF 0056 21 BO	10,125
Highway planning and construction	20.205	EFLH 0056 20 BO	25,500
Highway planning and construction	20.205	EFLH 0056 21 BO	10,125
Subtotal			<u>49,550</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster State and community highway safety	20.600	09TA1561	49,279
Occupant protection incentive grants	20.602	09OP1561	4,910
Total U.S. Department of Transportation			<u>103,739</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety Office of Homeland Security Homeland Security Cluster State domestic preparedness equipment support program	97.004	07HS056	16,346

PERRY COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2009

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	DR-1604-MS	128,250
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety Law enforcement terrorism prevention program	97.074	07LE056	<u>13,608</u>
Total U.S. Department of Homeland Security			<u>158,204</u>
Total Expenditures of Federal Awards			<u>\$ 1,774,206</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.

* 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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 13, 2010. 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 certain deficiencies in internal control over financial reporting 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 Questioned Costs as 09-1 and 09-2 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.

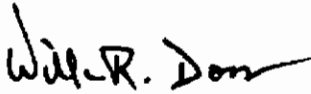
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 09-1 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 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, 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.



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

August 13, 2010



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, 2009. 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, 2009.

Internal Control Over Compliance

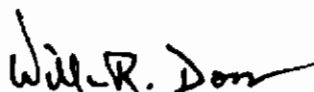
The management of Perry County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Perry County, Mississippi's 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.



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

August 13, 2010



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, 2009. 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.

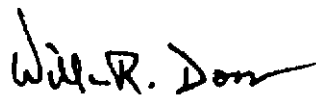
The Board of Supervisors of Perry County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing 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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

August 13, 2010

PERRY COUNTY

Schedule I

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

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, 2009

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, 2009

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, 2009, 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 August 13, 2010, 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, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, 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.

A handwritten signature in black ink that reads "Will R. Doss".

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

August 13, 2010

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, 2009

Section I: 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? | Yes |
| 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 Ended September 30, 2009

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior two years' audit reports, management did not have personnel who possessed the necessary training 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

We will comply with your recommendation.

Tax Assessor-Collector.

Significant Deficiency

09-2. Finding

An effective system of internal control over cash includes properly settling all taxes collected to the proper authorities. We noted that there was an unidentified overage of cash in the amount of \$40,417 in the Tax Assessor-Collector's bank account, compared to the cash journal, at the fiscal year-end. Failure to have adequate controls over cash settlements could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should properly settle all taxes collected to the proper authorities.

Tax Assessor-Collector's Response

I will get with the computer programmer at Delta Computer Systems to find out where the problem is. I will comply with the auditor's recommendation.

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.