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TIPPAH COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2014

THE SPARKS CPA FIRM, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TIPPAH COUNTY, MISSISSIPPI
RIPLEY, MISSISSIPPI
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September 30, 2014

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Tippah County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tippah County Health Services, and the Tippah County Development Foundation, component units, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. 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 from material misstatement. However, the financial statements of the Tippah County Development Foundation, a component unit, audited by other auditors was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include all financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The County has not included financial statements for Tippah County Volunteer Fire Departments. See Note 1(A) for the description of the omitted component units. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Tippah County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Material Departures from Guidelines

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Tippah County, Mississippi has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tippah County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2016, on our consideration of Tippah 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* in considering Tippah County, Mississippi's internal control over financial reporting and compliance.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
August 9, 2016

FINANCIAL STATEMENTS

TIPPAH COUNTY
Statement of Net Position
September 30, 2014

	Primary Government	Component Units		
	Governmental Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
ASSETS				
Cash	\$ 3,971,026	226,729	103,323	330,052
Interest receivable			8,375	8,375
Property tax receivable	4,585,393			
Accounts receivable			8,000	8,000
Patient accounts receivable, (net of estimated uncollectibles of \$2,860,234)		1,386,918		1,386,918
Fines receivable, (net of allowance for uncollectibles of \$646,429)	606,340			
Estimated third party payor settlements		60,648		60,648
Current portion of lease receivable			229,799	229,799
Capital lease receivable	997,500			
Intergovernmental receivables	463,357			
Other receivables	43,772	467,259		467,259
Inventories and prepaid items		358,479		358,479
Lease receivable, less current portion			655,718	655,718
Other assets		240,359	44,258	284,617
Capital assets:				
Land and construction in progress	4,638,546	116,132	254,936	371,068
Other capital assets, net	22,310,284	3,928,218	308,289	4,236,507
Total Assets	<u>37,616,218</u>	<u>6,784,742</u>	<u>1,612,698</u>	<u>8,397,440</u>
LIABILITIES				
Claims payable	1,137,470	712,441	9,629	722,070
Patient accounts receivable - credit balances		38,348		38,348
Accrued liabilities	252,073	518,067	8,984	527,051
Intergovernmental payables	305,054			
Amounts held in custody for others	22,822			
Short-term notes payable		254,306		254,306
Long-term liabilities				
Due within one year:				
Capital debt	466,074	333,557	254,822	588,379
Non-capital debt	195,000			
Due in more than one year:				
Capital debt	2,956,731	214,603	843,054	1,057,657
Non-capital debt	585,000			
Total Liabilities	<u>5,920,224</u>	<u>2,071,322</u>	<u>1,116,489</u>	<u>3,187,811</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	4,585,393			
Capital leases for future reporting period	8,661			
Total Deferred Inflows of Resources	<u>4,594,054</u>			
NET POSITION				
Net investment in capital assets	23,526,026	3,496,190		3,496,190
Restricted:				
Expendable:				
General government	23,769			
Debt service	263,773			
Public safety	191,285			
Public works	1,431,511			
Health and welfare	13,738			
Economic development	16,538			
Unrestricted	1,635,300	1,217,230	496,209	1,713,439
Total Net Position	<u>\$ 27,101,940</u>	<u>4,713,420</u>	<u>496,209</u>	<u>5,209,629</u>

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

Exhibit 2

TIPPAH COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
Primary government:								
Governmental activities:								
General government	\$ 3,429,343	381,608	1,148,517		(1,899,218)			
Public safety	1,912,293	303,043	85,108		(1,524,144)			
Public works	3,049,131		913,548	1,500,261	(635,322)			
Health and welfare	371,117				(371,117)			
Culture and recreation	200,432				(200,432)			
Conservation of natural resources	44,842				(44,842)			
Economic development and assistance	66,463		4,040	436,269	373,846			
Interest on long-term debt	91,726				(91,726)			
Total Governmental Activities	<u>9,165,347</u>	<u>684,651</u>	<u>2,151,211</u>	<u>1,936,530</u>	<u>(4,392,955)</u>			
Total Primary Government	\$ 9,165,347	684,651	2,151,211	1,936,530	(4,392,955)			
Component Units:								
Tippah County Health Services	\$ 13,083,715	12,749,603	140,109			(194,003)		(194,003)
Tippah County Development Foundation	217,093	23,899	60,000				(133,194)	(133,194)
Total Component Units	\$ 13,300,808	12,773,502	200,109			(194,003)	(133,194)	(327,197)
General revenues								
Property taxes				\$ 5,843,296			53,407	53,407
Road & bridge privilege taxes				242,926				
Unrestricted gifts and donations								
Unrestricted interest income				97,002	4,752	49,893		54,645
Unrestricted investment income								
Lease revenue							34,970	34,970
Miscellaneous				380,726			891	891
Gain/(loss) on sale of assets				17,047	(1,046)			(1,046)
Total General Revenues				<u>6,580,997</u>	<u>3,706</u>	<u>139,161</u>	<u>142,867</u>	
Changes in Net Position					<u>2,188,042</u>	<u>(190,297)</u>	<u>5,967</u>	<u>(184,330)</u>
Net Position - Beginning					<u>24,869,113</u>	<u>4,903,717</u>	<u>490,242</u>	<u>5,393,959</u>
Prior period adjustment					44,785			
Net Position - Beginning, as restated					<u>24,913,898</u>	<u>4,903,717</u>	<u>490,242</u>	<u>5,393,959</u>
Net Position - Ending					<u>\$ 27,101,940</u>	<u>4,713,420</u>	<u>496,209</u>	<u>5,209,629</u>

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

TIPPAH COUNTY
Balance Sheet - Governmental Funds
September 30, 2014

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	AlumaForm Fund	Countywide Road Fund	MDA Grant Match Fund	State Aid Road Fund		
ASSETS							
Cash	\$ 1,825,686	741,773	752,691		70,742	580,134	3,971,026
Property tax receivable	2,994,769		863,503			727,121	4,585,393
Fines receivable (net of allowance for uncollectibles of \$646,429)	606,340						606,340
Capital lease receivable				910,000		87,500	997,500
Intergovernmental receivables	205,617	209,218	25,156		13,648	9,718	463,357
Other receivables	41,772					2,000	43,772
Due from other funds			26,816			33,867	60,683
Advances to other funds	23,769		680,677			22,349	726,795
Total Assets	\$ 5,697,953	950,991	2,348,843	910,000	84,390	1,462,689	11,454,866
LIABILITIES							
Liabilities:							
Claims payable	\$ 102,127	950,991	64,611		13,648	6,093	1,137,470
Accrued liabilities	198,888		40,775			12,410	252,073
Intergovernmental payables	292,514		9,726			2,814	305,054
Due to other funds	49,634					11,049	60,683
Advances from other funds	405,331		9,458			312,006	726,795
Amounts held in custody for others	22,822						22,822
Total Liabilities	1,071,316	950,991	124,570		13,648	344,372	2,504,897
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	2,994,769		863,503			727,121	4,585,393
Unavailable revenue - fines	606,340						606,340
Unavailable revenue - capital lease receivables				910,000		87,500	997,500
Total Deferred Inflows of Resources	\$ 3,601,109		863,503	910,000		814,621	6,189,233
Fund balances:							
Nonspendable:							
Advances	23,769		680,677			22,349	726,795
Restricted for:							
Public works			680,093		70,742		750,835
Health and welfare						13,738	13,738
Debt service						263,773	263,773
Committed to:							
Public safety						183,724	183,724
Economic development and assistance						1,750	1,750
Unassigned	1,001,759					(181,638)	820,121
Total Fund Balances	1,025,528		1,360,770		70,742	303,696	2,760,736
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,697,953	950,991	2,348,843	910,000	84,390	1,462,689	11,454,866

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

TIPPAH COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the
 Statement of Net Position
 September 30, 2014

	Amount
Total Fund Balance - Governmental Funds	\$ 2,760,736
Amounts reported for governmental activities in the Statement of Net Position 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 \$30,661,155.	26,948,830
A portion of the County's fines will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	606,340
Capital leases are not available to to pay for current period expenditures and, therefore, are deferred in the funds.	900,039
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,202,805)
Total Net Position - Governmental Activities	\$ 27,101,940

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

Exhibit 4

TIPPAH COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2014

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	AlumaForm Fund	Countywide Road Fund	MDA Grant Match Fund	State Aid Road Fund		
REVENUES							
Property taxes	\$ 3,777,150		1,120,739			945,407	5,843,298
Road & bridge privilege taxes			242,926				242,926
Licenses, commissions, and other revenue	247,113						247,113
Fines and forfeitures	184,174						184,174
Intergovernmental revenues	1,143,900	399,084	560,473		1,757,744	226,540	4,087,741
Charges for services	310,108						310,108
Interest income	83,175		6,589			7,229	97,002
Miscellaneous revenues	69,751		1,160				70,911
Total Revenues	5,815,371	399,084	1,931,896		1,757,744	1,179,176	11,083,271
EXPENDITURES							
Current:							
General government	3,327,567	4,050					3,331,617
Public safety	1,738,506					152,285	1,890,861
Public works	124,243		1,949,682		1,797,835	514,611	4,386,371
Health and welfare	197,081					174,036	371,117
Culture and recreation	200,432						200,432
Conservation of natural resources	44,842						44,842
Economic development & assistance	18,463	1,950,286				207,286	2,176,035
Debt service:							
Principal	210,936		106,728	21,617		285,989	625,270
Interest	52,731		4,827	11,151		23,018	91,727
Total Expenditures	5,914,891	1,954,336	2,061,237	32,768	1,797,835	1,357,205	13,118,272
Excess of Revenues over (under) Expenditures	(99,520)	(1,555,252)	(129,341)	(32,768)	(40,091)	(178,029)	(2,035,001)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	45,485	1,551,202	21,000			122,970	1,740,657
Proceeds from sale of capital assets			36,989				36,989
Compensation for loss of capital assets	20,087		37,088				57,175
Transfers in	230,960	4,050				80,800	315,810
Transfers out	(84,850)			(45,067)		(185,893)	(315,810)
Lease principal payments				53,900		17,952	71,852
Total Other Financing Sources and Uses	211,682	1,555,252	95,077	8,833		35,829	1,906,673
Net Changes in Fund Balances	112,162		(34,264)	(23,935)	(40,091)	(142,200)	(128,328)
Fund Balances - Beginning	913,366		1,395,034	23,935	110,833	445,896	2,889,064
Fund Balances - Ending	\$ 1,025,528		1,360,770		70,742	303,696	2,760,736

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

TIPPAH COUNTY
 Reconciliation of the Statement of Revenues
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2014

Net Changes in Fund Balances - Governmental Funds	\$	(128,328)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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 position differs from the change in fund balances by the amount that capital outlays of \$3,875,541 exceeded depreciation expense of (\$547,887) in the current period.</p>		
		3,327,654
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Donated Assets - Land		252,640
<p>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 position differs from the change in fund balances by the amount of the net gain of \$17,047 and the proceeds from the sale of capital assets of (\$36,989).</p>		
		(19,942)
<p>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.</p>		
		(56,743)
<p>In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from the change in fund balances by the principal collections on the capital leases.</p>		
		(71,852)
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,740,657 exceeded debt repayments of \$625,270.</p>		
		(1,115,387)
Change in Net Position of Governmental Activities	\$	<u>2,188,042</u>

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

TIPPAH COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 158,673
Property tax receivable	286,459
Intergovernmental receivables	1,955
Total Assets	<u>\$ 447,087</u>
LIABILITIES	
Amounts held in custody for others	\$ 119,877
Accrued liabilities	40,751
Deferred revenue	286,459
Total Liabilities	<u>\$ 447,087</u>

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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Tippah County (the 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 Tippah County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of these component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Blue Mountain Volunteer Fire Department
- Dry Creek Volunteer Fire Department
- Dumas Volunteer Fire Department
- Falkner Volunteer Fire Department
- Gravestown Volunteer Fire Department
- Mitchell Volunteer Fire Department
- Ripley Volunteer Fire Department
- Spout Springs Volunteer Fire Department
- Walnut Volunteer Fire Department

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. Individual Component Unit Disclosures.

Discretely Presented Component Units

The component units columns in the financial statements include the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County. A majority of the members of the governing bodies of these component units are appointed by the County Board of Supervisors.

Tippah County Health Services provides inpatient, outpatient, emergency, and long-term care services for residents of Tippah County, Mississippi, and surrounding areas. The facility is governed by a Board of Trustees appointed by the Supervisors of Tippah County, Mississippi. Tippah County levied ad valorem taxes in the amount of \$91,835 to provide financial support for Tippah County Health Services. Complete financial statements may be obtained by contacting Tippah County Health Services administrative offices at (662) 837-9221.

TIPPAH COUNTY

Notes to Financial Statements

For the Year Ended September 30, 2014

Tippah County Development Foundation, Inc. is a nonprofit organization that promotes economic and community development in order to improve the quality of life for the citizens of Tippah County, Mississippi. The Foundation's support comes primarily from ad valorem taxes and membership dues. Tippah County levied ad valorem taxes in the amount of \$65,179 to provide financial support for Tippah County Development Foundation, Inc. Tippah County also has an operating lease agreement with Tippah County Development Foundation for the lease of a building. Complete financial statements may be obtained by contacting the Tippah County Development Foundation, Inc. at 201 Union Street Ripley, Mississippi 38663.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component units. 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position 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 and 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 as Other Governmental Funds.

D. 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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

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 Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

AlumaForm Fund - This fund is used to account for monies received to complete the AlumaForm economic development project.

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

MDA Grant Match Fund - This fund is used to account for CECA lease payments and to pay the debt associated with the project.

State Aid Road Fund - This fund is used to account for capital projects funded through the Office of State Aid Road Construction.

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 restricted or committed to expenditure for specified purposes other than capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPES

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.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

E. 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 2012 by the Government Finance Officers Association.

F. Deposits.

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.

G. Receivables.

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

H. 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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. 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 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.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

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.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting periods/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements, but the revenue is not available, the government should report a deferred inflow of resources until such a time as the revenue becomes available.

K. 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 Position.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - 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 position - Consists of net position 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 position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. 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 expenditures is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. 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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example and employee resigns or retires. For the year ending September 30, 2014, the County recognized no liability.

O. Change in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections -2012- an amendment of GASB Statements No. 10 and No. 62*.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanation	Amount
To correct construction in progress beginning balance.	\$ 15,144
To correct beginning balance of fixed assets.	29,641
Total prior period adjustments	<u>\$ 44,785</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$4,129,699 and the bank balance was \$4,139,076. The collateral for public entities' deposits in financial institutions are 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.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Fund	General Fund	26,816
Other Governmental Funds	General Fund	22,818
Other Governmental Funds	Other Governmental Funds	11,049
Total		<u>\$ 60,683</u>

The interfund balances to the General Fund represent tax revenue collected from the tax collector but not settled until October, 2014. The other interfund balance represents tax revenue settled to Tippah County Health Department erroneously and is due to Tippah County Health Department. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	23,769
Countywide Road Fund	General Fund	400,000
Countywide Road Fund	Other Governmental Funds	280,677
Other Governmental Funds	General Fund	5,331
Other Governmental Funds	Countywide Road Fund	9,458
Other Governmental Funds	Other Governmental Funds	7,560
Total		<u>\$ 726,795</u>

The balances represent funds advanced to various funds to alleviate funding shortages. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	MDA Grant Match Fund	45,067
General Fund	Other Governmental Funds	185,893
AlumaForm Fund	General Fund	4,050
Other Governmental Funds	General Fund	80,800
Total		<u>\$ 315,810</u>

The principal purpose of interfund transfers was to provide for general operating purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(5) Intergovernmental Receivables.

Intergovernmental Receivables at September 30, 2014, consisted of the following:

Governmental Activities:

Description	Amount
	\$
Legislative tax credit	105,059
State motor vehicle license privilege tax	40,135
Gas tax	18,048
Housing prisoners	4,575
State aid road	13,648
AlumaForm project	209,218
Welfare	35,638
EMA grant	17,712
Other	19,324
Total Governmental Activities	<u>\$ 463,357</u>

(6) Lease Receivables.

Component Unit: Tippah County Development Foundation

Description	Amount
Law Enforcement Center	\$ 793,820
Industrial Park Extension	91,697
Less: Current Portion	<u>(229,799)</u>
Total Lease Receivables	<u>\$ 655,718</u>

The Tippah County Development Foundation (Foundation) entered into an agreement on October 20, 1999 with Tippah County, for the construction of a new jail. Under the terms of the agreement, the Foundation was to obtain long-term financing, construct the jail building, and lease it to the County. The related lease payments are equal to the required debt payments while the County is required to pay all expenses related to the building.

In 2007, the Foundation entered into an agreement with Tippah County for the purchase of land in the industrial park. Under the terms of the agreement, the Foundation was to obtain long-term financing, purchase the land, and lease it to the County. The related lease payments are equal to the required debt payments while the County is required to pay all expenses related to the land.

In 2011, the Foundation entered into an agreement with Tippah County for the purchase of an archive building. Under the terms of the agreement, the Foundation was to obtain long-term financing, purchase the building, and lease it to the County. The related lease payments are equal to the required debt repayments while the County is required to pay all expenses related to the building.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
Non-depreciable capital assets:					
Land	\$ 1,291,168	252,640			1,543,808
Construction in progress	377,561	3,648,722		(931,545)	3,094,738
Total non-depreciable capital assets	1,668,729	3,901,362		(931,545)	4,638,546
Depreciable capital assets:					
Infrastructure	41,086,594			946,693	42,033,287
Buildings	2,983,838				2,983,838
Improvements other than buildings	39,800				39,800
Mobile equipment	4,451,032	226,819	179,617	166,251	4,664,485
Furniture and equipment	427,586		33,356	163,549	557,779
Leased property under capital leases	2,692,250				2,692,250
Total depreciable capital assets	51,681,100	226,819	212,973	1,276,493	52,971,439
Less accumulated depreciation for:					
Infrastructure	24,258,148	264,437			24,522,585
Buildings	985,253	50,472			1,035,725
Improvements other than buildings	12,736	1,592			14,328
Mobile equipment	3,588,805	140,977	159,675	149,628	3,719,735
Furniture and equipment	312,971	28,903	33,356	150,535	459,053
Leased property under capital leases	848,223	61,506			909,729
Total accumulated depreciation	30,006,136	517,887	193,031	300,163	30,661,155
Total depreciable capital assets, net	21,674,964	(321,068)	19,942	976,330	22,310,284
Governmental activities capital assets, net	\$ 23,343,693	3,580,294	19,942	44,785	26,948,830

The adjustments to capital assets were to reclassify completed State Aid Road projects and also to correct beginning balances of capital assets.

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 123,711
Public safety	40,932
Public works	383,244
Total Governmental Activities Depreciation Expense	\$ 547,887

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

The following is a schedule of capital assets for Tippah County Health Services for the year ended September 30, 2014.

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 116,132			116,132
Total non-depreciable capital assets	<u>116,132</u>			<u>116,132</u>
<u>Depreciable capital assets:</u>				
Land improvements	174,029			174,029
Buildings and improvements	7,191,707	62,023		7,253,730
Fixed equipment	2,233,638	32,393		2,266,031
Major movable equipment:				
Under capital lease	148,283			148,283
Other	6,622,794	177,095	1,453	6,798,436
Automobiles	625,810		12,741	613,069
Total depreciable capital assets	<u>16,996,261</u>	<u>271,511</u>	<u>14,194</u>	<u>17,253,578</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	167,068	1,638		168,706
Buildings and improvements	4,613,252	199,721		4,812,973
Fixed equipment	1,996,055	30,109		2,026,164
Major movable equipment				
Under capital lease	22,308	23,883		46,191
Other	5,461,113	282,492	307	5,743,298
Automobiles	493,108	47,661	12,741	528,028
Total accumulated depreciation	<u>12,752,904</u>	<u>585,504</u>	<u>13,048</u>	<u>13,325,360</u>
Total depreciable capital assets, net	<u>4,243,357</u>	<u>(313,993)</u>	<u>(1,146)</u>	<u>3,928,218</u>
Governmental activities capital assets, net	<u>\$ 4,359,489</u>	<u>(313,993)</u>	<u>(1,146)</u>	<u>4,044,350</u>

The following is a schedule of capital assets for Tippah County Development Foundation for the year ended September 30, 2014.

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 342,436		87,500	254,936
Total non-depreciable capital assets	<u>342,436</u>		<u>87,500</u>	<u>254,936</u>
<u>Depreciable capital assets:</u>				
Building	334,720			334,720
Furniture and equipment	22,388			22,388
Total depreciable capital assets	<u>357,108</u>			<u>357,108</u>
<u>Less accumulated depreciation for:</u>				
Building	15,236	5,798		21,034
Furniture and equipment	23,921	3,864		27,785
Total accumulated depreciation	<u>39,157</u>	<u>9,662</u>		<u>48,819</u>
Total depreciable capital assets, net	<u>317,951</u>	<u>(9,662)</u>		<u>308,289</u>
Governmental activities capital assets, net	<u>\$ 660,387</u>	<u>(9,662)</u>	<u>87,500</u>	<u>563,225</u>

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2014 to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessee:

On May 1, 2010, Tippah County entered into a non-cancellable operating lease agreement with the Tippah County Development Foundation for the lease of a building and premises located at 159 Bails Road, Ripley, Mississippi 38663 owned by the Tippah County Development Foundation. The operating lease stipulated that the lessee would pay approximately \$6,083 per month in lease payments commencing July 1, 2010 for a term of ten years. The rental payments shall increase by \$100 per month per year beginning on July 1, 2013 and on the first day of July for each year thereafter.

The County has entered into a certain operating lease which does not give rise to property rights. Total costs for the lease was \$74,500 for the year ended September 30, 2014. The future minimum lease payments for the lease are as follows:

Year Ending September 30,	Principal
2015	\$ 75,700
2016	76,900
2017	78,100
2018	79,300
2019	80,500
2020	61,050
Total	\$ 451,550

(10) Capital Leases.

As Lessor:

On December 29, 2011, Tippah County entered into a capital lease agreement with Big M Transportation, Inc. for the lease of a building in the Industrial Park. The capital lease stipulated that the lessee would pay approximately \$1,750 per month in lease payments commencing January 1, 2012 for a term of seven years. At the end of the lease term, Big M Transportation, Inc. has the option to purchase the property for the sum of \$1.

On January 1, 2013, Tippah County entered into a capital lease agreement with CECA Metal Processing, LLC for the lease of a building in the Industrial Park. The capital lease stipulated that the lessee would pay \$4,900 per month in lease payments commencing on January 1, 2013 for a term of fifteen years. The lease payments shall increase by \$100 per month each January 1 thereafter until the lease terminates or expires. At the end of the lease term, CECA Metal Processing, LLC has the option to purchase the property for the sum of \$1.

TIPPAH COUNTY
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For the Year Ended September 30, 2014

The County leases the following property with varying terms and options as of September 30, 2014:

Class of Property	Governmental Activities
Buildings	\$ 496,250
Total	\$ 496,250

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	76,866	3,284
2016	80,371	2,729
2017	82,506	1,794
2018	84,689	811
2019	70,907	43
2020 – 2024	346,500	
2025 – 2028	247,000	
Total	\$ 988,839	8,661

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

Class of Property	Governmental Activities
Law Enforcement Center	\$ 2,440,800
Mobile equipment	251,450
Total	2,692,250
Less: Accumulated depreciation	(909,729)
Leased Property Under Capital Leases	\$ 1,782,521

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$ 182,916	41,809
2016	186,976	32,869
2017	196,525	23,320
2018	206,475	13,371
2019	111,428	2,918
Total	\$ 884,320	114,287

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
Capital Leases:			
John Deere 310SJ Backhoe	\$ 4,870	1.70%	10/20/14
Law Enforcement Center	879,450	5.00%	02/20/19
Total Capital Leases	\$ 884,320		

TIPPAH COUNTY
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Other Loans:			
JD 310SJ Backhoe	\$ 25,756	1.70%	06/15/16
2 RC5610 10' Cutters	8,880	1.70%	06/15/16
Countywide 5 Year Note	780,000	1.50%	12/01/17
Tax Assessor Van	990	1.70%	09/30/15
2009 Ford F750 Dump Truck	11,135	1.70%	12/15/14
Massengill/Benchcraft Bldg	11,000	1.70%	09/20/14
Industrial Park Land	91,177	4.38%	06/28/16
2011 Chevy Ton Truck	5,724	1.70%	12/15/15
Ford F150 Crew Cab (2)	19,468	1.70%	02/01/16
AS 400 Computer System	15,162	1.70%	11/19/15
2011 Chevy Ton Truck	6,905	1.70%	12/15/15
Sheriff's Car	11,740	2.00%	03/15/17
Kabota Tractor	23,573	2.00%	03/15/17
Kabota Tractor	17,889	2.00%	03/15/17
Paver & Trailer	24,834	2.00%	07/01/17
NEMPDD Loan	61,788	4.38%	07/01/16
Dodge Charger	19,166	2.00%	01/15/18
Dodge Charger	17,673	2.00%	03/01/18
2011 Cat Backhoe	75,844	2.00%	03/15/18
2500 Dodge Truck	18,719	2.00%	12/15/17
CECA Building	330,405	3.00%	12/01/27
Dennis Pickup	25,985	2.00%	12/15/18
3 Crown Victorias	19,500	2.00%	08/01/19
1996 Talbert Trailer	21,000	2.00%	06/15/19
2015 Garbage Truck	122,970	2.00%	06/15/19
AlumaForm CAP Loan	1,551,202	3.00%	08/31/28
Total Other Loans	\$ 3,318,485		

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

Governmental Activities:

Year Ending September 30,	Other Loans	
	Principal	Interest
2015	\$ 478,158	148,411
2016	587,200	154,581
2017	472,644	141,089
2018	460,432	130,881
2019	238,015	120,596
2020 – 2024	987,860	504,100
2025 – 2028	94,176	4,991
Total	\$ 3,318,485	1,204,649

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, 2014, the amount of outstanding debt was equal to 2.21% of the latest property assessments.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

Governmental Activities:	Balance	Additions	Reductions	Balance	Amount due within one year
	Oct. 1, 2013			Sept. 30, 2014	
Capital leases	1,068,314		183,994	884,320	182,916
Other loans	2,019,104	1,740,657	441,276	3,318,485	478,158
Total	\$ 3,087,418	1,740,657	625,270	4,202,805	661,074

Component Unit: Tippah County Development Foundation

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Notes Payable:			
Law Enforcement Center Building	\$ 793,820	5.00%	05/05/19
Building	182,364	2.00%	11/01/24
Building	29,996	3.25%	06/29/22
Industrial Park Extension	91,696	4.38%	06/28/16
Total Notes Payable	\$ 1,097,876		

Year Ending September 30,	Notes Payable	
	Principal	Interest
2015	\$ 254,822	45,936
2016	261,269	34,000
2017	226,974	21,731
2018	234,384	10,892
2019	16,273	2,260
Thereafter	104,154	6,424
Total	\$ 1,097,876	121,243

Component Unit: Tippah County Health Services

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Notes Payable:			
Chemistry Analyzer	\$ 29,765	3.50%	12/15/15
Blue Mountain Clinic	161,687	3.75%	12/15/20
Electronic Health Record System	258,990	8.00%	09/15/15
Total Notes Payable	\$ 450,442		

Capital Leases:			
Equipment	\$ 97,718	5.96%	09/15/18
Total Capital Leases	\$ 97,718		

Year Ending September 30,	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 304,237	21,100	29,320	5,432
2016	31,492	4,858	31,259	3,493
2017	24,846	3,876	33,337	1,415
2018	25,794	2,928	3,802	37
2019	26,778	1,944		
Thereafter	37,295	1,000		
Total	\$ 450,442	35,706	97,718	10,377

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014.

Fund	Deficit Amount
EMA Grant Fund	\$ 11,564
CDBG Grant Fund	283,177
Tippah County Health Department	5,325

(13) 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.

Guarantees - The County agrees to guarantee its pro-rata share of a letter of credit in the amount of \$3,084,482, for the Northeast Mississippi Solid Waste Management Authority, providing financial responsibility, as authorized by Section 17-17-233 and 17-17-235 of the Mississippi Code of 1972, for closure and post-closure of their sanitary landfill facility.

(14) Joint Ventures.

The County participates in the following joint venture:

Tippah County is a participant with the Counties of Alcorn, Prentiss and Tishomingo in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Northeast Regional Library. The joint venture was created to provide a regional public library for the area, and is governed by a four-member board appointed by the Board of Supervisors. By contractual agreement, the County's appropriation from the General Fund this year to the joint venture amounted to \$126,500.

Complete financial statements of the Northeast Regional Library can be obtained from the Northeast Regional Library, 1023 North Fillmore Street, Corinth, Mississippi 38834.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

The Regional IV Mental Health-Mental Retardation Commission is composed of the counties of Alcorn, Prentiss, Tippah, and Tishomingo. The board of commissioners is comprised of one appointee from each county Board of Supervisors. The County appropriated \$36,000 for support of the commission in fiscal year 2014.

Northeast Mississippi Planning and Development District operates in a district composed of the following counties: Alcorn, Benton, Marshall, Prentiss, Tippah, and Tishomingo. The board of directors is composed of one appointee from each county Board of Supervisors. The County appropriated \$13,000 for support of the district in fiscal year 2014.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

Northeast Mississippi Community College operates in a district composed of the Counties of Alcorn, Prentiss, Tippah, Tishomingo, and Union. The Tippah County Board of Supervisors appoints four of the 24 members of the board of directors. The County appropriated \$356,659 in support of the college in fiscal year 2014.

Northeast Mississippi Regional Solid Waste Authority was organized to provide solid waste disposal services to the Counties of Benton, Prentiss and Tippah and the Cities of Ashland, Booneville and Ripley. Each of the six members has one vote with a guarantee that the member of the Board of Supervisors whose district contains the landfill is a permanent member of the Authority. Tippah County is the host county for the landfill; therefore, the Tippah County vote is divided between the County's representative and the member of the Board of Supervisors. The County did not appropriate any funds to the authority in fiscal year 2014. User governments will be billed on the volume of solid waste from each government.

(16) Defined Benefit Pension Plan.

Plan Description. Tippah 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. At September 30, 2014, PERS members are required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$413,471, \$390,449, and \$355,589 respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Tippah County evaluated the activity of the County through August 9, 2016, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2014

Subsequent to September 30, 2014, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
08/06/15	3.00%	\$ 2,802,026	MDA Capital Improvement Loan	AlumaForm, Inc. Lease Agreement
09/23/15	2.00%	32,414	Installment Loan	Ad Valorem Taxes
09/23/15	2.00%	125,153	Installment Loan	Ad Valorem Taxes
09/27/15	2.00%	84,000	Installment Loan	Lease Payments
02/16/16	2.00%	152,400	Installment Loan	Ad Valorem Taxes
02/16/16	2.00%	55,594	Installment Loan	Ad Valorem Taxes
02/16/16	2.00%	94,885	Installment Loan	Ad Valorem Taxes
03/31/16	2.00%	136,874	Installment Loan	Ad Valorem Taxes
06/06/16	2.00%	10,641	Installment Loan	Ad Valorem Taxes
06/06/16	2.00%	360,000	Installment Loan	Ad Valorem Taxes
06/06/16	2.00%	84,512	Installment Loan	Ad Valorem Taxes

Other Items to Note:

- The County approved a resolution for the Tippah County Hospital to borrow \$743,328 at an interest rate of 3.50% for 60 months from The Peoples Bank.
- The County received a \$568,000 CDBG grant for the Spout Springs Water Project.
- The County received a \$267,474 CDBG grant for the Barefoot Access Road Project.
- The County entered into a capital lease agreement with AlumaForm, Inc. for \$7,442,105 at an interest rate of 6% for 240 months.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

TIPPAH COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,082,060	3,745,118	3,745,118	
Licenses, commissions and fees	186,500	226,180	226,180	
Fines and forfeitures	143,000	189,935	189,935	
Intergovernmental revenues	1,093,500	1,080,053	1,080,053	
Charges for services	305,838	314,563	314,563	
Interest income	100,000	83,340	83,340	
Miscellaneous revenues	64,500	38,663	38,663	
Total Revenues	<u>5,975,398</u>	<u>5,677,852</u>	<u>5,677,852</u>	
EXPENDITURES				
Current:				
General government	3,891,217	3,268,151	3,268,151	
Public safety	1,874,749	1,732,879	1,732,879	
Public works	162,979	126,073	126,073	
Health and welfare	167,865	158,425	158,425	
Culture and recreation	140,283	200,432	200,432	
Conservation of natural resources	141,596	44,840	44,840	
Economic development and assistance	13,000	18,463	18,463	
Debt service:				
Principal		210,936	210,936	
Interest		52,731	52,731	
Total Expenditures	<u>6,391,689</u>	<u>5,812,930</u>	<u>5,812,930</u>	
Excess of Revenues over (under) Expenditures	<u>(416,291)</u>	<u>(135,078)</u>	<u>(135,078)</u>	
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt		45,485	45,485	
Transfers in		690,373	690,373	
Transfers out		(690,373)	(690,373)	
Total Other Financing Sources and Uses		<u>45,485</u>	<u>45,485</u>	
Net Change in Fund Balance	<u>(416,291)</u>	<u>(89,593)</u>	<u>(89,593)</u>	
Fund Balances - Beginning	<u>(3,060,747)</u>	<u>240,922</u>	<u>240,922</u>	
Fund Balances - Ending	<u>\$ (3,477,038)</u>	<u>151,329</u>	<u>151,329</u>	

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

TIPPAH COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,134,789	1,072,748	1,072,748	
Road and bridge privilege taxes	274,998	304,988	304,988	
Intergovernmental revenues	525,275	559,902	559,902	
Interest income		6,598	6,598	
Miscellaneous revenue	3,222	50,402	50,402	
Total Revenues	<u>1,938,284</u>	<u>1,994,638</u>	<u>1,994,638</u>	
EXPENDITURES				
Current:				
Public works	2,312,865	2,007,949	2,007,949	
Debt service:				
Principal		106,723	106,723	
Interest		4,832	4,832	
Total Expenditures	<u>2,312,865</u>	<u>2,119,504</u>	<u>2,119,504</u>	
Excess of Revenues over (under) Expenditures	<u>(374,581)</u>	<u>(124,866)</u>	<u>(124,866)</u>	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		21,000	21,000	
Proceeds from sale of capital assets		36,989	36,989	
Total Other Financing Sources and Uses		<u>57,989</u>	<u>57,989</u>	
Net Change in Fund Balance	(374,581)	(66,877)	(66,877)	
Fund Balances - Beginning	<u>(1,350,239)</u>	<u>1,063,882</u>	<u>1,063,882</u>	
Fund Balances - Ending	<u>\$ (1,724,820)</u>	<u>997,005</u>	<u>997,005</u>	

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

TIPPAH COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Countywide Road Fund
Budget (Cash Basis)	\$ (89,593)	\$ (66,877)
Increase (Decrease)		
Net adjustments for revenue accruals	137,519	(62,742)
Net adjustments for expenditure accruals	(101,961)	58,267
Net adjustments for other financing sources(uses)	166,197	37,088
GAAP Basis	\$ <u>112,162</u>	\$ <u>(34,264)</u>

***SUPPLEMENTAL
INFORMATION***

TIPPAH COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	240,052
Refuse and waste fees		28,438
Expendable commodities:		
Gasoline & petroleum products		76,936
Repair parts		40,844
Supplies		2,957
Capital outlay		122,970
Debt retirement		4,603
Interest		176
		516,976
 Total Cash Basis Operating Expenditures		 516,976

Full Cost Expenses:

Less, new fixed assets		(122,970)
Less, principal payments		(4,603)
Indirect administrative costs		3,042
Depreciation on equipment		28,688
Net effect of other accrued expenses		6,093
		6,093

Full Cost Operating Expenses	\$	427,226
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***OTHER
INFORMATION***

Tippah County
 Schedule of Surety Bonds for County Officials
 For the Year Ended September 30, 2014
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Rodney McBryde	Chancery Clerk	Travelers Casualty & Surety Co.	100,000
Melinda M. Crum	County Administrator	Travelers Casualty & Surety Co.	100,000
James W. Gunn	Supervisor District 1	Travelers Casualty & Surety Co.	100,000
Greg Harrell	Supervisor District 2	Travelers Casualty & Surety Co.	100,000
Mike Graves	Supervisor District 3	Travelers Casualty & Surety Co.	100,000
Dennis Grisham	Supervisor District 4	Travelers Casualty & Surety Co.	100,000
Eddie Stroupe	Supervisor District 5	Travelers Casualty & Surety Co.	100,000
Kay Clark	Purchase Clerk	U.S. Fidelity & Guaranty Co.	75,000
Stacy Spink	Receiving Clerk	Travelers Casualty & Surety Co.	75,000
Bobby Russell	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Randal Porterfield	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
James R. Jackson	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Doug Norton	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Jerry Cockrell	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Tim Flake	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Cleatus Robbins	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	50,000
Mary Hudson Ray	Inventory Clerk	Travelers Casualty & Surety Co.	75,000
Larry Jackson	County Road Manager	U.S. Fidelity & Guaranty Co.	50,000
David Terry Mathis	Constable North Half	Travelers Casualty & Surety Co.	50,000
Danny Lee Bennett	Constable South Half	Travelers Casualty & Surety Co.	50,000
Randy Graves	Circuit Clerk	Travelers Casualty & Surety Co.	100,000
Sandra Benefield	Deputy Circuit Clerk	Travelers Casualty & Surety Co.	50,000
Rebekah Lewellen Power	Deputy Circuit Clerk	Travelers Casualty & Surety Co.	50,000
Karl Gaillard	Sheriff	Travelers Casualty & Surety Co.	100,000
Howard Knight	Co Jail Administrator	Travelers Casualty & Surety Co.	50,000
Bill Middleton	Co Jail Administrator	Travelers Casualty & Surety Co.	50,000
Richard Alan Benefield	Jailers	Travelers Casualty & Surety Co.	50,000
Cindy Lynn Clark	Jailers	Travelers Casualty & Surety Co.	50,000
Robert Bruner	Jailers	Travelers Casualty & Surety Co.	50,000
Walter Carroll Dixon	Jailers	Travelers Casualty & Surety Co.	50,000
Anna Rogers	Jailers	Travelers Casualty & Surety Co.	50,000
Rita Lowrey	Jailers	Travelers Casualty & Surety Co.	50,000
Maxine M. Barkley	Jailers	Travelers Casualty & Surety Co.	50,000
Clint Miller	Jailers	Travelers Casualty & Surety Co.	50,000
Sheryl Dean Adams	Jailers	Travelers Casualty & Surety Co.	50,000
Barbara Louanne Stanton	Jailers	Travelers Casualty & Surety Co.	50,000
Terry Mathis	Jailers	Travelers Casualty & Surety Co.	50,000
Johnny Cole	Jailers	Travelers Casualty & Surety Co.	50,000
Robert J. Brown	Justice Court Judge North Half	Travelers Casualty & Surety Co.	50,000
Sonny Meeks	Justice Court Judge South Half	Travelers Casualty & Surety Co.	50,000
Gloria White	Justice Court Clerk	Travelers Casualty & Surety Co.	50,000
Shelia D. Rogers	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Patricia Kent	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Kristina Raye Lovorn	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Rhonda Reno	Tax Collector-Assessor	Travelers Casualty & Surety Co.	100,000
Kristy Paseur	Tax Collector Bookkeeper	Travelers Casualty & Surety Co.	50,000
Becky Carter	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Cassandra Jackson	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Sandra Ray	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Wanda Dains	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Ronnie Martindale	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	10,000
Terry Porterfield	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	10,000
Titus Mathis	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	10,000

***SPECIAL
REPORTS***

INDEPENDENT AUDITORS' 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
Tippah County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 9, 2016. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Tippah County Health Services and the Tippah County Development Foundation, as described in our report on Tippah County's financial statements. The financial statements of the Tippah County Development Foundation were not audited in accordance with *Government Auditing Standards*. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the nine volunteer fire departments which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tippah County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-001, 2014-002, 2014-003, 2014-006, 2014-007, 2014-008, 2014-009, 2014-011, 2014-012, 2014-013, and 2014-014 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We

consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-004, 2014-005, and 2014-010, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tippah 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*.

We noted certain matters that we reported to the management of Tippah County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 9, 2016 included within this document.

Tippah County's Responses to Findings

Tippah County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Tippah County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
August 9, 2016

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**INDEPENDENT ACCOUNTANTS' 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
Tippah County, Mississippi

We have examined Tippah County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Tippah County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Tippah 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, Tippah County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Tippah 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.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
August 9, 2016

TIPPAH COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2014

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
11/1/2013	Tractor - F/E Loader	\$ 7,364	Griffin Farm Equipment	\$ 6,823	Local dealer that can provide maintenance to equipment without the need to transport equipment to Tennessee for repairs.
8/15/2014	Garbage Truck	\$ 122,970	Ingram Equip	\$ 113,506	The sanitation crew operates similar equipment and has experience repairing the model in the Ingram bid. Furthermore, the County has spare parts that may be used with the equipment described in Ingram's bid. There was also better value with a larger engine.

TIPPAH COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/21/2013	Diesel fuel	\$ 347	Dees Oil	The generator at the jail needed diesel due to a power outage.

TIPPAH COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
-------------	-----------------------	--------------------	---------------

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

**LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors
Tippah County, Mississippi

In planning and performing our audit of the financial statements of Tippah County, Mississippi (the County) for the year ended September 30, 2014, we considered Tippah 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 Tippah 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 9, 2016 on the financial statements of Tippah County, Mississippi.

Due to the reduced scope, these review procedures and compliance 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.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Clerk of the Board.

1. Finding

The Clerk of the Board did not prepare and amend the budget upon proper forms and entered in detail in the minutes as required by Miss. Code Ann. (1972), Sections 19-11-9 and 19-11-11 respectively.

Recommendation

The Clerk of the Board should ensure that the budget is prepared and amended on the proper forms and that the budget is entered in detail in the minutes.

Clerk of the Board's Response

I will comply.

2. Finding

The final amended budget was not prepared and recorded in the board minutes on the budget forms by October 31.

Recommendation

The Clerk of the Board should ensure that a final amended budget is prepared and that it is recorded in the board minutes on the appropriate budget forms by October 31.

Clerk of the Board's Response

I will comply.

3. Finding

The County has several appointed bonded employees with "indefinite term" bonds. The Office of the State Auditor insists on a bond to have a definite term.

Recommendation

The Clerk of the Board should ensure that each bonded employee has a bond with a definite term.

Clerk of the Board's Response

We have taken the appropriate actions to ensure compliance with the State Auditor's requirement.

Chancery Clerk.

4. Finding

The Chancery Clerk's office does not have an adequate internal control system in place to adequately track missing and voided Land Redemption receipts.

Recommendation

The Chancery Clerk should implement a system of internal controls to account for all copies of missing or voided receipts.

Chancery Clerk's Response

I will comply.

5. Finding

The Chancery Clerk does not always issue a receipt for amounts over \$10.00 as required by Section 9-1-43, Miss Code Ann. (1972).

Recommendation

The Chancery Clerk should issue receipts on all amounts over \$10.00.

Chancery Clerk's Response

I will comply.

6. Finding

The Chancery Clerk did not properly maintain his fee journal which resulted in an understatement of revenue and an underpayment of his PERS contributions.

Recommendation

The Chancery Clerk should amend his Annual Financial Report to reflect the proper revenue and retirement contributions.

Chancery Clerk's Response

I will comply.

7. Finding

The Chancery Clerk was not properly reconciling his fee journal balance to the bank balance.

Recommendation

The Chancery Clerk needs to prepare the fee journal accurately to ensure that all fees are properly settled and all revenue is properly accounted for.

Chancery Clerk's Response

I will comply.

8. Finding

The auditor could not verify that the Chancery Clerk's annual financial report was filed with OSA by April 15.

Recommendation

The Chancery Clerk should keep documentation to verify when the annual financial report was filed.

Chancery Clerk's Response

I will comply.

9. Finding

The Chancery Clerk does not keep a ledger balance for the land redemption account making it difficult to verify that all land redemption monies have been settled properly.

Recommendation

The Chancery Clerk should keep a ledger balance that accounts for the deposits and checks for land redemption and ensure that this balance agrees with his reconciled bank balance each month.

Chancery Clerk's Response

I will comply.

10. Finding

The Chancery Clerk did not properly prepare the land redemption bank reconciliation. During test work, it was noted that a check was voided and reissued but the Chancery Clerk continued to carry the check as an outstanding item on the bank reconciliation.

Recommendation

The Chancery Clerk should ensure that bank reconciliations are properly prepared for the land redemption account.

Chancery Clerk's Response

I will comply.

11. Finding

During test work, it was noted that there were three instances where the Chancery Clerk did not settle his land redemption by the 20th of the following month.

Recommendation

The Chancery Clerk should ensure that land redemption receipts are settled by the 20th of the following month.

Chancery Clerk's Response

I will comply.

Circuit Clerk.

12. Finding

There were two errors in the Circuit Clerk's annual financial report. The Circuit Clerk did not report \$552 in income and had \$181 in disallowed expenses.

Recommendation

The Circuit Clerk should repay \$733 back to the County, amend his annual financial report to reflect these changes and submit the amended report to the Office of the State Auditor.

Circuit Clerk's Response

The Clerk repaid the \$733 on August 5, 2016 with check number 922. The County receipt number was 19203.

Sheriff.

13. Finding

The Sheriff did not maintain a public record identifying the property seized, the disposition date, and the amount of the proceeds from sale in relation to confiscated property as required by Section 25-1-51 of the Mississippi Code of 1972.

Recommendation

The Sheriff should maintain a ledger to identify all seized or confiscated property, the disposition date, and the amount of proceeds from the sale.

Sheriff's Response

I have purchased a ledger to record the information as required by Code Section 25-1-51 and will comply with the requirements in future periods.

14. Finding

Not all of the drug buy vouchers contained required documentation including descriptions of information or evidence purchased, proper signatures, and bona fide case numbers.

Recommendation

The Sheriff and Narcotics Investigators should prepare all vouchers correctly including descriptions of the information or evidence purchased, proper signatures, and bona fide case numbers.

Sheriff's Response

We will comply.

15. Finding

The confidential informant file did not contain sufficient documentation to authenticate all of the confidential informants provided on drug buy vouchers.

Recommendation

The Sheriff and the Narcotics Investigators should ensure that sufficient documentation is retained in the confidential informant file to authenticate all confidential informants involved in drug buys.

Sheriff's Response

We will comply.

Tippah County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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 specified parties. However, this report is a matter of public record and its distribution is not limited.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
August 9, 2016

TIPPAH COUNTY
 Schedule of Findings and Responses
 For the Year Ended September 30, 2014

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Aggregate discretely presented component units: | |
| | Tippah County Health Services | Unmodified |
| | Tippah County Development Foundation | Unmodified |
| | Tippah County Volunteer Fire Departments | Adverse |
| | General Fund | Unmodified |
| | AlumaForm Fund | Unmodified |
| | Countywide Road Fund | Unmodified |
| | MDA Grant Match Fund | Unmodified |
| | State Aid Road | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2014-001

Criteria

A critical aspect of effective financial management is the preparation of accurate financial statements.

Condition

Tippah County's accounting records are maintained on the cash basis and the auditors assisted in the preparation of accrual entries and the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Effect

The Board of Supervisors chose not to prepare the financial statements and related notes.

Cause

The Board of Supervisors did not assign the preparation of the financial statements to personnel.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board of Supervisors will review, approve, and accept the financial statements, including the required disclosures to the financial statements, prior to their issuance.

Material Weakness.

2014-002

Criteria

Generally accepted accounting principles require the financial data of the County's component units to be reported with the financial data of the County's primary government unless the County also issued financial statements for the financial reporting unit that include the financial data of its component units.

Condition

The financial statements do not include the financial data of the County's volunteer fire departments which are considered component units of the County.

Effect

The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Cause

The volunteer fire department component units of the County do not have audited financial statements.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

The Board of Supervisors feels it would be cost prohibitive to require the 9 volunteer fire departments to have audited financial statements prepared.

Chancery Clerk

Material Weakness.

2014-003

Criteria

An effective system of internal control should include adequate segregation of duties for payroll preparation.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Condition

The maintenance of the general ledger, processing of payroll, and other payroll duties are not adequately segregated for effective internal control. The payroll clerk prepares payroll, stamps the Chancery Clerk's signature prior to distributing checks to department heads, and reconciles the payroll bank statement.

Effect

The failure to have an adequate segregation of duties for payroll preparation could result in the loss of public funds.

Cause

A lack of segregation of duties.

Recommendation

The Chancery Clerk should implement a system of internal control that will ensure proper segregation of duties exists in regard to the processing of payroll, signing of payroll checks, and reconciliation of the payroll bank account.

Chancery Clerk's Response

I will comply.

Significant Deficiency:

2014-004

Criteria

For effective internal control over cash, the receipt of revenue should be recorded in the County's records and deposited on a timely basis.

Condition

The Chancery Clerk's payroll reimbursement receipts were not made on a timely basis.

Effect

Failure to deposit Chancery Clerk's payroll reimbursement receipts on a timely basis essentially results in an "interest free" loan to the Chancery Clerk and could result in the loss or misappropriation of public funds.

Cause

The Chancery Clerk failed to monitor the timeliness of his employee payroll reimbursement.

Recommendation

The Chancery Clerk should make his payroll reimbursement to the County the day of his employee payroll expenditures.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Chancery Clerk's Response

I will comply.

Significant Deficiency.

2014-005

Criteria

An effective system of internal controls should include proper segregation of duties and adequate review and documentation of the bank reconciliations prepared by the Chancery Clerk.

Condition

A critical aspect of effective financial management is implementing a strong system of internal controls. The Chancery Clerk is the one who makes the bank deposits and prepares the Chancery Clerk's bank reconciliations. The Chancery Clerk does not have someone else document the review of the deposits or the bank reconciliations the Clerk prepared.

Effect

The lack of a strong system of internal controls increases the possibility of the loss or misappropriation of public funds.

Cause

A lack of internal controls and segregation of duties.

Recommendation

Someone other than the person who prepares the bank reconciliations should review and document the review of the bank reconciliations.

Chancery Clerk's Response

I will comply.

Material Weakness.

2014-006

Criteria

A segregation of duties is considered necessary to insure that financial data is initiated, recorded, and processed consistent with the assertions of management in the financial statements.

Condition

The size of the County's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Effect

The County bookkeeper maintains the general ledger, collects cash, writes and signs checks, and handles certificates of deposit transactions. This lack of segregation of duties could result in the misappropriation of funds that would not be timely discovered.

Cause

Lack of segregation of duties could result in misappropriation of funds that would not be timely discovered.

Recommendation

The Chancery Clerk should implement procedures and compensating controls to ensure that misappropriation of funds would be timely discovered.

Chancery Clerk's Response

I am aware of the lack of segregation of duties due to the small office staff. As a result, the Board of Supervisors and I are involved in the financial affairs of the County and provide oversight and independent review functions.

Sheriff

Material Weakness.

2014-007

Criteria

An effective system of internal controls should include an adequate segregation of duties in the Sheriff's Office.

Condition

The bookkeeper receipts collections, prepares the deposits, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements, and disburses all funds.

Effect

The failure to implement adequate segregation of duties in the initiating, processing and recording of the financial data of the Sheriff's Office could result in the misappropriation of funds that would not be timely discovered.

Cause

The cash collections and disbursements of the Sheriff's Office are not adequately segregated for effective internal controls.

Recommendation

The Sheriff should implement procedures and compensating controls to ensure that the misappropriation of funds would be timely discovered.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Sheriff's Response

I am aware of the lack of segregation of duties due to the small office staff. I will provide frequent and independent reviews of the processing and recording of the financial data of the Sheriff's Office.

Material Weakness.

2014-008

Criteria

An effective system of internal controls should entail a review of vendor lists to ensure no goods or services were purchased from employees, governing body members, or other suppliers that would create a conflict of interest and to review purchases for compliance with laws and regulations.

Condition

Based on audit procedures and our discussion with the bookkeeper, the Sheriff's Office purchased goods from a Sheriff's department employee and failed to file the proper documentation to be in compliance with federal law and regulations.

Effect

The lack of a strong system of internal controls prevented the County from detecting the conflict of interest and non compliance with laws and regulations.

Cause

The Sheriff failed to implement effective internal controls in the purchasing of goods and services within the Sheriff's Office.

Recommendation

The Sheriff should implement a set of controls that include external oversight from management to review vendor lists and to determine the applicability of reporting requirements to be in compliance with laws and regulations.

Sheriff's Response

We are no longer purchasing goods from an employee of the Sheriff's department and all proper documents have been filed with the appropriate agencies.

Material Weakness.

2014-009

Criteria

An effective system of internal control over the payroll function should include keeping accurate and complete records of each employee's work hours and compensation.

Condition

The Sheriff's Office failed to maintain adequate payroll documentation to validate employee's number of days and hours worked during a pay period.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Effect

Without a system of internal controls over payroll, unauthorized or inaccurate payroll checks may be processed without detection.

Cause

A lack of internal control over the payroll functions.

Recommendation

The Sheriff should implement effective internal controls to ensure that documentation is available to substantiate the number of days and hours worked during a pay period.

Sheriff's Response

All Sheriff Office employees are now required to log in and out of the CAD System through dispatch.

Significant Deficiency.

2014-010

Criteria

An effective system of internal control over fuel card purchases should include keeping adequate documentation to substantiate that fuel purchases were made by an on-duty County employee in a County owned vehicle.

Condition

The Sheriff failed to enforce the County's internal control policy regarding fuel card purchases. The following deficiencies were noted:

- (a) Employees were making purchases with County fuel cards during time periods that could not be verified by payroll documentation.
- (b) Fuel cards did not remain in the assigned vehicle.
- (c) Employees had multiple fuel cards in their possession at one time.
- (d) Odometer readings were not input correctly to validate that the fuel purchases were for a County owned vehicle.
- (e) A fuel card was still in use and assigned to a vehicle that the County no longer had recorded on the inventory listing or insured.

Effect

The failure to enforce proper internal controls over fuel card purchases could result in a loss of public funds.

Cause

A lack of internal controls over the use of fuel card purchases within the Sheriff's department.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

In the future, the Sheriff should enforce the County's internal controls over fuel card purchases.

Sheriff's Response

I have issued new fuel cards and PIN numbers. I will cross reference fuel card purchases with payroll time records frequently.

Justice Court

Material Weakness

2014-011

Criteria

An effective system of internal controls should include an adequate segregation of duties in the Justice Court Clerk's Office.

Condition

One Justice Court Deputy collects all the cash deposits, prepares the daily check up sheets, prepares the deposit and takes the deposit to the bank. The Justice Court Clerk has access to collections, prepares the monthly settlements, records all deposits, writes and signs all checks for disbursements, and reconciles the bank statements.

Effect

The lack of segregation of duties in the initiating, processing and recording of the financial data of the Justice Court Office could result in the misappropriation of funds that would not be timely discovered.

Cause

The failure to implement an effective system of internal controls.

Recommendation

The Justice Court Clerk should implement an adequate segregation of duties among the employees that have access to cash, and prepares and makes the bank deposit. The Justice Court Clerk should also take steps to implement a system of checks and balances with other deputy clerks to provide oversight over the initiating, processing and recording of the financial data.

Justice Court Clerk's Response

I will comply.

Tax Assessor/Collector

Material Weakness

2014-012

Criteria

An effective system of internal controls should include an adequate segregation of duties in the Tax Assessor/Collector's Office.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Condition

One Tax Collector Deputy collects all the cash deposits, prepares the deposit and takes the deposit to the bank. The Tax Collector Deputy has access to collections, prepares the monthly settlements, records all deposits, has signature authority on disbursement checks, and reconciles the bank statements.

Effect

The lack of segregation of duties in the initiating, processing and recording of the financial data of the Tax Assessor/Collector's Office could result in the misappropriation of funds that would not be timely discovered.

Cause

The failure to implement an effective system of internal controls.

Recommendation

The Tax Assessor/Collector should implement an adequate segregation of duties among the employees that have access to cash, and prepares and makes the bank deposit. The Tax Assessor/Collector should also take steps to implement a system of checks and balances with other deputy clerks to provide oversight over the initiating, processing and recording of the financial data.

Tax Assessor/Collector's Response

I will comply.

Inventory Control Clerk

Material Weakness.

2014-013

Criteria

An effective system of internal controls should include adequate subsidiary records documenting the existence and completeness of the governmental activities capital assets.

Condition

Control procedures were not in place to ensure adequate subsidiary records were maintained for the documentation of the County's capital assets.

Effect

The failure to implement a proper inventory control system resulted in the reporting of inaccurate amounts on the capital asset reports which increases the possibility of the loss or misappropriation of capital assets.

Cause

The lack of internal controls over capital assets.

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Recommendation

The Inventory Control Clerk should establish adequate control procedures to document the existence and completeness of the capital asset records.

Inventory Control Clerk's Response

I will comply.

Material Weakness.

2014-014

Criteria

An effective system of internal control over the inventory system should include the maintenance of adequate subsidiary records documenting amounts to be capitalized for state aid road and bridge projects and other construction projects.

Condition

The County failed to capitalize multiple construction in progress expenditures. As a result, audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval.

Effect

The failure to implement a proper inventory control system over state aid road and bridge projects and other construction projects resulted in the reporting of inaccurate construction in progress amounts on the capital asset reports which increases the possibility of the loss or misappropriation of capital assets.

Cause

The nonexistence of controls over state aid road and bridge projects and other construction projects in the inventory control system.

Recommendation

The Inventory Control Clerk should implement procedures to ensure that all state aid road and bridge projects and other construction projects which meet the capitalization criteria are included in the capital asset records.

Inventory Control Clerk's Response

I will comply.