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**TIPPAH COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2013**

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

TIPPAH COUNTY, MISSISSIPPI  
RIPLEY, MISSISSIPPI  
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September 30, 2013

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## **FINANCIAL SECTION**



204 5<sup>th</sup> Avenue SE  
P.O. Box 1366  
Red Bay, Alabama 35582-1366  
Phone: (256) 356-9375  
Fax: (256) 356-8378  
E-mail: sparkscpa@bellsouth.net

# **The Sparks CPA Firm, P.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

713 Avalon Avenue  
P.O. Box 2321  
Muscle Shoals, AL 35661  
Phone: (256) 314-5082  
Fax: (256) 314-5084

### **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, 2013, 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 financial 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 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.

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2013, 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.

## **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. Such information 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. The Reconciliation of Operating Costs of Solid Waste 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, based on our audit, the procedures performed as described above, and the reports of other auditors, 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 December 29, 2014, 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  
Red Bay, Alabama  
December 29, 2014



## **FINANCIAL STATEMENTS**

**TIPPAH COUNTY**  
Statement of Net Position  
September 30, 2013

	Primary Government	Component Units		
	Governmental Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
<b>ASSETS</b>				
Cash	\$ 3,307,317	639,323	80,191	719,514
Interest receivable			10,677	10,677
Property tax receivable	4,401,122			
Accounts receivable			8,000	8,000
Patient accounts receivable, (net of estimated uncollectibles of \$4,112,374)		1,640,292		1,640,292
Fines receivable, (net of allowance for uncollectibles of \$689,664)	663,083			
Estimated third party payor settlements		55,305		55,305
Current portion of lease receivable			219,022	219,022
Capital lease receivable	1,074,150			
Intergovernmental receivables	407,840			
Other receivables	56,969	28,529		28,529
Inventories and prepaid items		353,533		353,533
Lease receivable, less current portion			885,549	885,549
Other assets		250,623	39,110	289,733
Capital assets:				
Land and construction in progress	1,668,729		342,436	342,436
Other capital assets, net	21,674,964	4,359,489	317,951	4,677,440
Total Assets	33,254,174	7,327,094	1,902,936	9,230,030
<b>LIABILITIES</b>				
Claims payable	216,487	749,116	8,421	757,537
Patient accounts receivable - credit balances		40,882		40,882
Accrued liabilities	307,143	598,882	12,629	611,511
Intergovernmental payables	225,209			
Deferred revenue	4,414,581			
Amounts held in custody for others	134,223			
Short-term notes payable		282,278		282,278
Long-term liabilities				
Due within one year:				
Capital debt	428,405	204,058	243,749	447,807
Non-capital debt	195,000			
Due in more than one year:				
Capital debt	1,684,013	548,161	1,147,895	1,696,056
Non-capital debt	780,000			
Total Liabilities	8,385,061	2,423,377	1,412,694	3,836,071
<b>NET POSITION</b>				
Net investment in capital assets	21,231,275	3,607,270		3,607,270
Restricted:				
Expendable:				
General government	23,769			
Debt service	268,562			
Public safety	199,232			
Public works	1,505,867			
Health and welfare	12,933			
Economic development	63,959			
Unrestricted	1,563,516	1,296,447	490,242	1,786,689
Total Net Position	\$ 24,869,113	4,903,717	490,242	5,393,959

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

**TIPPAH COUNTY**  
Statement of Activities  
For the Year Ended September 30, 2013

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		Total Component Units
					Governmental Activities	Tippah County Health Services	
<b>Primary government:</b>							
Governmental activities:							
General government:	\$ 3,251,091	351,540	1,112,251		(1,787,300)		
Public safety	1,926,588	321,471	82,100		(1,523,017)		
Public works	3,923,198		2,235,759		(1,687,439)		
Health and welfare	334,804				(334,804)		
Culture and recreation	196,572				(196,572)		
Conservation of natural resources	43,487				(43,487)		
Economic development and assistance	77,134		3,807	459,402	386,075		
Interest on long-term debt	100,095				(100,095)		
Total Governmental Activities	9,852,969	673,011	3,433,917	459,402	(5,286,639)		
<b>Total Primary Government</b>	<b>\$ 9,852,969</b>	<b>673,011</b>	<b>3,433,917</b>	<b>459,402</b>	<b>(5,286,639)</b>		
<b>Component Units:</b>							
Tippah County Health Services	\$ 14,758,538	13,669,709	130,369			(958,460)	(958,460)
Tippah County Development Foundation	145,122	33,533	11,000			(100,589)	(100,589)
<b>Total Component Units</b>	<b>\$ 14,903,660</b>	<b>13,703,242</b>	<b>141,369</b>			<b>(1,059,049)</b>	<b>(1,059,049)</b>
<b>General revenues</b>							
Property taxes					5,842,242		58,117
Road & bridge privilege taxes					287,627		
Unrestricted gifts and donations					98,770	15,557	80,463
Unrestricted interest income							
Unrestricted investment income							
Lease revenue							
Miscellaneous					168,133		34,111
Gain on sale of assets					643,009		2,115
Total General Revenues					7,039,781	15,557	174,806
Changes in Net Position					1,753,142	(942,903)	(884,243)
Net Position - Beginning					23,383,361	5,846,620	6,278,202
Prior period adjustment					(267,390)		
Net Position - Beginning, as restated					23,115,971	5,846,620	6,278,202
Net Position - Ending					24,869,113	4,903,717	5,393,959

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

**TIPPAH COUNTY**  
Balance Sheet - Governmental Funds  
September 30, 2013

	Major Funds				
	General Fund	Countywide Road Fund	State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,816,482	782,480	101,942	606,413	3,307,317
Property tax receivable	2,834,801	811,637		754,684	4,401,122
Fines receivable (net of allowance for uncollectibles of \$689,664)	663,083				663,083
Capital lease receivable				1,074,150	1,074,150
Intergovernmental receivables	129,363	24,585	79,036	174,856	407,840
Other receivables	47,253			9,716	56,969
Due from other funds		40,886		17,839	58,725
Advances to other funds	23,769	680,677		22,349	726,795
Total Assets	\$ 5,514,751	2,340,265	180,978	2,660,007	10,696,001
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 43,110	76,632	70,145	26,600	216,487
Accrued liabilities	248,743	38,618		19,782	307,143
Intergovernmental payables	213,369	8,886		2,954	225,209
Due to other funds	58,725				58,725
Advances from other funds	405,331	9,458		312,006	726,795
Deferred revenue	3,497,884	811,637		1,828,834	6,138,355
Amounts held in custody for others	134,223				134,223
Total Liabilities	4,601,385	945,231	70,145	2,190,176	7,806,937
Fund balances:					
Nonspendable:					
Advances	23,769	680,677		22,349	726,795
Restricted for:					
Public works		714,357	110,833		825,190
Health and welfare				12,933	12,933
Debt service				268,562	268,562
Committed to:					
Public safety				191,671	191,671
Economic development and assistance				49,171	49,171
Unassigned	889,597			(74,855)	814,742
Total Fund Balances	913,366	1,395,034	110,833	469,831	2,889,064
Total Liabilities and Fund Balances	\$ 5,514,751	2,340,265	180,978	2,660,007	10,696,001

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, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,889,064
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 \$30,006,136.	23,343,693
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.	663,083
Capital leases are not available to to pay for current period expenditures and, therefore, are deferred in the funds.	1,060,691
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,087,418)</u>
Total Net Position - Governmental Activities	\$ <u>24,869,113</u>

**TIPPAH COUNTY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	<b>Major Funds</b>			<b>Total</b>
	<b>General</b>	<b>Countywide</b>	<b>State Aid</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Road</b>	<b>Road</b>	<b>Funds</b>
		<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 3,783,624	1,114,686		5,842,241
Road & bridge privilege taxes		287,627		287,627
Licenses, commissions, and other revenue	218,029			218,029
Fines and forfeitures	169,781			172,691
Intergovernmental revenues	1,107,899	560,197	1,847,048	3,893,319
Charges for services	323,630			323,630
Interest income	81,373	9,207		98,771
Miscellaneous revenues	121,787	135		121,922
<b>Total Revenues</b>	<b>5,806,123</b>	<b>1,971,852</b>	<b>1,847,048</b>	<b>10,958,230</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,107,376			3,107,376
Public safety	1,816,913			1,983,261
Public works	142,653	1,932,958	1,806,356	4,292,601
Health and welfare	170,682			334,804
Culture and recreation	196,572			196,572
Conservation of natural resources	43,487			43,487
Economic development & assistance	19,939			535,815
Debt service:				
Principal	199,710	90,652		586,839
Interest	60,791	4,657		100,095
<b>Total Expenditures</b>	<b>5,758,123</b>	<b>2,028,267</b>	<b>1,806,356</b>	<b>11,180,850</b>
Excess of Revenues over (under) Expenditures	48,000	(56,415)	40,692	(222,620)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	46,759	118,204		529,963
Long-term non-capital debt issued	585,000			585,000
Proceeds from sale of capital assets	6,388			6,388
Proceeds from sale of other	7,118	6,796		13,914
Compensation for loss of capital assets	23,690			32,297
Transfers in				5,080
Transfers out			(5,080)	(5,080)
Lease principal payments				59,831
<b>Total Other Financing Sources and Uses</b>	<b>668,955</b>	<b>125,000</b>	<b>(5,080)</b>	<b>1,227,393</b>
<b>Net Changes in Fund Balances</b>	<b>716,955</b>	<b>68,585</b>	<b>35,612</b>	<b>1,004,773</b>
Fund Balances - Beginning	196,411	1,326,449	75,221	1,884,291
Fund Balances - Ending	\$ 913,366	\$ 1,395,034	\$ 110,833	\$ 2,889,064

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, 2013

Net Changes in Fund Balances - Governmental Funds \$ 1,004,773

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,304,612 exceeded depreciation expense of (\$563,569) in the current period. 741,043

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 \$643,009, the proceeds from the sale of capital assets of (\$6,388), and the principal portion of (\$1,008,000) for the new capital lease receivable in the current period. (371,379)

In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full-accrual basis of accounting. 1,008,000

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. (41,340)

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. (59,831)

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 \$1,114,963 exceeded debt repayments of \$586,839. (528,124)

Change in Net Position of Governmental Activities \$ 1,753,142

**Exhibit 5**

**TIPPAH COUNTY**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 110,266
Property tax receivable	280,174
Total Assets	<u>\$ 390,440</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 63,000
Accrued liabilities	47,266
Deferred revenue	280,174
Total Liabilities	<u>\$ 390,440</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, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Tippah 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.

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 \$94,606 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 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 \$65,217 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.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

**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. 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 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.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

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.

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

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.

**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.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

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.

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.



**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

J. 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.

K. 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."

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, 2013

*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.

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.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

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 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, 2013, Tippah County recognized no liability.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanation	Amount
To add fully depreciated capital assets that were not included in the Delta capital asset report.	\$ 267,390
Total prior period adjustments	<u>\$ 267,390</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$3,417,583 and the bank balance was \$3,370,613. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Fund	General Fund	\$ 40,886
Other Governmental Funds	General Fund	17,839
Total		<u>\$ 58,725</u>

The receivables represent the tax revenue collected but not settled until October, 2013. All other receivables represent receivables due from the tax collector. All interfund balances are expected to be repaid within one year from the date of the financial statements.



**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
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:

Transfer In	Transfer Out	Amount
Other Governmental Funds	State Aid Road Fund	\$ 5,080
Total		<u>\$ 5,080</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.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 83,949
State motor vehicle license privilege tax	34,864
Gas tax	18,048
Housing prisoners	4,360
State aid road	79,036
CECA project	171,446
Other	16,137
Total Governmental Activities	<u>\$ 407,840</u>

(6) Lease Receivables.

Component Unit: Tippah County Development Foundation

Description	Amount
Law Enforcement Center	\$ 967,437
Industrial Park Extension	137,134
Less: Current Portion	(219,022)
Total Lease Receivables	<u>\$ 885,549</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.



**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

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.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<b>Non-depreciable capital assets:</b>					
Land	\$ 1,291,168				1,291,168
Construction in progress	1,622,572	719,951		(1,964,962)	377,561
Total non-depreciable capital assets	2,913,740	719,951		(1,964,962)	1,668,729
<b>Depreciable capital assets:</b>					
Infrastructure	38,669,393			2,417,201	41,086,594
Buildings	2,522,936	365,000	365,000	460,902	2,983,838
Improvements other than buildings	39,800				39,800
Mobile equipment	1,884,977	210,540	63,790	2,419,305	4,451,032
Furniture and equipment	676,175	9,121		(257,710)	427,586
Leased property under capital leases	2,692,250				2,692,250
Total depreciable capital assets	46,485,531	584,661	428,790	5,039,698	51,681,100
<b>Less accumulated depreciation for:</b>					
Infrastructure	23,067,070	247,506		943,572	24,258,148
Buildings	666,690	50,472		268,091	985,253
Improvements other than buildings	11,144	1,592			12,736
Mobile equipment	1,464,016	145,258	57,411	2,036,942	3,588,805
Furniture and equipment	308,663	57,235		(52,927)	312,971
Leased property under capital leases	640,269	61,506		146,448	848,223
Total accumulated depreciation	26,157,852	563,569	57,411	3,342,126	30,006,136
Total depreciable capital assets, net	20,327,679	21,092	371,379	1,697,572	21,674,964
Governmental activities capital assets, net	\$ 23,241,419	741,043	371,379	(267,390)	23,343,693

The adjustments to capital assets were to reclassify completed construction in progress to the appropriate infrastructure asset class and to record fully depreciated assets that have been erroneously left off of the county's capital asset reports in prior periods.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 143,714
Public safety	34,785
Public works	385,070
Total Governmental Activities Depreciation Expense	\$ 563,569

The following is a schedule of capital assets for Tippah County Health Services for the year ended September 30, 2013.

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 116,132			116,132
Total non-depreciable capital assets	116,132			116,132
<u>Depreciable capital assets:</u>				
Land improvements	174,029			174,029
Buildings and improvements	7,135,384	56,323		7,191,707
Equipment	8,789,758	214,957		9,004,715
Ambulance and automobiles	625,810			625,810
Total depreciable capital assets	16,724,981	271,280		16,996,261
<u>Less accumulated depreciation for:</u>				
Land improvements	165,380	1,688		167,068
Buildings and improvements	4,421,453	191,799		4,613,252
Equipment	7,107,681	371,795		7,479,476
Ambulance and automobiles	446,057	47,051		493,108
Total accumulated depreciation	12,140,571	612,333		12,752,904
Total depreciable capital assets, net	4,584,410	(341,053)		4,243,357
Governmental activities capital assets, net	\$ 4,700,542	(341,053)		4,359,489

The following is a schedule of capital assets for Tippah County Development Foundation for the year ended September 30, 2013.

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 342,436			342,436
Total non-depreciable capital assets	342,436			342,436
<u>Depreciable capital assets:</u>				
Building	334,720			334,720
Furniture and equipment	22,388			22,388
Total depreciable capital assets	357,108			357,108
<u>Less accumulated depreciation for:</u>				
Building	9,438	5,798		15,236
Furniture and equipment	20,056	3,865		23,921
Total accumulated depreciation	29,494	9,663		39,157
Total depreciable capital assets, net	327,614	(9,663)		317,951
Governmental activities capital assets, net	\$ 670,050	(9,663)		660,387

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

(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, 2013 to January 1, 2014. 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 Bailis 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 \$73,300 for the year ended September 30, 2013. The future minimum lease receivable for the lease is as follows:

Year Ending September 30,	Principal
2014	\$ 74,500
2015	75,700
2016	76,900
2017	78,100
2018	79,300
2019 - 2020	141,550
Total	\$ 526,050

(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**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

The county leases the following property with varying terms and options as of September 30, 2013:

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, 2013, are as follows:

Year Ending September 30,	Governmental Activities
	Principal      Interest
2014	\$ 76,236      4,464
2015	78,282      3,618
2016	80,371      2,729
2017	82,506      1,794
2018	84,689      811
2019 - 2023	345,707      43
2024 - 2028	312,900
Total	\$ 1,060,691      13,459

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

Class of Property	Governmental Activities
Law Enforcement Center	\$ 2,440,800
Mobile equipment	251,450
Total	2,692,250
Less: Accumulated depreciation	(848,223)
Leased Property Under Capital Leases	\$ 1,844,027

The following is a schedule by years of the total payments due as of September 30, 2013:

Year Ending September 30,	Governmental Activities
	Principal      Interest
2014	\$ 185,193      50,606
2015	181,717      41,809
2016	186,976      32,869
2017	196,525      23,320
2018	206,475      13,371
2019	111,428      2,918
Total	\$ 1,068,314      164,893



**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

(11) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
Equipment Notes:			
JD 310SJ Backhoe	\$ 38,634	1.70%	06/15/16
2 RC5610 10' Cutters	13,320	1.70%	06/15/16
Total Equipment Notes	<u>\$ 51,954</u>		
Capital Leases:			
John Deere 310SJ Backhoe	\$ 19,398	1.70%	10/20/14
Law Enforcement Center	1,048,916	5.00%	02/20/19
Total Capital Leases	<u>\$ 1,068,314</u>		
Other Loans:			
2008 Mack Dump Truck	\$ 15,656	1.70%	08/15/14
Countywide 5 Year Note	975,000	1.50%	12/01/17
Tax Assessor Van	1,981	1.70%	09/30/14
2009 Ford F750 Dump Truck	22,270	1.70%	08/15/14
Massengill/Benchcraft Bldg	22,000	1.70%	09/20/14
Industrial Park Land	136,575	4.38%	06/28/16
2011 Chevy Ton Truck	9,540	1.70%	12/15/15
Ford F150 Crew Cab (2)	28,917	1.70%	02/01/16
AS 400 Computer System	27,921	1.70%	11/19/15
2011 Chevy Ton Truck	11,508	1.70%	12/15/15
Sheriff's Car	16,275	2.00%	03/15/17
Kabota Tractor	32,678	2.00%	03/15/17
Kabota Tractor	24,798	2.00%	03/15/17
Paver & Trailer	33,270	2.00%	07/01/17
NEMPDD Loan	91,776	4.38%	07/01/16
Dodge Charger	24,327	2.00%	01/15/18
Dodge Charger	22,432	2.00%	03/01/18
2011 Cat Backhoe	94,805	2.00%	03/15/18
2500 Dodge Truck	23,399	2.00%	12/15/17
CECA Building	352,022	3.00%	12/01/27
Total Other Loans	<u>\$ 1,967,150</u>		

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,	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 17,318	810	420,894	39,598
2015	17,318	515	409,689	31,701
2016	17,318	221	370,263	23,342
2017			268,107	15,747
2018			252,230	11,366
2019 - 2023			123,198	28,039
2024 - 2028			122,769	8,306
Total	<u>\$ 51,954</u>	<u>1,546</u>	<u>1,967,150</u>	<u>158,099</u>



**TIPPAH COUNTY**  
Notes to Financial Statements  
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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, 2013, the amount of outstanding debt was equal to 2.60% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

Governmental Activities:	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
Equipment notes	\$ 77,625		25,671	51,954	17,318
Capital leases	1,242,696		174,382	1,068,314	185,193
Other loans	1,238,973	1,114,963	386,786	1,967,150	420,894
Total	\$ 2,559,294	1,114,963	586,839	3,087,418	623,405

Component Unit: Tippah County Development Foundation

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Notes Payable:			
Law Enforcement Center	\$ 967,437	5.00%	05/05/19
Building	197,037	2.00%	11/01/24
Building	90,035	3.25%	06/29/22
Industrial Park Extension	137,135	4.38%	06/28/16
Total Notes Payable	\$ 1,391,644		
Year Ending September 30,	Principal		
2014	\$ 243,749		
2015	254,822		
2016	261,305		
2017	226,979		
2018	244,385		
Thereafter	160,404		
Total	\$ 1,391,644		

Component Unit: Tippah County Health Services

Description and Purpose	Amount Outstanding	Interest Rate
Notes Payable:		
Chemistry Analyzer	\$ 51,197	3.50%
Blue Mountain Clinic	183,893	3.75%
Electronic Health Record System	391,907	N/A
Total Notes Payable	\$ 626,997	
Capital Leases:		
Equipment	\$ 125,222	5.96%
Total Capital Leases	\$ 125,222	

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

Year Ending September 30,		Notes Payable		Capital Leases	
		Principal	Interest	Principal	Interest
2014	\$	176,555	35,048	27,503	7,249
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	3,803	37
Thereafter		64,073	2,944		
Total	\$	626,997	70,754	125,222	17,626

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013.

Fund	Deficit Amount
EMA Grant Fund	\$ 8,332
CDBG Grant Fund	135,731
E-911 Fund	43,937
Seized Money/Confiscated Fund	53
NE Miss PDD Loan Fund	1,040
Garbage & Solid Waste Fund	8,542

(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.

**TIPPAH COUNTY**  
Notes to Financial Statements  
For the Year Ended September 30, 2013

(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 2013.

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 2013.

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 \$361,312 in support of the college in fiscal year 2013.

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 2013. 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, 2013, 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, 2013 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, 2013, 2012 and 2011 were \$390,449, \$355,589, and \$344,832, 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 December 29, 2014 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, 2013

Subsequent to September 30, 2013, the county issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
3/31/2014	3.00%	\$ 4,370,000	MDA Capital Improvement Loan	Aluma-Form, Inc. Lease Agreement

Other Items to Note:

Tippah County entered into a lease agreement with Aluma-Form, Inc. in February 2014. The county received Development Infrastructure Program Grant Funding in the amount of \$1,200,000.00 in relation to the Aluma-Form, Inc. Project. The county also received Community Development Block Grant funds to improve an access road for Barefoot Carriers, Inc. Tippah County approved a net increase in ad valorem taxes of 0.74 mills for the 2014-2015 fiscal year, which included an increase in Tippah County and South Tippah School District and a decrease in North Tippah School District. In September 2014, the Board approved the correction and removal of Justice Court Fines Receivable involved in the former Justice Court Clerk's embezzlement case investigated by the Office of the State Auditor Investigative Division. The Tippah County Tax Collector's office had a theft in December 2014. The only money reported missing was \$11.00 in change which had been left out of the safe.



***REQUIRED  
SUPPLEMENTARY  
INFORMATION***



**TIPPAH COUNTY**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,057,579	3,762,786	3,762,786	
Licenses, commissions and fees	213,862	232,079	232,079	
Fines and forfeitures	181,000	169,838	169,838	
Intergovernmental revenues	1,093,500	1,091,514	1,091,514	
Charges for services	305,838	311,042	311,042	
Interest income	100,100	81,501	81,501	
Miscellaneous revenues	64,500	64,974	64,974	
Total Revenues	<u>6,016,379</u>	<u>5,713,734</u>	<u>5,713,734</u>	
<b>EXPENDITURES</b>				
Current:				
General government	3,601,949	3,110,100	3,110,100	
Public safety	1,876,349	1,822,496	1,822,496	
Public works	162,779	141,230	141,230	
Health and welfare	166,265	132,600	132,600	
Culture and recreation	140,283	196,995	196,995	
Conservation of natural resources	141,596	43,592	43,592	
Economic development and assistance	13,000	20,443	20,443	
Debt service:				
Principal	278,068	199,710	199,710	
Interest		60,597	60,597	
Total Expenditures	<u>6,380,289</u>	<u>5,727,763</u>	<u>5,727,763</u>	
Excess of Revenues over (under) Expenditures	<u>(363,910)</u>	<u>(14,029)</u>	<u>(14,029)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		46,565	46,565	
Long-term non-capital debt issued		585,000	585,000	
Transfers in	104,895	690,373	690,373	
Transfers out		(690,373)	(690,373)	
Total Other Financing Sources and Uses	<u>104,895</u>	<u>631,565</u>	<u>631,565</u>	
Net Change in Fund Balance	<u>(259,015)</u>	<u>617,536</u>	<u>617,536</u>	
Fund Balances - Beginning	<u>(2,801,732)</u>	<u>(376,614)</u>	<u>(376,614)</u>	
Fund Balances - Ending	<u>\$ (3,060,747)</u>	<u>240,922</u>	<u>240,922</u>	

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

**TIPPAH COUNTY**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Fund  
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,134,789	1,061,178	1,061,178	
Road and bridge privilege taxes	274,998	318,517	318,517	
Intergovernmental revenues	525,275	565,629	565,629	
Interest income		9,207	9,207	
Miscellaneous revenue	3,222	135	135	
Total Revenues	<u>1,938,284</u>	<u>1,954,666</u>	<u>1,954,666</u>	
<b>EXPENDITURES</b>				
Current:				
Public works	2,217,557	1,875,209	1,875,209	
Debt service:				
Principal	95,308	90,652	90,652	
Interest		4,657	4,657	
Total Expenditures	<u>2,312,865</u>	<u>1,970,518</u>	<u>1,970,518</u>	
Excess of Revenues over (under) Expenditures	<u>(374,581)</u>	<u>(15,852)</u>	<u>(15,852)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		118,204	118,204	
Proceeds from sale of capital assets		6,796	6,796	
Total Other Financing Sources and Uses		<u>125,000</u>	<u>125,000</u>	
Net Change in Fund Balance	<u>(374,581)</u>	<u>109,148</u>	<u>109,148</u>	
Fund Balances - Beginning	<u>(975,658)</u>	<u>954,734</u>	<u>954,734</u>	
Fund Balances - Ending	\$ <u><u>(1,350,239)</u></u>	<u><u>1,063,882</u></u>	<u><u>1,063,882</u></u>	

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

**TIPPAH COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2013

**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:

	<b>General Fund</b>	<b>Countywide Road Fund</b>
Budget (Cash Basis)	\$ 617,536	\$ 109,148
Increase (Decrease)		
Net adjustments for revenue accruals	92,389	17,186
Net adjustments for expenditure accruals	(30,360)	(57,749)
Net adjustments for other financing sources(uses)	37,390	
GAAP Basis	<u>\$ 716,955</u>	<u>\$ 68,585</u>

# ***SUPPLEMENTAL INFORMATION***



**TIPPAH COUNTY**  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$ 274,688
Refuse and waste fees	23,457
Expendable commodities:	
Gasoline & petroleum products	81,293
Repair parts	30,883
Supplies	3,032
Debt retirement	4,603
Interest	<u>290</u>
Total Cash Basis Operating Expenditures	<u>418,246</u>

Full Cost Expenses:

Less, principal payments	(4,603)
Indirect administrative costs	3,396
Depreciation on equipment	25,659
Net effect of other accrued expenses	<u>3,032</u>
Full Cost Operating Expenses	<u><u>\$ 445,730</u></u>



# ***OTHER INFORMATION***

Tippah County  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2013

Name	Position	Company	Amount
Rodney McBryde	Chancery Clerk	Travelers Casualty & Surety Co.	100,000
Rodney McBryde	County Administrator	U.S. Fidelity & Guaranty 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
Melinda Crum	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
Arthur Wilbanks	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
Crystal Graves	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
Jessica Horton	Jailers	Travelers Casualty & Surety Co.	50,000
Cindy Lynn Clark	Jailers	Travelers Casualty & Surety Co.	50,000
Adam Crenshaw	Jailers	Travelers Casualty & Surety Co.	50,000
Walter Carroll Dixon	Jailers	Travelers Casualty & Surety Co.	50,000
Corey Elliot	Jailers	Travelers Casualty & Surety Co.	50,000
Rita Lowery	Jailers	Travelers Casualty & Surety Co.	50,000
Maxine Barkely	Jailers	Travelers Casualty & Surety Co.	50,000
William Brian Nance	Jailers	Travelers Casualty & Surety Co.	50,000
Heather McCallister	Jailers	Travelers Casualty & Surety Co.	50,000
Shelia Gail Smith	Jailers	Travelers Casualty & Surety Co.	50,000
Barbara Louanne Stanton	Jailers	Travelers Casualty & Surety Co.	50,000
Darrel Swinford	Jailers	Travelers Casualty & Surety Co.	50,000
Amy Nance	Jailers	Travelers Casualty & Surety Co.	50,000
Robert J. Brown	Justice Court Judge North Half	Travelers Casualty & Surety Co.	50,000
S Meek	Justice Court Judge South Half	Travelers Casualty & Surety Co.	50,000
Melissa Criswell	Justice Court Clerk	Travelers Casualty & Surety Co.	50,000
Gloria White	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Patricia Kent	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	50,000
Natalie Bibb	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

# ***SPECIAL REPORTS***



204 5<sup>th</sup> Avenue SE  
P.O. Box 1366  
Red Bay, Alabama 35582-1366  
Phone: (256) 356-9375  
Fax: (256) 356-8378  
E-mail: sparkscpa@bellsouth.net

**The Sparks CPA Firm, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

713 Avalon Avenue  
P.O. Box 2321  
Muscle Shoals, AL 35661  
Phone: (256) 314-5082  
Fax: (256) 314-5084

**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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 29, 2014. 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. This report includes our consideration of 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. The financial statements of the Tippah County Development Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 an opinion 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 2013-001, 2013-003, 2013-006, 2013-007, 2013-008, 2013-009, 2013-011, 2013-012, 2013-013, 2013-014 and 2013-015 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 2013-002, 2013-004, 2013-005, and 2013-010, 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*.

However, 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 December 29, 2014 included within this document.

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.

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  
December 29, 2014



204 5<sup>th</sup> Avenue SE  
P.O. Box 1366  
Red Bay, Alabama 35582-1366  
Phone: (256) 356-9375  
Fax: (256) 356-8378  
E-mail: sparkscpa@bellsouth.net

***The Sparks CPA Firm, P.C.***  
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713 Avalon Avenue  
P.O. Box 2321  
Muscle Shoals, AL 35661  
Phone: (256) 314-5082  
Fax: (256) 314-5084

**INDEPENDENT AUDITORS' 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, 2013. 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, 2013.

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  
December 29, 2014

Schedule 1

**TIPPAH COUNTY**  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
05/15/13	Excavator	\$ 94,805	Thompson Cat	\$ 51,139	Proposed excavator was re-certified by Caterpillar and is newer machine with a better engine, has low hours of usage, and has a remaining warranty.



**TIPPAH COUNTY**  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
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Our test results did not identify any emergency purchases.

**TIPPAH COUNTY**

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2013

<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.



204 5<sup>th</sup> Avenue SE  
P.O. Box 1366  
Red Bay, Alabama 35582-1366  
Phone: (256) 356-9375  
Fax: (256) 356-8378  
E-mail: sparkscpa@bellsouth.net

# *The Sparks CPA Firm, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

713 Avalon Avenue  
P.O. Box 2321  
Muscle Shoals, AL 35661  
Phone: (256) 314-5082  
Fax: (256) 314-5084

## **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 for the year ended September 30, 2013, 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 December 29, 2014 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:

Board of Supervisors.

1. Finding

The Board did not repay advances or approve and document in the minutes a repayment schedule.

Recommendation

The Board should prepare and approve a payment schedule for the repayment of the advances and spread upon the minutes.

Board of Supervisors' Response

As of the audit report date, we started paying back these advances.

Clerk of the Board.

2. Finding

The Clerk of the Board did not publish the prior year audit synopsis and the purchasing information as required by Miss. Code Ann. (1972), Sections 7-7-221 and 31-7-115 respectively.

Recommendation

The Clerk of the Board should ensure that the prior year audit synopsis and the required purchasing information are published according to state statute.

Clerk of the Board's Response

I will comply.

3. 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

This has been corrected.

4. 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

This has been corrected.

5. 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.

6. Finding

The County exceeded the 110% CAP (Miss. Code Ann. (1972), Section 27-39-321) on ad valorem collections after taking into consideration new growth.

Recommendation

The County should not increase their tax levy in excess of 110%.



Clerk of the Board's Response

I will ensure that we do not increase our tax levy by 110% in the future.

Chancery Clerk.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. Finding

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

Recommendation

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

Chancery Clerk's Response

I will comply.



Circuit Clerk.

15. Finding

There were two errors in the Circuit Clerk's annual financial report. The Circuit Clerk did not report \$148 in income and had \$158.26 in disallowed expenses.

Recommendation

The Circuit Clerk did not exceed the salary cap so therefore, the Circuit Clerk should just 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

I will comply.

Sheriff.

16. 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.

17. 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.

18. Finding

The confidential informant file did not contain sufficient documentation to authenticate two 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.

19. Finding

Drug buy funds were used to pay \$96.71 in travel expenses for an investigator in relation to a case. This payment was not made pursuant to purchasing statutes.

Recommendation

In the future, drug buy funds should only be spent on allowable purchases.

Sheriff's Response

I 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  
December 29, 2014

**TIPPAH COUNTY**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2013

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	Unmodified
General Fund	Unmodified
Countywide Road 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.

2013-001

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, 2013

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.

Significant Deficiency.

2013-002

Criteria

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the amount of the warrant. Warrants were issued on five funds which did not have sufficient money to pay the warrants.

Condition

The Community Development Block Grant Fund, 911 Fund, Seized/Confiscated Money Fund, NEMPDD Loan Fund, and Solid Waste Fund each had deficit cash balances for the period ending September 30, 2013.

Effect

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Cause

An ineffective system of internal controls over reviewing the reconciled cash balance in each fund.

Recommendation

The Board of Supervisors should ensure that no warrants are written on funds when cash is not available to pay the same.

Board of Supervisors' Response

We will comply.

Chancery Clerk

Material Weakness.

2013-003

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, 2013

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.

2013-004

Criteria

An effective system of internal control over Chancery Clerk receipts should include maintaining adequate subsidiary records to substantiate proper posting and timely deposits of receipts.

Condition

A critical aspect of financial management is maintaining adequate records to substantiate the proper posting and depositing of receipts. The Chancery Clerk did not maintain adequate subsidiary documentation to substantiate that receipts were properly posted and deposited.

Effect

Failure to maintain adequate subsidiary documentation could result in the incorrect preparation of his fee journal.

Cause

A lack of effective internal controls.

Recommendation

The Chancery Clerk should maintain adequate records to ensure that receipts can be traced to his daily sheets and bank deposits.

**TIPPAH COUNTY**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Chancery Clerk's Response

I will comply.

Significant Deficiency.

2013-005

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.

2013-006

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, 2013

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.

2013-007

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, 2013

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.

2013-008

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.

2013-009

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, 2013

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.

2013-010

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, 2013

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.

2013-011

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.

Material Weakness.

2013-012

Criteria

An effective system of internal controls should include adequate oversight and approval of non cash adjustments to fines receivable.

**TIPPAH COUNTY**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2013

Condition

The Justice Court Clerk posts receipts to the receivable ledger, authorizes write-offs of delinquent accounts, maintains and authorizes receivable adjustments and investigates discrepancies or issues related to revenue.

Effect

Based on audit procedures and our discussion with the Justice Court Clerk, the Clerk was able to delete fine receivable records as non cash adjustments.

Cause

The failure to establish control procedures over the deletion of fines receivable could result in the misappropriation of funds.

Recommendation

The Justice Court Clerk should implement a set of controls that include external oversight from management of the deletions of fines receivable.

Justice Court Clerk's Response

I will comply.

Tax Assessor/Collector

Material Weakness.

2013-013

Criteria

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

Condition

One Tax Collector Deputy collects all the cash deposits, 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, 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.



**TIPPAH COUNTY**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2013

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.

2013-014

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.

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.

2013-015

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.



**TIPPAH COUNTY**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2013

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.