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TIPPAH COUNTY, MISSISSIPPI

**Audited Financial Statements
and Special Reports**

For the Year Ended September 30, 2016



Certified Public Accountants

TIPPAH COUNTY

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FINANCIAL SECTION



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American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

Certified Public Accountants

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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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tippah County Health Services, and the Tippah County Development Foundation, component units, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit column. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. However, the financial statements of the Tippah County Development Foundation, a component unit, audited by other auditors was not audited in accordance with *Government Auditing Standards*.

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

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

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Opinions

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, 2016, 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 Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions 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 presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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, 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 November 19, 2018, 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.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
November 19, 2018

FINANCIAL STATEMENTS

Tippah County
Statement of Net Position
September 30, 2016

	Primary Government	Component Units		
	Governmental Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
ASSETS				
Cash	\$ 4,232,307	1,217,318	53,281	1,270,599
Interest receivable	-	-	3,332	3,332
Property tax receivable	4,997,401	-	-	-
Accounts receivable	-	-	18,000	18,000
Patient accounts receivable, (net of estimated uncollectibles of \$3,223,371)	-	2,480,326	-	2,480,326
Fines receivable, (net of allowance for uncollectibles of \$659,680)	666,875	-	-	-
Estimated third party payor settlements	-	137,575	-	137,575
Current portion of lease receivable	-	-	204,960	204,960
Capital lease receivable	7,748,606	-	-	-
Intergovernmental receivables	390,476	-	-	-
Other receivables	88,786	242,455	-	242,455
Inventories and prepaid items	-	392,542	-	392,542
Cash - designated for capital acquisitions	-	419,747	-	419,747
Lease receivable, less current portion	-	-	218,432	218,432
Restricted cash	-	-	51,405	51,405
Other assets	-	240,359	500	240,859
Capital assets:				
Land and construction in progress	1,653,388	116,132	254,936	371,068
Other capital assets, net	24,458,701	2,962,945	318,296	3,281,241
Total Assets	<u>44,236,540</u>	<u>8,209,399</u>	<u>1,123,142</u>	<u>9,332,541</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pensions	1,485,998	2,625,653	-	2,625,653
Total Deferred Outflows of Resources	<u>1,485,998</u>	<u>2,625,653</u>	<u>-</u>	<u>2,625,653</u>
LIABILITIES				
Claims payable	397,418	844,100	4,591	848,691
Patient accounts receivable - credit balances	-	68,158	-	68,158
Estimated third party payor settlements	-	336,264	-	336,264
Accrued liabilities	281,515	618,664	7,376	626,040
Intergovernmental payables	172,377	-	-	-
Amounts held in custody for others	534,718	-	-	-
Long-term liabilities				
Net pension liability	8,352,682	13,642,839	-	13,642,839
Due within one year:				
Capital debt	768,245	193,883	220,611	414,494
Non-capital debt	195,000	-	-	-
Due in more than one year:				
Capital debt	5,436,987	620,971	374,899	995,870
Non-capital debt	195,000	-	-	-
Total Liabilities	<u>16,333,942</u>	<u>16,324,879</u>	<u>607,477</u>	<u>16,932,356</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	4,997,401	-	-	-
Capital leases for future reporting period	2,755,158	-	-	-
Deferred inflows - pensions	22,196	961,611	-	961,611
Total Deferred Inflows of Resources	<u>7,774,755</u>	<u>961,611</u>	<u>-</u>	<u>961,611</u>
NET POSITION				
Net investment in capital assets	19,906,857	2,264,223	-	2,264,223
Restricted:				
Expendable:				
Debt service	385,048	-	-	-
Public safety	315,682	-	-	-
Public works	1,695,923	-	-	-
Health and welfare	13,301	-	-	-
Economic development and assistance	151,397	-	-	-
Unrestricted	(854,367)	(8,715,661)	515,665	(8,199,996)
Total Net Position	<u>\$ 21,613,841</u>	<u>(6,451,438)</u>	<u>515,665</u>	<u>(5,935,773)</u>

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

Tippah County
Statement of Activities
For the Year Ended September 30, 2016

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
Primary government:								
Governmental activities:								
General government	\$ 3,522,126	515,465	819,765	8,532	(2,178,364)			
Public safety	1,909,984	313,947	107,195	-	(1,488,842)			
Public works	3,297,378	105,625	1,254,553	245,256	(1,691,944)			
Health and welfare	348,075	-	-	-	(348,075)			
Culture and recreation	219,303	-	-	-	(219,303)			
Conservation of natural resources	38,758	-	-	-	(38,758)			
Economic development and assistance	460,035	-	922	374,095	(85,018)			
Interest on long-term debt	191,728	-	-	-	(191,728)			
Pension expense	1,109,947	-	-	-	(1,109,947)			
Total Governmental Activities	11,097,334	935,037	2,182,435	627,883	(7,351,979)			
Total Primary Government	\$ 11,097,334	935,037	2,182,435	627,883	(7,351,979)			
Component Units:								
Tippah County Health Services	\$ 14,862,608	14,747,213	160,073	-		44,678	-	44,678
Tippah County Development Foundation	220,547	29,223	14,000	-		-	(177,324)	(177,324)
Total Component Units	\$ 15,083,155	14,776,436	174,073	-		44,678	(177,324)	(132,646)
General revenues								
Property taxes				\$ 6,248,686	-		91,000	91,000
Road & bridge privilege taxes				274,965	-		-	-
Unrestricted interest income				343,925	8,181		28,074	36,255
Lease revenue				-	-		41,243	41,243
Miscellaneous				356,984	-		13,280	13,280
Gain/(loss) on sale of assets				-	(58,022)		-	(58,022)
Contributions				-	4,500		-	4,500
Total General Revenues				7,224,560	(45,341)		173,597	128,256
Changes in Net Position					(127,419)	(663)	(3,727)	(4,390)
Net Position - Beginning, as previously reported					22,272,942	(7,554,353)	519,392	(7,034,961)
Prior period adjustment					(531,682)	1,103,578	-	1,103,578
Net Position - Beginning, as restated					21,741,260	(6,450,775)	519,392	(5,931,383)
Net Position - Ending					\$ 21,613,841	(6,451,438)	515,665	(5,935,773)

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

Tippah County
Balance Sheet - Governmental Funds
September 30, 2016

	Major Funds			Other	Total
	General	Countywide	AlumaForm	Governmental	Governmental
	Fund	Road	Fund	Funds	Funds
		Fund			
ASSETS					
Cash	\$ 1,971,049	1,024,880	115,001	1,121,377	4,232,307
Property tax receivable	3,467,184	643,645	-	886,572	4,997,401
Fines receivable (net of allowance for uncollectibles of \$659,680)	666,875	-	-	-	666,875
Capital lease receivable	-	-	6,914,956	833,650	7,748,606
Intergovernmental receivables	138,923	136,855	-	114,698	390,476
Other receivables	69,781	-	-	19,005	88,786
Due from other funds	124,872	44,429	-	25,483	194,784
Advances to other funds	-	380,250	-	1,769	382,019
Total Assets	<u>\$ 6,438,684</u>	<u>2,230,059</u>	<u>7,029,957</u>	<u>3,002,554</u>	<u>18,701,254</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 89,087	136,201	-	172,130	397,418
Accrued liabilities	210,226	41,744	-	29,545	281,515
Intergovernmental payables	272,038	9,970	-	6,821	288,829
Due to other funds	78,332	-	-	-	78,332
Advances from other funds	200,000	-	-	182,019	382,019
Amounts held in custody for others	534,718	-	-	-	534,718
Total Liabilities	<u>1,384,401</u>	<u>187,915</u>	<u>-</u>	<u>390,515</u>	<u>1,962,831</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,467,184	643,645	-	886,572	4,997,401
Unavailable revenue - fines	666,875	-	-	-	666,875
Unavailable revenue - capital lease receivables	-	-	6,914,956	833,650	7,748,606
Total Deferred Inflows of Resources	<u>\$ 4,134,059</u>	<u>643,645</u>	<u>6,914,956</u>	<u>1,720,222</u>	<u>13,412,882</u>
Fund balances:					
Restricted for:					
Public works	-	1,398,499	-	297,424	1,695,923
Health and welfare	-	-	-	13,301	13,301
Debt service	-	-	-	385,048	385,048
Committed to:					
Public safety	-	-	-	315,682	315,682
Economic development and assistance	-	-	115,001	36,396	151,397
Unassigned	920,224	-	-	(156,034)	764,190
Total Fund Balances	<u>920,224</u>	<u>1,398,499</u>	<u>115,001</u>	<u>891,817</u>	<u>3,325,541</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,438,684</u>	<u>2,230,059</u>	<u>7,029,957</u>	<u>3,002,554</u>	<u>18,701,254</u>

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

Exhibit 3-1

Tippah County
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position
September 30, 2016

Total Fund Balance - Governmental Funds	Amount \$ 3,325,541
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 \$31,534,204.	26,112,089
Fines receivables that have accrued at year end but are not available to liquidate liabilities of the current period are deferred in the funds.	666,875
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,485,998
Deferred inflows of resources related to pensions	(22,196)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,993,448
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,352,682)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,595,232)
Total Net Position - Governmental Activities	\$ 21,613,841

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

Tippah County
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2016

	Major Funds			Other	Total
	General	Countywide	AlumaForm	Governmental	Governmental
	Fund	Road	Fund	Funds	Funds
		Fund			
REVENUES					
Property taxes	\$ 4,173,121	989,773	-	1,085,792	6,248,686
Road & bridge privilege taxes	-	274,965	-	-	274,965
Licenses, commissions, and other revenue	233,729	-	-	-	233,729
Fines and forfeitures	156,871	17,984	-	64,632	239,487
Intergovernmental revenues	829,112	881,305	-	1,099,901	2,810,318
Charges for services	73,468	-	-	336,956	410,424
Interest income	78,743	5,932	253,632	5,618	343,925
Miscellaneous revenues	298,887	21,963	-	6,133	326,983
Total Revenues	5,843,931	2,191,922	253,632	2,599,032	10,888,517
EXPENDITURES					
Current:					
General government	3,751,123	-	-	-	3,751,123
Public safety	1,594,517	-	-	555,073	2,149,590
Public works	165,136	2,675,367	-	914,911	3,755,414
Health and welfare	186,685	-	-	161,390	348,075
Culture and recreation	219,303	-	-	-	219,303
Conservation of natural resources	38,758	-	-	-	38,758
Economic development & assistance	18,135	-	-	531,240	549,375
Debt service:					
Principal	230,860	147,247	182,727	342,116	902,950
Interest	35,079	2,944	128,300	25,405	191,728
Total Expenditures	6,239,596	2,825,558	311,027	2,530,135	11,906,316
Excess of Revenues over (under) Expenditures	(395,665)	(633,636)	(57,395)	68,897	(1,017,799)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	627,000	292,506	-	-	919,506
Proceeds from sale of capital assets	-	99,058	-	-	99,058
Transfers in	-	60,000	-	123,197	183,197
Transfers out	(183,197)	-	-	-	(183,197)
Lease principal payments	-	-	118,472	83,071	201,543
Total Other Financing Sources and Uses	443,803	451,564	118,472	206,268	1,220,107
Net Changes in Fund Balances	48,138	(182,072)	61,077	275,165	202,308
Fund Balances - Beginning as originally reported	872,086	1,631,010	53,924	566,213	3,123,233
Prior Period Adjustment	-	(50,439)	-	50,439	-
Fund Balances - Beginning as restated	872,086	1,580,571	53,924	616,652	3,123,233
Fund Balances - Ending	\$ 920,224	1,398,499	115,001	891,817	3,325,541

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, 2016

Net Changes in Fund Balances - Governmental Funds	\$ 202,308
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 \$1,486,775 exceeded depreciation expense of (\$650,893) in the current period.	835,882
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Donated Asset	30,000
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 loss of (\$300,567) and the the proceeds from the sale of capital assets of (\$99,058) in the current period.	(399,625)
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.	51,398
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.	(201,543)
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 (\$919,506) exceeded debt repayments of \$902,950.	(16,556)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,109,947)
Recording of contributions made for the current fiscal year	480,664
Change in Net Position of Governmental Activities	\$ <u>(127,419)</u>

Exhibit 5

Tippah County
Statement of Fiduciary Assets and Liabilities
September 30, 2016

	Agency Funds
ASSETS	
Cash	\$ 160,683
Property tax receivable	470,611
Due from other funds	8,420
Intergovernmental receivables	133
Total Assets	<u>\$ 639,847</u>
LIABILITIES	
Amounts held in custody for others	\$ 15,611
Accrued liabilities	28,753
Deferred revenue	470,611
Due to other funds	124,872
Total Liabilities	<u>\$ 639,847</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, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Tippah County (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Tippah County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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 \$102,722 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 \$67,862 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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for 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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

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

AlumaForm Fund - This fund is used to account for monies received from AlumaForm.

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 debt service or 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 TYPE

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the 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, 2016

J. Deferred Outflows/Inflows of Resources

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

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

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

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

Capital leases for future reporting period/unavailable revenue – capital lease receivable – When a capital lease receivable is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Long-term Liabilities.

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

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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

M. Equity Classifications.

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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, 2016

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

Fund Balance Flow Assumption:

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

N. 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.

O. 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.

P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. For the year ending September 30, 2016, Tippah County recognized no liability.

(2) Prior Period Adjustments.

Exhibit 2 – Statement of Activities.

Governmental Activities

Explanation	Amount
To correct deferred inflows/outflows related to pensions	\$ (531,682)
Total	\$ <u>(531,682)</u>

Component Unit: Tippah County Health Services

Explanation	Amount
To correct deferred inflows/outflows and NPL related to pensions	\$ 1,103,578
Total	\$ <u>1,103,578</u>

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To reclassify advances recorded in the incorrect funds.	\$ (280,677)
To reclassify advances recorded in the incorrect funds.	280,677
To reclassify advances recorded in the incorrect funds.	(50,439)
To reclassify advances recorded in the incorrect funds.	50,439
Total	\$ <u>-</u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$4,392,990 and the bank balance was \$4,478,302. 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. 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). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Funds	\$ 124,872
Countywide Road Fund	General Fund	44,429
Other Governmental Funds	General Fund	25,483
Agency Funds	General Fund	8,420
Total		<u>\$ 203,204</u>

The interfund balances to the General Fund represent tax revenue collected from the tax collector but not settled until October, 2016. The interfund balances between the fiduciary funds and General Fund represented tax revenue as well as excess monies that were transferred to the payroll clearing. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Fund	General Fund	\$ 200,000
Countywide Road Fund	Other Governmental Funds	180,250
Other Governmental Funds	Other Governmental Funds	1,769
Total		<u>\$ 382,019</u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Road Fund	General Fund	\$ 60,000
Other Governmental Funds	General Fund	123,197
Total		<u>\$ 183,197</u>

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

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

(5) Intergovernmental Receivables.

Intergovernmental Receivables at September 30, 2016, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 109,454
State motor vehicle license privilege tax	24,791
Gas tax	42,421
Timber severance	305
FEMA monies	71,313
CDBG Funds (Spout Springs)	69,245
State Aid Road funds	34,024
Welfare	11,937
Solid waste grant	5,319
Salary reimbursements	12,768
Help MS Vote	5,284
Harvest permits	1,284
Other	2,331
Total Governmental Activities	\$ <u>390,476</u>

(6) Lease Receivables.

Component Unit: Tippah County Development Foundation

Description	Amount
Law Enforcement Center	\$ 423,392
Less: Current Portion	<u>(204,960)</u>
Total Lease Receivables	\$ <u>218,432</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, 2016

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2016:

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,291,168	362,242	362,242	-	1,291,168
Construction in progress	2,409,145	566,912	-	(2,613,837)	362,220
Total non-depreciable capital assets	3,700,313	929,154	362,242	(2,613,837)	1,653,388
<u>Depreciable capital assets:</u>					
Infrastructure	42,033,287	9,714	-	2,386,052	44,429,053
Buildings	2,983,838	-	-	227,785	3,211,623
Improvements other than buildings	39,800	-	-	-	39,800
Mobile equipment	5,015,924	567,265	267,781	-	5,315,408
Furniture and equipment	557,779	10,642	12,200	-	556,221
Leased property under capital leases	2,440,800	-	-	-	2,440,800
Total depreciable capital assets	53,071,428	587,621	279,981	2,613,837	55,992,905
<u>Less accumulated depreciation for:</u>					
Infrastructure	24,787,022	316,954	-	-	25,103,976
Buildings	1,086,197	55,029	-	-	1,141,226
Improvements other than buildings	15,920	1,592	-	-	17,512
Mobile equipment	4,022,222	216,229	231,618	-	4,006,833
Furniture and equipment	482,308	12,273	10,980	-	483,601
Leased property under capital leases	732,240	48,816	-	-	781,056
Total accumulated depreciation	31,125,909	650,893	242,598	-	31,534,204
Total depreciable capital assets, net	21,945,519	(63,272)	37,383	2,613,837	24,458,701
Governmental activities capital assets, net	\$ 25,645,832	865,882	399,625	-	26,112,089

The adjustments to capital assets were to reclassify completed capital projects to their respective classes.

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 134,250
Public safety	56,913
Public works	459,730
Total Governmental Activities Depreciation Expense	\$ 650,893

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP-70(64) Project	\$ 37,019	March 2017
LSBP 70(25) Project	390,615	April 2017
SAP-70(65) Project	637,573	July 2017

The following is a schedule of capital assets for Tippah County Health Services for the year ended September 30, 2016.

	<u>Balance Oct. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2016</u>
<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	7,193,526	-	275,375	6,918,151
Fixed equipment	2,300,883	45,050	-	2,345,933
Major movable equipment:				
Under capital lease	148,283	-	-	148,283
Other	6,798,436	236,112	-	7,034,548
Automobiles	613,069	4,500	-	617,569
Total depreciable capital assets	17,228,226	285,662	275,375	17,238,513
<u>Less accumulated depreciation for:</u>				
Land improvements	170,045	1,236	-	171,281
Buildings and improvements	5,001,127	191,276	88,732	5,103,671
Fixed equipment	2,056,248	34,584	-	2,090,832
Major movable equipment				
Under capital lease	70,074	23,883	-	93,957
Other	5,985,801	199,373	-	6,185,174
Automobiles	573,367	57,286	-	630,653
Total accumulated depreciation	13,856,662	507,638	88,732	14,275,568
Total depreciable capital assets, net	3,371,564	(221,976)	186,643	2,962,945
Governmental activities capital assets, net	\$ 3,487,696	(221,976)	186,643	3,079,077

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

The following is a schedule of capital assets for Tippah County Development Foundation for the year ended September 30, 2016.

	Balance Oct. 1, 2015	Additions	Deletions	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 254,936	-	-	254,936
Total non-depreciable capital assets	<u>254,936</u>	<u>-</u>	<u>-</u>	<u>254,936</u>
<u>Depreciable capital assets:</u>				
Building	360,220	-	-	360,220
Furniture and equipment	12,761	-	-	12,761
Total depreciable capital assets	<u>372,981</u>	<u>-</u>	<u>-</u>	<u>372,981</u>
<u>Less accumulated depreciation for:</u>				
Building	29,493	9,424	-	38,917
Furniture and equipment	14,347	1,421	-	15,768
Total accumulated depreciation	<u>43,840</u>	<u>10,845</u>	<u>-</u>	<u>54,685</u>
Total depreciable capital assets, net	<u>329,141</u>	<u>(10,845)</u>	<u>-</u>	<u>318,296</u>
Governmental activities capital assets, net	<u>\$ 584,077</u>	<u>(10,845)</u>	<u>-</u>	<u>573,232</u>

(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, 2016 to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessee:

On May 1, 2010, Tippah County entered into a non-cancellable operating lease agreement with the Tippah County Development Foundation for the lease of a building and premises located at 159 Bails Road, Ripley, Mississippi 38663 owned by the Tippah County Development Foundation for the purpose of conducting business activities of 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.

TIPPAH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

The County has entered into a certain operating lease which does not give rise to property rights. Total costs for the lease was \$76,900 for the year ended September 30, 2016. The future minimum lease payments for the lease are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>
2017	\$ 78,100
2018	79,300
2019	80,500
2020	61,050
Total Minimum Payments Required	\$ <u>298,950</u>

(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.

On April 1, 2015, Tippah County entered into a capital lease agreement with Aluma Form, LLC for the lease of a building in the Walnut Industrial Park. The capital lease stipulated that the lessee would pay approximately \$31,009 per month in lease payments commencing May 1, 2015 for a term of twenty years. At the end of the lease term, Aluma Form, LLC has the option to purchase the property for the sum of \$1.

The County leases the following property with varying terms and options as of September 30, 2016:

<u>Class of Property</u>	<u>Governmental Activities</u>
Land	\$ 252,640
Buildings	6,280,155
Total	\$ <u>6,532,795</u>

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 208,286	248,119
2018	218,227	239,379
2019	212,681	230,375
2020	217,419	221,587
2021	227,902	212,303
2022 – 2026	1,318,089	900,937
2027 – 2031	1,393,742	566,184
2032 – 2035	1,197,102	136,274
Total	\$ 4,993,448	2,755,158

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

Class of Property	Governmental Activities
Law Enforcement Center	\$ 2,440,800
Less: Accumulated depreciation	(781,056)
Leased Property Under Capital Leases	\$ 1,659,744

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 196,525	23,320
2018	206,475	13,371
2019	111,428	2,918
Total	\$ 514,428	39,609

(11) Defined Benefit Pension Plan.

General Information about the 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 Employee's Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011)

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.00 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers 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, 2016, 2015 and 2014 were \$480,664 \$456,206, and \$413,471, respectively, equal to the required contributions for each year. Health Services's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$813,203, \$680,612, and \$755,644, respectively, which equaled to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the County reported a liability of \$8,352,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.046761 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.001086% from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

For the year ended September 30, 2016, the County recognized pension expense of \$1,109,947. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 230,218	\$ -
Net difference between projected and actual earnings on pension plan investments	577,173	-
Changes of assumptions	384,618	22,196
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	169,422	-
County contributions subsequent to the measurement date	124,567	-
Total	<u>\$ 1,485,998</u>	<u>\$ 22,196</u>

\$124,567 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2017	\$ 484,771
2018	377,548
2019	311,907
2020	165,009
Total	<u>\$ 1,339,235</u>

Component Unit: Tippah County Health Services

At September 30, 2016, Health Services reported a liability of \$13,642,839 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Health Services's proportion of the net pension liability was based on a projection of Health Services's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. Health Services's proportionate share used to calculate the September 30, 2016 net pension liability was 0.076377 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.005502% from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

For the year ended September 30, 2016, Health Services recognized pension expense of \$987,095. At September 30, 2016, Health Services reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 373,395	\$ -
Net difference between projected and actual earnings on pension plan investments	868,096	-
Changes of assumptions	596,821	36,253
Changes in the proportion and differences between Health Services's contributions and proportionate share of contributions	593,329	925,358
Health Services's contributions subsequent to the measurement date	194,012	-
Total	\$ <u>2,625,653</u>	\$ <u>961,611</u>

\$194,012 reported as deferred outflows of resources related to pensions resulting from Health Services's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2017	\$ 107,490
2018	511,863
2019	581,163
2020	269,514
Total	\$ <u>1,470,030</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County and Health Services's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County and Health Services's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County and Health Services's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate:

	Decrease (6.75%)	Rate (7.75%)	Increase (8.75%)
County's proportionate share of the net pension liability	\$ 10,710,011	\$ 8,352,682	\$ 6,396,863
Health Services's proportionate share of the net pension liability	17,493,179	13,642,839	10,448,306

TIPPAH COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(12) Long-term Debt.

Debt outstanding as of September 30, 2016, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
Capital Leases:			
Law Enforcement Center	\$ 514,428	5.00%	02/20/19
Total Capital Leases	\$ <u>514,428</u>		
Other Loans:			
Countywide 5 Year Note	\$ 390,000	1.50%	12/01/17
2015 Refuse Truck	100,559	2.00%	06/15/20
Aluma Form Parking Lot	63,000	2.00%	12/01/18
Coroner Suburban	26,189	2.00%	09/23/20
Sheriff's Car	2,395	2.00%	03/15/17
Dodge Charger	9,226	2.00%	01/15/18
Dodge Charger	8,508	2.00%	03/01/18
CECA Building	290,375	3.00%	12/01/27
Dennis Pickup	15,591	2.00%	12/15/18
3 Crown Victorias	11,700	2.00%	08/01/19
2015 Garbage Truck	74,341	2.00%	06/15/19
AlumaForm CAP Loan	4,169,414	3.00%	08/31/28
16 Ford F150xlt Crew 4x4	94,885	2.00%	12/01/20
NEMCC Property	360,000	2.00%	07/15/18
3 Storage Sheds	24,600	2.00%	12/01/20
5 Sheriff's Vehicles	136,874	1.99%	12/01/20
Fingerprint Machine	10,641	2.00%	12/01/20
2 Ford F750 Dump Trucks	152,400	2.00%	12/01/20
Excavator	55,594	2.00%	12/01/20
Backhoe	84,512	2.00%	12/01/20
Total Other Loans	\$ <u>6,080,804</u>		

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

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

Governmental Activities:

Year Ending September 30,	Other Loans	
	Principal	Interest
2017	\$ 766,720	160,538
2018	775,057	144,460
2019	399,369	123,399
2020	352,533	114,108
2021	328,854	107,479
2022 – 2026	1,163,379	436,432
2027 – 2030	1,234,391	254,586
2031 – 2035	1,060,501	65,388
Total	\$ 6,080,804	1,406,390

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, 2016, the amount of outstanding debt was equal to 1.69 % of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

Governmental Activities:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Capital leases	\$ 701,404	-	186,976	514,428	196,525
Other loans	5,877,272	919,506	715,974	6,080,804	766,720
Total	\$ 6,578,676	919,506	902,950	6,595,232	963,245

Component Unit: Tippah County Development Foundation

Description and Purpose				
		Amount Outstanding	Interest Rate	Final Maturity Date
Notes Payable:				
Law Enforcement Center	\$	423,392	5.00%	05/05/19
Building		152,122	2.00%	11/01/24
Building		19,996	3.25%	06/29/22
Total Notes Payable	\$	595,510		
Notes Payable				
Year Ending September 30,		Principal	Interest	
2017	\$	220,611	16,021	
2018		244,381	5,903	
2019		26,267	2,608	
2020		16,599	1,934	
2021		16,934	1,599	
Thereafter		70,718	2,907	
Total	\$	595,510	30,972	

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

Component Unit: Tippah County Health Services

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Notes Payable:			
Unsecured Loan	\$ 674,981	3.50%	12/15/21
2016 Ambulance	104,565	3.50%	12/15/21
Total Notes Payable	<u>\$ 779,546</u>		
Capital Leases:			
Equipment	\$ 35,308	5.96%	09/15/18
Total Capital Leases	<u>\$ 35,308</u>		

<u>Year Ending September 30,</u>	<u>Notes Payable</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 162,387	24,688	31,496	1,293
2018	168,162	18,913	3,812	37
2019	174,143	12,932	-	-
2020	180,320	6,755	-	-
2021	94,534	987	-	-
Total	<u>\$ 779,546</u>	<u>64,275</u>	<u>35,308</u>	<u>1,330</u>

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2016.

<u>Fund</u>	<u>Deficit Amount</u>
EMA Grant Fund	\$ 155,745
Law Library Fund	18,655
Tippah County Health Department	289

(14) 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.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

(15) 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.

(16) 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 2016.

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 \$15,000 for support of the district in fiscal year 2016.

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 \$372,326 in support of the college in fiscal year 2016.

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 2016. User governments will be billed on the volume of solid waste from each government.

TIPPAH COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2016

(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 November 19, 2018, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

Subsequent to September 30, 2016, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/18/16	2.00%	50,100	Installment Loan	Ad Valorem Taxes
11/10/16	2.00%	74,375	Installment Loan	Ad Valorem Taxes
01/11/17	2.00%	118,000	Installment Loan	Ad Valorem Taxes
10/01/17	2.00%	44,640	Installment Loan	Ad Valorem Taxes
11/01/17	4.85%	49,950	Lease Purchase	Ad Valorem Taxes
11/21/17	2.00%	26,221	Installment Loan	Ad Valorem Taxes
11/21/17	2.00%	21,153	Installment Loan	Ad Valorem Taxes
11/21/17	2.00%	17,000	Installment Loan	Ad Valorem Taxes
02/26/18	2.00%	60,000	Installment Loan	Ad Valorem Taxes
03/27/18	2.00%	33,600	Installment Loan	Ad Valorem Taxes
07/20/18	2.50%	750,000	Installment Loan	Ad Valorem Taxes
07/20/18	2.50%	26,000	Installment Loan	Ad Valorem Taxes

Other Items to Note:

- CECA bought out their capital lease with Tippah County and paid off the related CAP loan with Mississippi Development Authority in March 2017.

(18) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position of (\$854,367) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$124,567 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$1,361,431 balance of deferred outflows of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$22,196 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$854,367) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$2,755,158 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next 20 years.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

TIPPAH COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,152,601	4,167,968	4,167,968	-
Licenses, commissions and fees	219,284	213,155	213,155	-
Fines and forfeitures	127,290	152,468	152,468	-
Intergovernmental revenues	658,700	533,867	533,867	-
Charges for services	57,000	70,861	70,861	-
Interest income	50,000	73,310	73,310	-
Miscellaneous revenues	135,640	101,928	101,928	-
Total Revenues	<u>5,400,515</u>	<u>5,313,557</u>	<u>5,313,557</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,740,512	3,680,728	3,680,728	-
Public safety	1,397,850	1,409,489	1,409,489	-
Public works	155,040	152,440	152,440	-
Health and welfare	192,900	202,786	202,786	-
Culture and recreation	126,500	126,500	126,500	-
Conservation of natural resources	148,660	176,290	176,290	-
Economic development and assistance	15,000	15,000	15,000	-
Debt service:				
Principal	313,205	230,860	230,860	-
Interest	-	35,079	35,079	-
Total Expenditures	<u>6,089,667</u>	<u>6,029,172</u>	<u>6,029,172</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(689,152)</u>	<u>(715,615)</u>	<u>(715,615)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	-	-	-
Transfers out	-	(183,197)	(183,197)	-
Total Other Financing Sources and Uses	<u>2,000</u>	<u>(183,197)</u>	<u>(183,197)</u>	<u>-</u>
Net Change in Fund Balance	(687,152)	(898,812)	(898,812)	-
Fund Balances - Beginning	<u>(4,003,273)</u>	<u>90,222</u>	<u>90,222</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (4,690,425)</u>	<u>(808,590)</u>	<u>(808,590)</u>	<u>-</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

TIPPAH COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,136,054	988,702	988,702	-
Road and bridge privilege taxes	300,000	252,902	252,902	-
Fines and forfeitures	-	17,984	17,984	-
Intergovernmental revenues	730,000	783,774	783,774	-
Interest income	4,000	5,274	5,274	-
Miscellaneous revenues	-	10,675	10,675	-
Total Revenues	<u>2,170,054</u>	<u>2,059,311</u>	<u>2,059,311</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	2,216,100	3,115,352	3,115,352	-
Capital outlay	20,000	16,983	16,983	-
Debt service:				
Principal	84,400	147,247	147,247	-
Interest	-	2,944	2,944	-
Total Expenditures	<u>2,320,500</u>	<u>3,282,526</u>	<u>3,282,526</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(150,446)</u>	<u>(1,223,215)</u>	<u>(1,223,215)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from other	-	217,058	217,058	-
Transfers in	-	60,000	60,000	-
Total Other Financing Sources and Uses	<u>-</u>	<u>277,058</u>	<u>277,058</u>	<u>-</u>
Net Change in Fund Balance	(150,446)	(946,157)	(946,157)	-
Fund Balances - Beginning	<u>(1,932,032)</u>	<u>1,442,550</u>	<u>1,442,550</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (2,082,478)</u>	<u>496,393</u>	<u>496,393</u>	<u>-</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

TIPPAH COUNTY
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 AlumaForm Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 372,096	372,096	372,096	-
Miscellaneous revenues	-	372,105	372,105	-
Total Revenues	<u>372,096</u>	<u>744,201</u>	<u>744,201</u>	<u>-</u>
EXPENDITURES				
Debt service:				
Principal	182,727	182,727	182,727	-
Interest	109,304	128,300	128,300	-
Total Expenditures	<u>292,031</u>	<u>311,027</u>	<u>311,027</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>80,065</u>	<u>433,174</u>	<u>433,174</u>	<u>-</u>
Net Change in Fund Balance	80,065	433,174	433,174	-
Fund Balances - Beginning	<u>53,924</u>	<u>53,924</u>	<u>53,924</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 133,989</u>	<u>487,098</u>	<u>487,098</u>	<u>-</u>

The accompanying notes to the required supplementary information are an integral part of this schedule.

TIPPAH COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.046761%	0.456750%	0.044637%
County's proportionate share of the net pension liability (asset)	\$ 8,352,682	7,064,319	5,413,623
County's covered-employee payroll	\$ 2,967,432	2,853,505	2,727,530
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	281.48%	247.57%	198.48%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

TIPPAH COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 480,664	456,206	413,471
Contributions in relation to the contractually required contribution	<u>480,664</u>	<u>456,206</u>	<u>413,471</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,051,831	2,896,546	2,625,213
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

TIPPAH COUNTY
Schedule of Health Services's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Health Services's proportion of the net pension liability (asset)	0.076377%	0.070875%	0.078516%
Health Services's proportionate share of the net pension liability (asset)	\$ 13,642,839	10,955,877	9,528,463
Health Services's covered-employee payroll	\$ 5,163,194	4,321,346	4,797,733
Health Services's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	264.23%	253.53%	198.60%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, Health Services has only presented information for the years in which information is available.

TIPPAH COUNTY
Schedule of Health Services's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 813,203	680,612	755,644
Contributions in relation to the contractually required contribution	<u>813,203</u>	<u>680,612</u>	<u>755,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Health Services's covered-employee payroll	\$ 5,163,194	4,321,346	4,797,733
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, Health Services has only presented information for the years in which information is available.

TIPPAH COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2016
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Countywide Road Fund	AlumaForm Fund
Budget (Cash Basis)	\$ (898,812)	\$ (946,157)	\$ 433,174
Increase (Decrease)			
Net adjustments for revenue accruals	530,374	132,611	(490,569)
Net adjustments for expenditure accruals	(210,424)	456,968	-
Net adjustments for other financing sources(uses)	627,000	174,506	118,472
GAAP Basis	\$ <u>48,138</u>	\$ <u>(182,072)</u>	\$ <u>61,077</u>

TIPPAH COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2016
UNAUDITED

Pension Schedules

A. Changes of assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market as published by the Wall Street Journal on December 31 of each proceeding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 evaluation).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

SUPPLEMENTAL INFORMATION

TIPPAH COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2016

Operating Expenditures, Cash Basis:

Salaries	\$ 243,617
Refuse and waste fees	37,166
Expendable commodities:	
Gasoline & petroleum products	42,073
Repair parts	15,205
Supplies	3,417
Debt retirement	50,930
Interest	<u>4,276</u>

Total Cash Basis Operating Expenditures	396,684
---	---------

Full Cost Expenses:

Less, principal payments	(50,930)
Indirect administrative costs	1,861
Depreciation on equipment	33,401
Net effect of other accrued expenses	<u>(253)</u>

Full Cost Operating Expenses	<u><u>\$ 380,763</u></u>
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OTHER INFORMATION

TIPPAH COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Amount
Mike Long	Chancery Clerk	Travelers Casualty & Surety Co.	\$ 100,000
Melinda M. Crum	County Administrator	Travelers Casualty & Surety Co.	\$ 100,000
James W. Gunn	Supervisor District 1	Travelers Casualty & Surety Co.	\$ 100,000
Greg Harrell	Supervisor District 2	Travelers Casualty & Surety Co.	\$ 100,000
Mike Graves	Supervisor District 3	Travelers Casualty & Surety Co.	\$ 100,000
Dennis Grisham	Supervisor District 4	Travelers Casualty & Surety Co.	\$ 100,000
Chad Newby	Supervisor District 5	Travelers Casualty & Surety Co.	\$ 100,000
Stacy Spink	Purchase Clerk	U.S. Fidelity & Guaranty Co.	\$ 75,000
Lou Ann Rowland	Receiving Clerk	Travelers Casualty & Surety Co.	\$ 75,000
Bobby Russell	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Martin Henderson	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	\$ 50,000
James R. Jackson	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Tony Box	Assistant Receiving Clerk	Travelers Casualty & Surety Co.	\$ 50,000
James T. 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
Keith Bullock	Constable South Half	Travelers Casualty & Surety Co.	\$ 50,000
Randy Graves	Circuit Clerk	Travelers Casualty & Surety Co.	\$ 100,000
Sandra Benefield	Deputy Circuit Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Rebekah Lewellen	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
Richard Alan Benefield	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Cindy Lynn Clark	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Robert Bruner	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Colby Hill	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Walter Carroll Dixon	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Bill Middleton	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Deontey Brown	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Matt Cotton	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Maxine M. Barkley	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Clint Miller	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Billy Johnson	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Sheryl Dean Adams	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Pat Moffitt	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Tamala Garth	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Bethany Young	Jailers	Travelers Casualty & Surety Co.	\$ 50,000
Robert J. Brown	Justice Court Judge North Half	Travelers Casualty & Surety Co.	\$ 50,000
Sonny Meeks	Justice Court Judge South Half	Travelers Casualty & Surety Co.	\$ 50,000
Gloria White	Justice Court Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Patricia Kent	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Kristina Raye Lovorn	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Katie Stowell	Justice Court Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Joe Akins	Tax Collector-Assessor	Travelers Casualty & Surety Co.	\$ 100,000
Kristy Paseur	Tax Collector Bookkeeper	Travelers Casualty & Surety Co.	\$ 50,000
Becky Carter	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Cassandra Jackson	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Sandra Ray	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Wanda Dains	Tax Collector Deputy Clerk	Travelers Casualty & Surety Co.	\$ 50,000
Ronnie Martindale	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	\$ 10,000
Patricia Smith	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	\$ 10,000
Andy Childs	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	\$ 10,000
Melissa Roberson	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	\$ 10,000
Amy Nance	Tax Assessor Deputy Clerk	Travelers Casualty & Surety Co.	\$ 10,000

SPECIAL REPORTS

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

Members of the Board of Supervisors
Tippah County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 19, 2018. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Tippah County Health Services and the Tippah County Development Foundation, as described in our report on Tippah County's financial statements. The financial statements of the Tippah County Development Foundation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tippah County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tippah County, Mississippi'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 2016-001, 2016-004 and 2016-005 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 2016-002 and 2016-003 to be significant deficiencies.

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Compliance and Other Matters

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

We noted certain matters that we reported to the management of Tippah County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 19, 2018 included within this document.

Tippah County's Responses to Findings

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

Purpose of this Report

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



The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
November 19, 2018



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

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**INDEPENDENT ACCOUNTANTS' REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Tippah County, Mississippi

We have examined Tippah County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. 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, 2016.

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 Tippah County, Mississippi's compliance with the aforementioned requirements, 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
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November 19, 2018

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TIPPAH COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2016

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

TIPPAH COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

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, 2016

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

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

Members of the Board of Supervisors
Tippah County, Mississippi

In planning and performing our audit of the financial statements of Tippah County, Mississippi (the County) for the year ended September 30, 2016, 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 November 19, 2018 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:

1. 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.

Circuit Clerk.

2. Finding

There were errors in the Circuit Clerk's annual financial report. The Circuit Clerk understated revenue by a net of \$238 and overstated expenses by \$250 resulting in a liability of \$488 back to Tippah County General Fund.

Recommendation

The Circuit Clerk should repay \$488 back to the County, amend his annual financial report to reflect these changes and submit the amended report to the Office of the State Auditor.

Circuit Clerk's Response

The Clerk repaid the \$488 on October 12, 2018 with check number 595. The County receipt number was 180767.

Sheriff.

3. 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.

4. Finding

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

Recommendation

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

Sheriff's Response

We will comply.

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

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
November 19, 2018

TIPPAH COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2016

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
AlumaForm Fund	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

Chancery Clerk

Material Weakness.

2016-001

Criteria

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

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.

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Significant Deficiency.

2016-002 Criteria

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

Condition

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

Effect

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

Cause

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

Recommendation

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

Chancery Clerk's Response

I will comply.

Significant Deficiency.

2016-003 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.

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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.

2016-004

Criteria

A segregation of duties is considered necessary to insure 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.

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.

2016-005

Criteria

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

TIPPAH COUNTY
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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.

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.