





**TIPPAH COUNTY  
RIPLEY, MISSISSIPPI**

**AUDITED BASIC  
FINANCIAL STATEMENTS  
SUPPLEMENTAL INFORMATION  
AND SPECIAL REPORTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2005**

**DICKY H. SPARKS, P.C.  
CERTIFIED PUBLIC ACCOUNTANT**

TIPPAH COUNTY  
RIPLEY, MISSISSIPPI  
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***FINANCIAL SECTION***

**DICKY H. SPARKS, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors  
Tippah County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Tippah County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Tippah County Hospital, a component unit. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Management did not maintain adequate subsidiary records documenting the fines receivable and an aging of fines receivable in the Justice Court office for the year. Accounting principles generally accepted in the United States of America require that fines receivable be recorded and an adequate allowance be recorded for fines receivable, which would have increased the assets and changed the revenues of the governmental activities and the general fund. The effect, if any, on the unrecorded receivables and uncollectibles could not be reasonably determined.

In our opinion, except for the effects, if any, of the matter discussed in the third paragraph, based on our audit and the reports of other auditors, the basic government financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2005, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Dicky H. Sparks, P.C.  
Certified Public Accountant  
September 7, 2007

**TIPPAH COUNTY  
BOARD OF SUPERVISORS  
P.O. BOX 99  
RIPLEY, MISSISSIPPI 38663**

**JIMMY GUNN**  
District 1

**RONNIE DUNNAM**  
District 3

**DENNIS GRISHAM**  
District 4  
President

**GERALD BROCK**  
District 2

**F.L. "SPUD" Rowell**  
District 5

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***INTRODUCTION***

The discussion and analysis of Tippah County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Tippah County is located in northeastern Mississippi along U.S. Highway 15. The population, according to the 2000 census, is 20,826. The local economic base is driven mainly by a transition from manufacturing, education facilities, and health care. Manufacturing still remains an important part of the local economy.

***FINANCIAL HIGHLIGHTS***

Tippah County is financially stable. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Tippah County is not currently growing economically and in population. The County has maintained a steady growth in tax revenues without a significant tax increase. We do not anticipate a steady growth in tax revenues; however, because the County is taking measures to reduce expenses, a significant increase in millage is not anticipated.

Total net assets increased \$1,457,689 during the year. The County's ending cash balance increased \$446,522 from the prior fiscal year.

The County had \$9,289,406 in total revenues. Tax revenues account for \$5,178,203 or 56% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$2,182,157 or 24% of total revenues.

The County had \$7,831,717 in total expenses, which represents a decrease of \$177,584 from the prior fiscal year.

Among major funds, the General Fund had \$5,676,042 in revenues and \$4,611,659 in expenditures. The General Fund's fund balance increased \$1,064,383 over the prior year.

Among major funds, the Countywide Road Fund had \$1,157,427 in revenues and \$1,633,139 in expenditures. The Countywide Road's fund balance decreased \$475,712 over the prior year.

Capital assets, net of accumulated depreciation, as of September 30, 2005 were \$18,436,922.

Long-term debt decreased by \$457,055. Equipment notes decreased \$45,590; capital leases decreased \$187,628 and other loans decreased in the amount of \$207,173.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

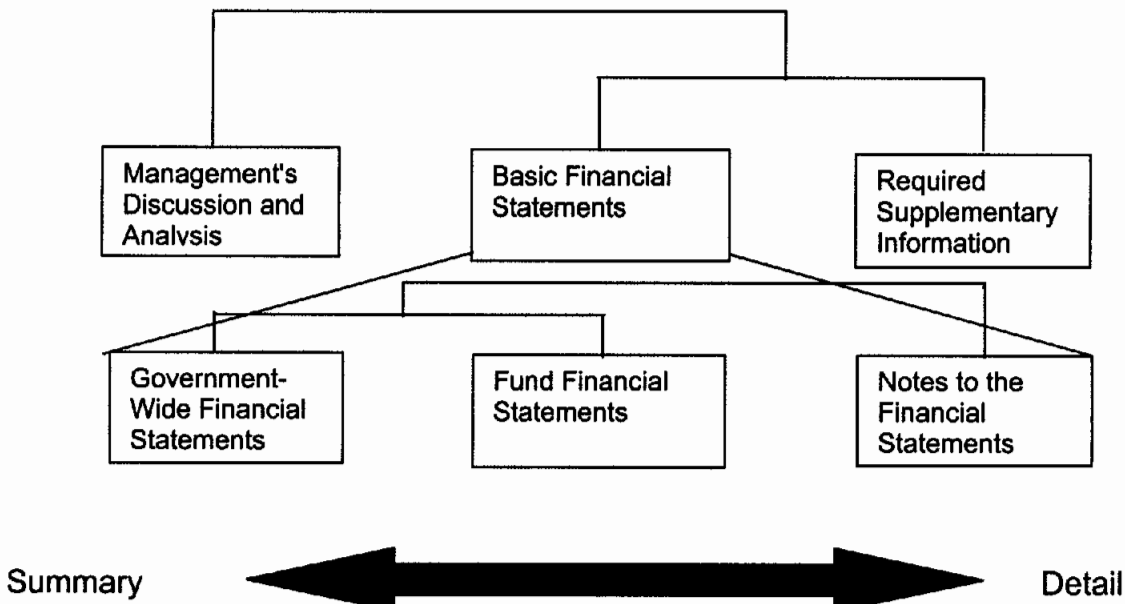


Figure 1 shows how required parts of this annual report are arranged and relate to one another. Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements**

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a country's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Tippah County, assets exceeded liabilities by \$17,771,257 as of September 30, 2005.

The County’s financial position is a product of several financial transactions including the net results of activities, the acquisitions and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County’s net assets for the fiscal years ended September 30, 2005 and 2004.

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Current assets	\$ 7,160,897	5,404,880
Capital assets, net	18,436,922	18,754,789
Total assets	<u>25,597,819</u>	<u>24,159,669</u>
Current liabilities	4,906,090	4,374,856
Long-term debt outstanding	2,920,472	3,377,527
Total liabilities	<u>7,826,562</u>	<u>7,752,383</u>
Net assets:		
Invested in capital assets, net of related debt	15,024,468	15,363,108
Restricted	144,554	365,329
Unrestricted	2,602,235	678,849
Total net assets	<u>\$ 17,771,257</u>	<u>16,407,286</u>

**Changes in Net Assets** – Tippah County’s total revenues for the fiscal year ended September 30, 2005 was \$9,289,406. The total cost for all services provided was \$7,831,717. The increase in net assets was \$1,457,689. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2005 and 2004.

Revenues:	<u>2005</u>	<u>2004</u>
Program revenues		
Charges for services	\$ 1,737,838	945,095
Federal and state grants	1,810,074	1,975,000
Capital grants and contributions	372,083	44,836
General revenues		
Property taxes	5,178,203	4,459,199
Other	191,208	318,077
Total Revenues	<u>9,289,406</u>	<u>7,742,207</u>

Expenses:		
General government	2,838,849	2,655,212
Public safety	1,618,475	1,549,605
Public works	2,635,194	2,943,692
Health and welfare	285,513	277,695
Culture and recreation	167,656	186,955
Conservation of natural resources	44,328	52,398
Economic development	106,551	129,666
Other expenses	135,151	214,078
Total Expenses	<u>7,831,717</u>	<u>8,009,301</u>
Decrease in Net Assets	\$ <u>1,457,689</u>	<u>(267,094)</u>

The County gets its revenues from various sources. Approximately 24% comes from federal and state grants, 56% from property taxes, 19% comes from charges for services, and 2% comes from other sources.

The County expends the revenues as follows. Approximately 31% is spent in general government, 17% in public safety, 28% in public works, 3% on health and welfare, and 5% on other expenses.

**Governmental Activities** – The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Tippah County's taxpayers by each of these functions.

	Total Costs	Net Costs
General government	\$ 2,838,849	\$ 818,390
Public safety	1,618,475	1,618,475
Public works	2,635,194	1,107,741
Health & welfare	285,513	285,513
Culture & recreation	167,656	167,656
Conservation of natural resources	44,328	44,328
Economic development	106,551	(265,532)
Other	135,151	135,151

### **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, Tippah County's governmental funds reported a combined fund balance of \$2,031,572. The primary reasons for this decrease are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,064,383.

## **BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Tippah County revised its annual operating budget several times. These budget amendments fall into three categories:

Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances (correcting the estimated amounts in the budget adopted in October 2004).

Changes were made during the year to account for staff restructuring efforts, and the purchase of new equipment.

Increase appropriations to prevent budget overruns.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of September 30, 2005, Tippah County's total capital assets were \$42,357,776. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress.

Total accumulated depreciation as of September 30, 2005 was \$23,920,854, including \$452,576 of depreciation expense for the year. The balance in total net capital assets was \$18,436,922 at year-end.

**Debt Administration** – At September 30, 2005, Tippah County had \$3,412,454 in long-term debt outstanding. This includes equipment notes, capital leases, and other loans. The amount due within one year is \$491,982.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 14 million dollars.

Shown below is a table showing the activity on long term debt for this fiscal year. This table breaks down the debt by the type of issue.

#### **Long Term Debt Analysis**

	<u>Balance</u> <u>10/1/2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>9/30/2005</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Equipment Notes	\$ 119,335		45,590	73,745	\$ 36,135
Capital Leases	2,615,777		187,627	2,428,150	221,427
Other Loans	1,117,732	25,445	232,618	910,559	234,420
Total	<u>\$ 3,852,844</u>	<u>25,445</u>	<u>465,835</u>	<u>3,412,454</u>	<u>\$ 491,982</u>

***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Tippah County Chancery Clerk's Office at P.O. Box 99, Ripley, Mississippi 38663.

***BASIC FINANCIAL  
STATEMENTS***

**TIPPAH COUNTY**  
**Statement of Net Assets**  
**September 30, 2005**

	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>Assets</b>		
Cash	\$ 2,623,556	5,072,774
Property tax receivable	3,594,604	
Fines receivable, net of uncollectible amount of \$204,383	715,217	
Patient accounts receivable, net of estimated uncollectibles of \$851,977		1,304,263
Estimated third party payor settlements		668,983
Other receivables	15,601	131,779
Intergovernmental receivables	211,919	
Inventories		189,833
Prepaid expenses		43,072
Capital assets, net	18,436,922	5,057,075
Other assets		443,534
Total assets	<u>\$ 25,597,819</u>	<u>12,911,313</u>
<b>Liabilities</b>		
Claims payable	\$ 395,844	583,930
Accrued liabilities	225,712	520,025
Intergovernmental payables	197,948	
Deferred revenue	3,594,604	
Other accrued expenses		103,500
Long-term Liabilities		
Due within one year:		
Capital related debt	491,982	48,701
Due in more than one year		
Capital related debt	2,920,472	
Total liabilities	<u>\$ 7,826,562</u>	<u>1,256,156</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 15,024,468	5,008,374
Restricted for:		
Advances	142,964	
Capital Projects	1,590	
Unrestricted assets	2,602,235	6,646,783
Total net assets	<u>\$ 17,771,257</u>	<u>11,655,157</u>

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

**TIPPAH COUNTY**  
**Statement of Activities**  
**September 30, 2005**

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Assets	Component Unit
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions		
<b>Primary government</b>						
Governmental activities:						
General government	\$ 2,838,849	1,079,289	941,170		\$ (818,390)	
Public safety	1,618,475				(1,618,475)	
Public works	2,635,194	658,549	868,904		(1,107,741)	
Health and welfare	285,513				(285,513)	
Culture and recreation	167,656				(167,656)	
Conservation of natural resources	44,328				(44,328)	
Economic development and assistance	106,551			372,083	265,532	
Interest on long-term debt	135,151				(135,151)	
<b>Total governmental activities</b>	<b>\$ 7,831,717</b>	<b>1,737,838</b>	<b>1,810,074</b>	<b>372,083</b>	<b>(3,911,722)</b>	
<b>Total primary government</b>	<b>\$ 7,831,717</b>	<b>1,737,838</b>	<b>1,810,074</b>	<b>372,083</b>	<b>(3,911,722)</b>	
Component unit:						
Tippah County Hospital	12,149,314	11,670,018	111,723	111,278		(256,295)
<b>Total Component Unit</b>	<b>\$ 12,149,314</b>	<b>11,670,018</b>	<b>111,723</b>	<b>111,278</b>		<b>(256,295)</b>
General revenues:						
Taxes:						
Real and personal property					\$ 5,178,203	
Interest and investment earnings					53,673	115,316
Gain on disposal of asset						
Miscellaneous					137,535	
<b>Total general revenues</b>					<b>5,369,411</b>	<b>115,316</b>
Change in net assets					1,457,689	(140,979)
Net assets at beginning of year					16,407,286	11,796,136
Prior period adjustment					(93,718)	
Net assets at beginning of year, as restated					16,313,568	
<b>Net assets at end of year</b>					<b>\$ 17,771,257</b>	<b>11,655,157</b>

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

**TIPPAH COUNTY**  
**Balance Sheet Governmental Funds**  
**September 30, 2005**

	Major Funds			
	General	Countywide Road	Other	Total
	Fund	Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,512,876	703,387	407,293	2,623,556
Property tax receivable	2,263,514	672,188	658,902	3,594,604
Fines receivable, (net of uncollectible amount of \$16,509)	715,217			715,217
Intergovernmental receivables	135,467	22,820	53,632	211,919
Other receivable	674		14,927	15,601
Interfund receivables	20,865	23,558	30,941	75,364
Advances to other funds	128,901	14,063		142,964
<b>Total assets</b>	<b>\$ 4,777,514</b>	<b>1,436,016</b>	<b>1,165,695</b>	<b>7,379,225</b>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 51,493	159,489	48,654	259,636
Accrued liabilities	166,616	29,677	29,419	225,712
Amounts held in custody for others	136,207			136,207
Intergovernmental payables	187,007	5,610	5,331	197,948
Interfund payables	47,633	1,867	25,864	75,364
Advances from other funds			142,964	142,964
Deferred revenue	2,978,732	672,188	658,902	4,309,822
<b>Total liabilities</b>	<b>\$ 3,567,688</b>	<b>868,831</b>	<b>911,134</b>	<b>5,347,653</b>
Fund balances:				
Reserved For:				
Advances to Other Funds	\$ 128,901	14,063		142,964
Unreserved For:				
General fund	1,080,925			1,080,925
Special revenue funds		553,122	252,971	806,093
Capital project funds			1,590	1,590
<b>Total fund balances</b>	<b>1,209,826</b>	<b>567,185</b>	<b>254,561</b>	<b>2,031,572</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 4,777,514</b>	<b>1,436,016</b>	<b>1,165,695</b>	<b>7,379,225</b>

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

**TIPPAH COUNTY**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2005**

Total Fund Balance-Governmental Funds	\$	2,031,572
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets net of depreciation as of 10-1-04	18,754,789	
Prior period adjustment	(93,718)	
Plus capital outlay expenditures made during year	228,427	
Less depreciation expense recorded during year	<u>(452,576)</u>	18,436,922
Fines receivable that have accrued at year-end but are not available to liquidate liabilities of the current period are not reported in the funds.		715,217
Liabilities not due and payable in the current period and therefore are not reported in the funds:		
Long-term liabilities		<u>(3,412,454)</u>
Net assets of governmental activities	\$	<u>17,771,257</u>

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, 2005**

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Fund		
<b>REVENUES</b>				
Property Tax	\$ 3,330,911	889,113	958,179	\$ 5,178,203
Licenses, Commissions and Fees	184,289	248,043	52,703	485,035
Fines and Forfeitures	129,469		60,575	190,044
Intergovernmental revenues	941,170	596,870	644,116	2,182,156
Charges for Services	168,901		297,227	466,128
Use of Money and Property	32,756	11,348	9,568	53,672
Miscellaneous Revenue	127,447	1,441	6,202	135,090
Total revenues	<u>4,914,943</u>	<u>1,746,815</u>	<u>2,028,570</u>	<u>8,690,328</u>
<b>EXPENDITURES</b>				
General government	2,882,533		4,992	2,887,525
Public Safety	1,081,889		514,369	1,596,258
Public Works	116,070	1,460,193	808,322	2,384,585
Health and welfare	131,303		154,210	285,513
Culture & Recreation	167,656			167,656
Conservation of Natural Resources	44,328			44,328
Economic Development & Assistance	14,231		92,320	106,551
Debt service:				
Principal	82,983	161,538	221,314	465,835
Interest	90,666	11,408	33,077	135,151
Total expenditures	<u>4,611,659</u>	<u>1,633,139</u>	<u>1,828,604</u>	<u>8,073,402</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 303,284	113,676	199,966	\$ 616,926
<b>OTHER FINANCING SOURCES/USES</b>				
Proceeds of Other Debt		25,445		25,445
Proceeds from Other			2,445	2,445
Operating Transfers In	1,394,583	291,856	275,429	1,961,868
Operating Transfers Out	633,484	906,689	421,695	(1,961,868)
Total other financing sources and uses	<u>761,099</u>	<u>(589,388)</u>	<u>(143,821)</u>	<u>27,890</u>
Net change in fund balances	1,064,383	(475,712)	56,145	644,816
Fund balances - beginning	145,443	1,042,897	198,416	1,386,756
Fund balances - ending	<u>\$ 1,209,826</u>	<u>567,185</u>	<u>254,561</u>	<u>\$ 2,031,572</u>

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  
September 30, 2005

Net change in fund balances - Governmental Funds (Exhibit 4)	\$	644,816
<p>Amounts reported for Governmental Activities in the Statement of Activities (Exhibit 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital assets \$228,427 exceeded depreciation (\$452,576) by in the current period.</p>		(224,149)
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.</p>		596,632
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$465,835 exceeded debt proceeds \$25,445.</p>		<u>440,390</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u>1,457,689</u>

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

**TIPPAH COUNTY**  
**Statement of Fiduciary**  
**Assets and Liabilities**  
**September 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>77,827</u>
Total assets	<u>77,827</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	31,182
Intergovernmental payables	<u>46,645</u>
Total liabilities	\$ <u>77,827</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, 2005

(1) Significant Accounting Policies.

A. Financial Reporting Entity.

Tippah County is a political subdivision of the State of Mississippi. An elected five-member Board of Supervisors governs the county. 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 basic government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Individual Component Unit Disclosure

Discretely Presented Component Units

The component unit's column in the financial statements includes the financial data of the following component unit of the county. It is reported in a separate column to emphasize that it is legally separate from the county. The County Board of Supervisors appoints a majority of the members of the governing body of the component unit.

- Tippah County Hospital

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

Government-wide Financial Statements:

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

The government-wide and fiduciary fund 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.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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 sixty days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major governmental funds:

**General Fund**-This fund is used to account for all activities of the general government for which a separate fund has not been established.

**Countywide Road Fund**-This fund is used to account for activities related to the county road districts.

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 (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

**FIDUCIARY FUND TYPES**

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

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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 2005 by the Government Finance Officers Association.

F. Deposits.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities are reported in the government-wide financial statements as "internal balances."

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental activities column in the government-wide financial statement. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Tippah County is not required to retroactively report infrastructure, but they did elect to do so. General infrastructure assets acquired after September 30, 1980, are reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capitalization thresholds (dollar value above which assets acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. 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.

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	n/a
Infrastructure	0	20-50 years
Buildings	50,000	40 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 will correspond with the amounts for the asset classification, as listed above.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

J. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets-All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. 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.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year, which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and the due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave or unused vacation leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires. For the year ending September 30, 2005, Tippah County recognized no liability.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

(3) Prior period adjustment.

Exhibit 2 – Statement of Activities

Explanation: This entry consists of adjustments to capital assets, net effect in the amount of \$93,718, to remove leased assets fully depreciated in the prior year.

Total prior period adjustment amount:         \$93,718

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,701,383 and the bank balance was \$2,687,272. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging of financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(5) Interfund Transactions and Balances.

The composition of interfund balances at September 30, 2005, consists of the following:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 20,864
Countywide Road Fund	Non-major Governmental Funds	23,558
Non-major Governmental Funds	Countywide Road Fund	1,867
Non-major Governmental Funds	Non-major Governmental Funds	5,000
Non-major Governmental Funds	General Fund	24,074
Total		\$ 75,364

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

A portion of the receivables represents errors in posting revenues. A small amount represents accruals from the tax collector's office. The non-major governmental funds receivable represents supplies purchased for district road maintenance. 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>		
General Fund	Non-major Governmental Funds	\$	3,901
General Fund	Non-major Governmental Funds		125,000
Countywide Road Fund	Non-major Governmental Funds		14,063
		\$	<u>142,964</u>

A portion of the receivable general fund is due to posting the harvest permit fees to the solid waste fund. The remaining amounts are interfund loans. All interfund balances are expected to be repaid within one year from the date of the financial statements.

C. Transfer In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>		<u>Amount</u>
General Fund	Countywide Road Fund	\$	906,689
Countywide Road Fund	General Fund		268,425
Other Governmental Funds	General Fund		365,059
Countywide Road Fund	Other Governmental Funds		23,431
General Fund	Other Governmental Funds		387,894
Other Governmental Funds	Other Governmental Funds		10,370
			<u>1,961,868</u>

The purpose of the transfer to the General Fund was to reimburse for the payment made to retire the debt on the Countywide Road Repair note. The principal purposes of the remaining transfers were to provide funds for operating purposes.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ 100,405
State Motor Vehicle License Privilege Tax	15,765
Gas Tax	18,080
Housing Prisoners	11,805
Harvest Permits	3,468
State Aid Roads	46,141
Other	16,255
Total	\$ <u>211,919</u>

(7) Capital Leases.

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2005:

<u>Class of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 2,440,800
Mobile equipment	\$ <u>555,692</u>
Leased Property under Capital Leases	\$ <u><u>2,996,492</u></u>

The future minimum lease payments as of September 30, 2005, are as follows:

Year ending September 30:	Governmental Activities	
	Principal	Interest
2006	\$ 221,427	111,274
2007	201,278	102,988
2008	191,385	94,711
2009	165,200	87,778
2010	139,097	80,748
2011-2015	808,313	290,912
2016-2020	701,450	72,477
2021-2025		
Total	\$ <u>2,428,150</u>	<u>840,888</u>

**TIPPAH COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2005**

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental Activities:

	Balance 10/01/04	Additions	Deletions	Adjustments	Balance 09/30/05
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 569,939	3,900		(3,200)	570,639
Construction in progress		41,308			41,308
Total non-depreciable capital assets	<u>569,939</u>	<u>45,208</u>		<u>(3,200)</u>	<u>611,947</u>
<b><u>Depreciable capital assets:</u></b>					
Buildings	1,715,783	66,419	64,500	42,657	1,760,359
Mobile Equipment	1,513,703	76,820		(252,177)	1,338,346
Other Furniture & Equip.	40,299	39,980		(13,079)	67,200
Infrastructure-Roads	30,053,919				30,053,919
Infrastructure-Bridges	5,529,513				5,529,513
Property under Capital Lease	3,003,496			(7,004)	2,996,492
Total depreciable capital assets	<u>\$ 41,856,713</u>	<u>183,219</u>	<u>64,500</u>	<u>(229,603)</u>	<u>41,745,829</u>
 <b><u>Less accumulated depreciation for:</u></b>					
Buildings	446,213	84,028	(64,500)	42,108	507,849
Mobile Equipment	846,206	179,680		(206,279)	819,607
Other Furniture & Equip.	10,438	11,660		(4,416)	17,682
Infrastructure-Roads	20,553,005				20,553,005
Infrastructure-Bridges	1,733,182	118,359			1,851,541
Property under Capital Lease	82,819	58,849		29,502	171,170
Total accumulated depreciation	<u>23,671,863</u>	<u>452,576</u>	<u>(64,500)</u>	<u>(139,085)</u>	<u>23,920,854</u>
Total depreciable capital assets, net	<u>18,184,850</u>	<u>(269,357)</u>		<u>(90,518)</u>	<u>17,824,975</u>
Governmental activities capital assets, net	<u>\$ 18,754,789</u>	<u>(224,149)</u>		<u>(93,718)</u>	<u>18,436,922</u>

The amount in Construction in progress represents costs incurred for the construction of the new building at the fairgrounds. Also, the adjustments made to capital assets are to remove leased assets not made in the prior audit.

**TIPPAH COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2005**

The following is a schedule of capital assets for Tippah County Hospital for the year ended September 30, 2005:

	Balance 10/01/04	Additions	Deletions	Adjustments	Balance 09/30/05
<b>Non-depreciable capital assets:</b>					
Land	93,932				93,932
Total non-depreciable capital assets	93,932				93,932
<b>Depreciable capital assets:</b>					
Land improvements	162,181	5,148			167,329
Buildings	6,686,357	6,279			6,692,636
Moveable equipment	4,391,316	431,785	(51,979)		4,771,636
Fixed equipment	1,898,940	14,221			1,913,161
Ambulance and automobiles	445,507	50,805	(40,400)		455,912
Total depreciable capital assets	\$ 13,584,301	508,238	(92,379)		14,000,160
Less accumulated depreciation and amortization	(8,484,007)	(616,366)	63,356		(9,037,017)
Total depreciable capital assets, net	5,100,294	(108,128)	(29,023)		4,963,143
Capital assets, net	\$ 5,194,226	(108,128)	(29,023)		5,057,075

Depreciation expense was charged to the following functions:

<u>Governmental Activities</u>	<u>Amount</u>
General Government	\$ 93,451
Public Safety	62,197
Public Works	296,928
Total Depreciation Expense	\$ 452,576

(9) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
Equipment Notes:			
District 1 Tractor	\$ 4,365	3.00%	12-15-05
District 4 Wheel Loader	44,700	3.00%	06-15-07
District 2 Tractor	13,000	3.00%	06-15-07
District 3 Tractor	11,680	2.00%	06-15-09
Total Equipment Notes	\$ 73,745		

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

Other Loans:				
Health Department Note	\$	76,861	6.00%	06-15-08
Refuse 1 Ton Truck		11,230	2.00%	12-15-07
District 5 Pickup		17,754	2.00%	03-31-09
District 4 Chev C15		17,298	2.00%	03-31-09
Mitchell Fire Truck		57,482	3.97%	06-15-09
2004 Ford Pickup		20,356	2.00%	06-15-09
Unit System Loan		709,578	3.27%	08-01-09
Total Other Loans	\$	<u>910,559</u>		
Capital Leases:				
Sheriff's car	\$	10,318	3.05%	03-15-07
Sheriff's car		10,318	3.05%	03-15-07
Sheriff's car		10,318	3.05%	03-15-07
District 5 Loader		30,660	2.00%	12-15-08
District 1 Motor grader		99,489	2.00%	12-15-08
District 2 Motor grader		99,489	2.00%	12-15-08
Refuse Pick-up		579	5.80%	11-28-05
District 5 Backhoe Loader		17,461	3.94%	02-17-07
District 2 Truck & Trailer		8,361	4.00%	04-01-06
Total Capital Leases	\$	<u>286,993</u>		
Limited Obligation Debt:				
Law Enforcement Center	\$	<u>2,141,157</u>	6.50%	02-20-21
Total Limited Debt	\$	<u>2,141,157</u>		

Governmental Activities:

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 36,135	1,799	234,420	31,185
2007	31,770	810	236,609	23,005
2008	2,920	102	236,657	14,719
2009	2,920	44	202,873	6,388
2010				
Total	\$ <u>73,745</u>	<u>2,755</u>	<u>910,559</u>	<u>75,297</u>

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, 2005, the amount of outstanding debt was equal to 1.03% of the latest property assessments.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

The following changes occurred in liabilities reported at year-end:

Governmental	Balance			Balance	Amount
Activities:	10-01-04	Additions	Reductions	09-30-05	Due
					Within
					One Year
Equipment Notes	\$ 119,335		45,590	73,745	\$ 36,135
Capital Leases	2,615,777		187,627	2,428,150	221,427
Other Loans	1,117,732	25,445	232,618	910,559	234,420
Total	\$ 3,852,844	25,445	465,835	3,412,454	\$ 491,982

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2004:

Fund	Deficit
	Amount
Seized Money/Confiscated Funds	\$ 1,170
Solid Waste	31,883

(11) 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 counties 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.

(12) 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 four Board of Supervisors. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$101,028.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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

(13) 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 2005.

Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah, and Tishomingo. The board of directors is composed of one appointee from each county Board of Supervisors. The county appropriated \$13,000 for support of the district in fiscal year 2005.

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 \$333,554 support of the college in fiscal year 2005.

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 the fiscal year 2005. User governments will be billed on the volume of solid waste from each government.

(14) Defined Benefit Pension Plan.

Plan Description. Tippah County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered Salary and the county are required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll.

TIPPAH COUNTY  
Notes to Financial Statements  
For the Year Ended September 30, 2005

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004 and 2003 were \$243,559, \$208,778 and \$166,174, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2005, Tippah County guaranteed a certain letter of credit in the amount of \$2,229,718, which replaced the previous letter of credit of \$1,042,319 for the Northeast Mississippi Solid Waste Management Authority, providing financial responsibility, as authorized by Section 17-17-235 of the Mississippi Code of 1972, as amended.

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

**TIPPAH COUNTY**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 3,310,896	3,310,896	3,310,896	
Licenses, Commissions and Fees	165,128	165,128	165,128	
Fines and Forfeitures	107,327	107,327	107,327	
Intergovernment Revenues	892,736	892,736	892,736	
Charges for Services	185,085	185,085	185,085	
Use of Money and Property	32,397	32,397	32,397	
Miscellaneous Revenue	148,961	148,961	148,961	
Total Revenues	<u>4,842,530</u>	<u>4,842,530</u>	<u>4,842,530</u>	
<b>Expenditures</b>				
General Government	2,935,024	2,935,024	2,935,024	
Public Safety	1,081,527	1,081,527	1,081,527	
Public Works	118,191	118,191	118,191	
Health and Welfare	131,891	131,891	131,891	
Culture & Recreation	176,614	176,614	176,614	
Conservation of Natural Resources	44,660	44,660	44,660	
Economic Development & Assistance	14,231	14,231	14,231	
Capital Outlay				
<b>Debt Service:</b>				
Principal Retirement	96,276	96,276	96,276	
Interest and Fiscal Charges	90,666	90,666	90,666	
Total Expenditures	<u>4,689,080</u>	<u>4,689,080</u>	<u>4,689,080</u>	
<b>Excess of Revenues over/(under) Expenditures</b>	<u>153,450</u>	<u>153,450</u>	<u>153,450</u>	
<b>Other Financing Sources/(Uses)</b>				
Proceeds of Other Debt				
Proceed from Other	1,323	1,323	1,323	
Operating Transfers In	137,894	137,894	137,894	
Operating Transfers Out	(128,004)	(128,004)	(128,004)	
Total Other Financing Sources/(Uses)	<u>11,213</u>	<u>11,213</u>	<u>11,213</u>	
<b>Net Change in Fund Balance</b>	<u>164,663</u>	<u>164,663</u>	<u>164,663</u>	
<b>Fund Balances-Beginning of year</b>	<u>145,443</u>	<u>145,443</u>	<u>145,443</u>	
<b>Fund Balances-End of year</b>	<u>\$ 19,220</u>	<u>19,220</u>	<u>19,220</u>	

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

**TIPPAH COUNTY**  
 Budgetary Comparison Schedule  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 1,130,615	1,130,615	1,130,615	
Licenses, Commissions and Fees	3,924	3,924	3,924	
Intergovernment Revenues	578,695	578,695	578,695	
Use of Money and Property	11,348	11,348	11,348	
Miscellaneous Revenue	383	383	383	
<b>Total Revenues</b>	<b>1,724,965</b>	<b>1,724,965</b>	<b>1,724,965</b>	
<b>Expenditures</b>				
Public Works	1,704,734	1,704,734	1,704,734	
<b>Debt Service:</b>				
Principal Retirement	161,391	161,391	161,391	
Interest and Fiscal Charges	11,555	11,555	11,555	
<b>Total Expenditures</b>	<b>1,877,680</b>	<b>1,877,680</b>	<b>1,877,680</b>	
<b>Excess of Revenues over/(under) Expenditures</b>	<b>(152,715)</b>	<b>(152,715)</b>	<b>(152,715)</b>	
<b>Other Financing Sources/(Uses)</b>				
Proceeds of Other Debt	25,445	25,445	25,445	
Operating Transfers In	115,257	115,257	115,257	
<b>Total Other Financing Sources/(Uses)</b>	<b>140,702</b>	<b>140,702</b>	<b>140,702</b>	
<b>Net Change in Fund Balance</b>	<b>(12,013)</b>	<b>(12,013)</b>	<b>(12,013)</b>	
<b>Fund Balances-Beginning of year</b>	<b>1,042,897</b>	<b>1,042,897</b>	<b>1,042,897</b>	
<b>Fund Balances-End of year</b>	<b>\$ 1,030,884</b>	<b>1,030,884</b>	<b>1,030,884</b>	

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

**TIPPAH COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

Notes to the Required Supplementary Information

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 encumbered 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).

**TIPPAH COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<b>General Fund</b>	<b>Countywide Road Fund</b>	
Budget (Cash Basis)	\$ 164,663	\$ (12,013)	
Increase (Decrease)			
Net adjustments for Revenue accruals	1,327,780	198,449	
Net adjustments for Expenditures accruals	(428,060)	(662,148)	
GAAP Basis	<u>\$ 1,064,383</u>	<u>\$ (475,712)</u>	

***SUPPLEMENTAL  
INFORMATION***

**TIPPAH COUNTY**  
**Reconciliation of Operating Costs of Solid Waste**  
**For the Year Ended September 30, 2005**

Operating Expenditures, Cash Basis:

Salaries	\$ 292,801
Refuse and Waste Fees	17,002
Expendable Commodities:	
Gasoline & petroleum products	34,949
Repair parts	19,667
Principal & interest payments	8,280
Supplies	<u>1,178</u>

Solid Waste Cash Basis Operating Expenditures 373,877

Full Cost Expenses:

Less, principal payments	(7,849)
Indirect administrative costs	2,766
Depreciation on equipment	16,691
Net effect of other accrued expenses	<u>4,867</u>

Solid Waste Full Cost Operating Expenses \$ 390,352

***SPECIAL  
REPORTS***

**DICKY H. SPARKS, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

Members of the Board of Supervisors  
Tippah County, Mississippi

We have audited the primary government financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information at Tippah County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon, dated September 7, 2007. The auditors' report on the primary government financial statements is qualified to reflect that management did not maintain adequate subsidiary records documenting Justice Court fines receivable and the allowance for uncollectible amounts as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

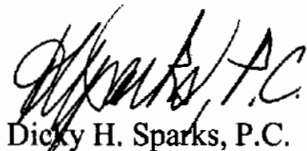
In planning and performing our audit, we considered the Tippah County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tippah County, Mississippi's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-1 thru 2005-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-6, to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tippah County, Mississippi's primary government 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. We noted certain immaterial instances of noncompliance that we have reported to the management of Tippah County, Mississippi, in our Independent Auditors' Report on Limited Internal Control and Compliance Review Management Report dated September 7, 2007, included within this document.

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



Dicky H. Sparks, P.C.  
Certified Public Accountant  
September 7, 2007

**DICKY H. SPARKS, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

Members of the Board of Supervisors  
Tippah County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Tippah County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests on compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures, as we considered necessary in the circumstances.

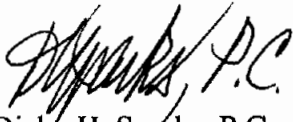
The Board of Supervisors of Tippah County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of 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.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Tippah County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However this report is a matter of public record and its distribution is not limited.



Dicky H. Sparks, P.C.  
Certified Public Accountant  
September 7, 2007

**TIPPAH COUNTY**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2005**

<i>Date</i>	<i>Item Purchased</i>	<i>Bid Accepted</i>	<i>Vendor</i>	<i>Lowest Bid</i>	<i>Reason for Accepting Other Than the Lowest Bid</i>
02/15/05	Copier	\$ 4,750	Copyplus Inc.	\$ 4,723	Bid included built in fax machine and print controller not included in other bids
7/15/2005	Garbage Truck	\$ 83,671	Farrow Ward Ford	\$ 75,972	Guaranteed delivery within the time frame identified in the Board's notice

**TIPPAH COUNTY**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2005**

<i>Date</i>	<i>Item Purchased</i>	<i>Amount Paid</i>	<i>Vendor</i>	<i>Reasons for Emergency Purchase</i>
10/15/04	Bridge repair	\$ 6,000	Harrell Construction	Pilings collapsed & dangerous
02/04/05	Pine boards	\$ 300	Benson Home Supply	Helicopter crash

TIPPAH COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

<i>Date</i>	<i>Item Purchased</i>	<i>Amount Paid</i>	<i>Vendor</i>	<i>Reasons for Noncompetitive Purchase</i>
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Our test results did not identify any purchases made noncompetitively from a sole source.

**DICKY H. SPARKS, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITORS' REPORT ON LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Tippah County, Mississippi

In planning and performing our audit of the financial statements of Tippah County, Mississippi for the year ended September 30, 2005, we considered Tippah County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion 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 September 7, 2007, on the financial statements of Tippah County, Mississippi.

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 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 and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Chancery Clerk.

1. Finding

The former Chancery Clerk is under Investigation by the State Department of Audit.

Justice Court Clerk.

2. Finding

The former Justice Court Clerk is under investigation by the State Department of Audit.

Circuit Clerk.

3. Finding

The Circuit Clerk is required to maintain a cash journal to account for the receipts and expenses related to the operation of the office. As reported in the last four years' audit report, the Circuit Clerk has not maintained a cash journal.

Recommendation

The Circuit Clerk should ensure that appropriate journals are prepared.

Circuit Clerk's Response

I will comply.

Sheriffs Office.

4. Finding

Section 99-3-39, Mississippi Code Ann. (1972), requires that no payment for the purchase of information and or evidence should exceed \$2,500. It also states that every payment for information or evidence be supported by a receipt which lists: the exact amount paid to the payee, the specific date, a description of the information provided or evidence purchased, signature of the officer making payment, the signature of at least one individual witnessing the payment, the signature of the payee, and a bona fide case number of the investigative case. Out of 133 vouchers that were tested, approximately 29% of the vouchers did not have a witness signature, and 95% of the vouchers did not have a bona fide case number.

Recommendation

The Sheriff should ensure that the vouchers reflect all pertinent information.

Sheriff's Response

I will comply.

5. Finding

Section 99-5-9 and 25-7-19(1)(d), Mississippi Code Ann. (1972), allows the Sheriff to collect a \$25.00 fee on all bond approval forms that he approves. During the review of the Sheriff's dockets and receipts, it was determined that the Sheriff's office was collecting the \$25.00 fee on all bonds whether approved by the Sheriff or not.

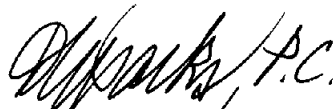
Recommendation

The Sheriff should establish control procedures to insure that the Sheriff's office only collects the \$25.00 bond fee on the bonds the Sheriff approves.

Sheriff's Response

I have been made aware of this problem, and have established procedures to make sure that the office follows the proper prescribed guidelines.

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



Dicky H. Sparks, P.C.  
Certified Public Accountant  
September 7, 2007

***SCHEDULE OF  
FINDINGS***

TIPPAH COUNTY  
 Schedule of Findings  
 For the Year Ended September 30, 2005

Section 1: Summary of Auditors' Results

Financial Statements:

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditors' report issued on the primary government financial statements:        |             |
|    | Governmental Activities  | Qualified   |
|    | Aggregate discretely presented component unit  | Unqualified |
|    | General Fund   | Qualified   |
|    | Solid Waste Fund   | Unqualified |
|    | Aggregate remaining fund information   | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements?        | Yes         |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | Yes         |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes         |

Section 2: Financial Statement Findings

Chancery Clerk.

2005-1      Finding

The former Chancery Clerk is under investigation by the State Department of Audit.

Justice Court Clerk.

2005-2      Finding

The former Justice Court Clerk is under investigation by the State Department of Audit.

TIPPAH COUNTY  
Schedule of Findings  
For the Year Ended September 30, 2005

Circuit Clerk.

2005-3      Finding

Audit procedures revealed the following weaknesses in the internal controls of the Circuit Clerk's office:

- a. The bond ledger was not properly maintained.
- b. The Circuit Clerk did not settle collections monthly.

Recommendation

The Circuit Clerk should implement internal controls to ensure that:

- a. The bond ledger is properly maintained.
- b. Collections are settled monthly.

Circuit Clerk's Response

I will comply.

2005-4      Finding

Restitution has accumulated over the last eleven years because partial payments were not settled on a monthly basis.

Recommendation

The Circuit Clerk should settle restitution payments on a monthly basis as prescribed in the *Mississippi County Financial Accounting Manual*.

Circuit Clerk's Response

I will comply.

2005-5      Finding

Partial court costs have accumulated over the last eleven years because partial payments were not settled on a monthly basis.

TIPPAH COUNTY  
Schedule of Findings  
For the Year Ended September 30, 2005

Recommendation

The Circuit Clerk should settle partial payments on a monthly basis as prescribed in the *Mississippi County Financial Accounting Manual*.

Circuit Clerk's Response

I will comply.

Sheriff Office.

2005-6      Finding

Audit observation revealed inadequate separation of duties in the accounting function. One person receipts money, posts the receipts to the cash journal, makes the deposits, prepares and writes the checks for settlements of receipts, and prepares the bank reconciliation. It was also noted, that the monthly settlements of receipts were not timely settled, and bank statement reconciliation's were not properly prepared, dated, or reviewed by someone other than the person who prepared them.

Recommendation

Personnel should be assigned duties within a system of internal controls in which no one employee has the responsibility of receipting money, making the deposits, posting them to the cash journal, and writing the checks for the settlement of receipts. The Sheriff's office should settle monthly receipts to the County by the 20<sup>th</sup> of the following month, and the bank statement reconciliation's should be properly prepared.

Sheriff's Response

I have taken into consideration the above-mentioned recommendations and I will take the necessary measures to place adequate internal controls within the sheriff's office. I will review the bank statement reconciliation's along with the current jail administrator, Howard Knight. However, it seems impossible to have a perfect set of internal controls in place with a small staff that we presently have.