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TIPPAH COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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, 2019, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 units 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 of material misstatement. However, the financial statements of 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 auditor's 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2019, 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.

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 and Component Unit's Proportionate Share of the Net Pension Liability, the Schedule of the County's and Component Unit's Contributions - PERS, the Schedule of the Component Unit's Proportionate Share of the Net OPEB Liability, and the Schedule of the Component Unit's Contributions - OPEB, 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 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 inquiries 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

The County 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

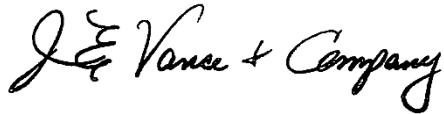
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tippah County, Mississippi's basic financial statements. The accompanying reconciliation of operating costs of solid waste is presented for purposes of additional analysis and is not a required 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of operating costs of solid waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information section, which includes 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 *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the County'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 effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J. E. Vance & Company, P.A.
January 31, 2023

FINANCIAL STATEMENTS

Tippah County
Statement of Net Position
September 30, 2019

Exhibit 1

	Primary Government Governmental	Component Units		
	Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
ASSETS				
Cash	\$ 7,768,546	1,302,706	90,255	1,392,961
Interest receivable			305	305
Property tax receivable	5,319,164			0
Accounts receivable			19,368	19,368
Patient accounts receivable (net of allowance for uncollectibles of \$3,799,834)		2,392,580		2,392,580
Fines receivable (net of allowance for uncollectibles of \$851,403)	492,706			0
Capital leases receivable	5,798,640			0
Intergovernmental receivables	279,976			0
Estimated third party payor settlements		59,551		59,551
Inventories and prepaid items		430,750		430,750
Other receivables	248,082	400		400
Other assets		250,359	500	250,859
Restricted assets - cash		308,329		308,329
Capital assets:				
Land and construction in progress	1,898,287	621,912	265,690	887,602
Other capital assets, net	25,110,083	3,343,503	291,977	3,635,480
Total Assets	46,915,484	8,710,090	668,095	9,378,185
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	356,267	954,071		954,071
Total Deferred Outflows of Resources	356,267	954,071	0	954,071
LIABILITIES				
Claims payable	570,076	1,099,892	5,057	1,104,949
Accrued expenses	369,128	663,243	2,468	665,711
Patient accounts receivable - credit balances		171,251		171,251
Intergovernmental payables	208,543			0
Accrued interest payable	36,328		437	437
Unearned revenue	1,742,595			0
Amounts held in custody for others	34,859			0
Long-term liabilities				
Due within one year:				
Capital debt	595,753	376,239	17,568	393,807
Non-capital debt	150,000			0
Due in more than one year:				
Capital debt	4,604,466	374,137	95,533	469,670
Non-capital debt	450,000			0
Net pension liability	8,727,730	14,420,492		14,420,492
Total Liabilities	17,489,478	17,105,254	121,063	17,226,317
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	104,879	1,158,023		1,158,023
Property tax for future reporting period	5,319,164			0
Unavailable revenue - interest on capital leases	2,037,286			0
Total Deferred Inflows of Resources	7,461,329	1,158,023	0	1,158,023
NET POSITION				
Net investment in capital assets	21,808,151	3,215,039	434,331	3,649,370
Restricted:				
Expendable:				
Public safety	824,232			0
Public works	1,286,062			0
Health and welfare	23,695			0
Economic development and assistance	592,483			0
Debt service	749,324			0
Unrestricted	(2,963,003)	(11,814,155)	112,701	(11,701,454)
Total Net Position	\$ 22,320,944	(8,599,116)	547,032	(8,052,084)

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

Tippah County
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

For the Year Ended September 30, 2019			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Program Revenues			Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 3,163,183	398,147			(2,765,036)	
Public safety	1,974,035	315,717	108,672		(1,549,646)	
Public works	3,880,920	165,851	867,945	794,927	(2,052,197)	
Health and welfare	514,489		80,416		(434,073)	
Culture and recreation	144,492	3,352			(141,140)	
Conservation of natural resources	67,733	28,925	6,584		(32,224)	
Economic development and assistance	548,977		421,985		(126,992)	
Interest on long-term debt	157,083				(157,083)	
Pension expense	994,966				(994,966)	
Total Governmental Activities	<u>11,445,878</u>	<u>911,992</u>	<u>1,485,602</u>	<u>794,927</u>	<u>(8,253,357)</u>	
Component units:						
Tippah County Health Services	16,220,996	15,016,923	270,610			(933,463)
Tippah County Development Foundation	184,742	38,022	300			(146,420)
Total Component Units	<u>\$ 16,405,738</u>	<u>15,054,945</u>	<u>270,910</u>			<u>(1,079,883)</u>
General revenues:						
Property taxes				\$ 6,984,345		108,332
Road & bridge privilege taxes				267,620		
Grants and contributions not restricted to specific programs				491,607		
Lease revenue						44,843
Gain on disposal of assets						43,480
Unrestricted interest income				350,677		9,208
Miscellaneous				135,937		1,382
Total General Revenues				<u>8,230,186</u>		<u>207,245</u>
Changes in Net Position				<u>(23,171)</u>		<u>(872,638)</u>
Net Position - Beginning, as previously reported						
Prior period adjustments				22,339,131		(7,179,446)
Net Position - Beginning, as restated				<u>4,984</u>		
				<u>22,344,115</u>		<u>(7,179,446)</u>
Net Position - Ending						
				\$ 22,320,944		(8,052,084)

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

Tippah County
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	<u>Major Funds</u>				
	General	County-Wide	Aluma Form	Other	Total
	Fund	Road Maint.	Fund	Governmental	Governmental
		Fund		Funds	Funds
ASSETS					
Cash	\$ 2,557,187	563,034	296,652	4,351,673	7,768,546
Property tax receivable	3,621,567	845,222		852,375	5,319,164
Fines receivable (net of allowance for uncollectibles of \$851,403)	492,706				492,706
Capital lease receivable			5,798,640		5,798,640
Intergovernmental receivables	135,965	77,920		66,091	279,976
Other receivables	41,471	61,443		30,637	133,551
Due from other funds	114,531	36,701		23,828	175,060
Advance to other funds		322,250			322,250
Total Assets	\$ 6,963,427	1,906,570	6,095,292	5,324,604	20,289,893
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 79,377	162,846		327,853	570,076
Accrued payroll	272,737	49,510		46,881	369,128
Intergovernmental payables	200,444				200,444
Unearned revenue				1,742,595	1,742,595
Due to other funds	68,628				68,628
Advances from other funds	200,000			122,250	322,250
Amounts held in custody for others	34,859				34,859
Total Liabilities	856,045	212,356	0	2,239,579	3,307,980
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	3,621,567	845,222		852,375	5,319,164
Unavailable revenue - fines	492,706				492,706
Unavailable revenue - principal and interest on capital leases			5,798,640		5,798,640
Total Deferred Inflows of Resources	4,114,273	845,222	5,798,640	852,375	11,610,510
Fund Balances:					
Restricted to:					
Public safety				824,232	824,232
Public works		848,992		437,070	1,286,062
Health and welfare				23,695	23,695
Economic development and assistance				592,483	592,483
Debt service			296,652	452,672	749,324
Unassigned	1,993,109			(97,502)	1,895,607
Total Fund Balances	1,993,109	848,992	296,652	2,232,650	5,371,403
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,963,427	1,906,570	6,095,292	5,324,604	20,289,893

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

Tippah County
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
September 30, 2019

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,371,403
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 \$33,168,766.	27,008,370
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Fines receivable	492,706
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,800,219)
Net Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,727,730)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(36,328)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,761,354
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	356,267
Deferred inflows of resources related to pensions	<u>(104,879)</u>
Total Net Position - Governmental Activities	\$ <u>22,320,944</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, 2019

Exhibit 4

	Major Funds				
	General Fund	County-Wide Road Maint. Fund	Aluma Form Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,669,994	1,102,894		1,211,457	6,984,345
Road and bridge privilege taxes		267,620			267,620
Licenses, commissions and other revenue	302,310				302,310
Fines and forfeitures	91,227			40,843	132,070
Intergovernmental revenues	653,701	808,366		1,310,069	2,772,136
Charges for services	105,303			391,903	497,206
Interest income	107,342	4,226	230,331	8,778	350,677
Miscellaneous revenues	59,418	17,924		58,595	135,937
Total Revenues	<u>5,989,295</u>	<u>2,201,030</u>	<u>230,331</u>	<u>3,021,645</u>	<u>11,442,301</u>
EXPENDITURES					
Current:					
General government	3,489,797				3,489,797
Public safety	1,514,287			532,266	2,046,553
Public works	135,037	2,418,681		1,420,393	3,974,111
Health and welfare	190,654			323,835	514,489
Culture and recreation	144,492				144,492
Conservation of natural resources	90,090				90,090
Economic development and assistance	15,000			533,976	548,976
Debt service:					
Principal	250,171	114,185	193,568	228,738	786,662
Interest	9,638	8,886	117,567	11,452	147,543
Bond issue costs					
Total Expenditures	<u>5,839,166</u>	<u>2,541,752</u>	<u>311,135</u>	<u>3,050,660</u>	<u>11,742,713</u>
Excess of Revenues over (under) Expenditures	<u>150,129</u>	<u>(340,722)</u>	<u>(80,804)</u>	<u>(29,015)</u>	<u>(300,412)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	345,556	24,000		595,548	965,104
Compensation for loss of capital assets				37,750	37,750
Transfers in	30,248	118,449		128,095	276,792
Transfers out	(246,544)			(30,248)	(276,792)
Lease principal payments			141,774	5,206	146,980
Total Other Financing Sources and Uses	<u>129,260</u>	<u>142,449</u>	<u>141,774</u>	<u>736,351</u>	<u>1,149,834</u>
Net Changes in Fund Balances	<u>279,389</u>	<u>(198,273)</u>	<u>60,970</u>	<u>707,336</u>	<u>849,422</u>
Fund Balances - Beginning, as originally reported	<u>1,731,714</u>	<u>1,029,271</u>	<u>235,682</u>	<u>1,525,314</u>	<u>4,521,981</u>
Prior period adjustment	<u>(17,994)</u>	<u>17,994</u>			<u>-0-</u>
Fund Balances - Beginning, as restated	<u>1,713,720</u>	<u>1,047,265</u>	<u>235,682</u>	<u>1,525,314</u>	<u>4,521,981</u>
Fund Balances - Ending	<u>\$ 1,993,109</u>	<u>848,992</u>	<u>296,652</u>	<u>2,232,650</u>	<u>5,371,403</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
For the Year Ended September 30, 2019

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 849,422
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 depreciation of \$868,841 exceeded capital outlays of \$838,802 in the current period.	(30,039)
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 \$21,589.	(21,589)
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.	(19,594)
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 following items:	
Debt proceeds	(965,104)
Debt repayments	786,662
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(9,540)
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 amount of principal collections on capital leases.	(146,980)
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	(994,966)
Recording of contributions made to defined benefit pension plan	528,557
Change in Net Position of Governmental Activities	\$ <u>(23,171)</u>

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

Tippah County
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 5

	Agency Funds
	<u> </u>
ASSETS	
Cash	\$ 186,238
Intergovernmental receivables	301
Due from other funds	<u>8,099</u>
Total Assets	\$ <u>194,638</u>
 LIABILITIES	
Amounts held in custody for others	\$ 8,401
Other liabilities	34,066
Intergovernmental payables	37,640
Due to other funds	<u>114,531</u>
Total Liabilities	\$ <u>194,638</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, 2019**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Tippah County, Mississippi (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 \$255,299 to provide financial support for Tippah County Health Services. Complete financial statements may be obtained by contacting Tippah County Health Services administrative office at (662) 837-9221.

Tippah County Development Foundation, Inc. is a nonprofit organization that promotes economic and community development 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 \$108,838 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 and fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

C. Basis of Presentation (Continued)

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 and are reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide Financial Statements

The Statement of Net Position presents the financial condition of the governmental and business-type 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 business-type activity or 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, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. 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, Proprietary Funds 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 assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

D. Measurement Focus and Basis of Accounting (Continued)

The County reports the following major governmental funds:

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

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

Aluma Form Fund – This fund is used to account for monies related to the Aluma Form economic development project.

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 expenditures 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 and Investments

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

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

G. Receivables

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

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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. Restricted Assets

Component unit assets required to be held and/or used according to donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. 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 or business-type 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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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 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 and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
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, 2019**

K. 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/penditure) until then.

Deferred outflows related to pensions – This amount represents the County's and Component Unit's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Notes 11 and 14 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/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 time as the revenue becomes available.

Unavailable revenue – interest on capital leases / unavailable revenue – principal and interest on capital leases – 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 time as the revenue becomes available.

Deferred inflows related to pensions – This amount represents the County's and Component Unit's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Notes 11 and 14 for additional details.

L. 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.

M. 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. In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

N. 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 improvements 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 or 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, assigned, or unassigned. The following are descriptions of fund classifications used by the County:

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

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

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.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

N. Equity Classifications (Continued)

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 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.

O. 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.

P. 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.

Q. Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the Proprietary Fund 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, 2019, Tippah County recognized no liability.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

R. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard has been incorporated into the financial statements and notes.

(2) Prior Period Adjustments

A summary of significant net position adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<i>Governmental Activities:</i>	
To adjust capital assets and accumulated depreciation	\$ 178,659
To adjust allowance for doubtful on fines receivable	(146,887)
To record accrued interest payable on long-term debt	(26,788)
Total Governmental Activities	<u>\$ 4,984</u>

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

<u>Explanation</u>	<u>Amount</u>
<i>General Fund:</i>	
To adjust accrual from prior year	\$ (17,994)
<i>County-Wide Road Maintenance Fund:</i>	
To adjust accrual from prior year	17,994
Total Governmental Funds	<u>\$ -0-</u>

(3) Deposits

Primary Government

Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$7,954,784 (including deposits of \$186,238 in fiduciary accounts), and the bank balance was \$8,276,980. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above the 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, 2019**

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 114,531
Countywide Road Maintenance	General Fund	36,701
Other Governmental Funds	General Fund	23,828
Agency Funds	General Fund	8,099
Total		<u>\$ 183,159</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2019. The payables from agency funds represents interfund loans to cover cash flows. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Countywide Road Maintenance	General Fund	\$ 200,000
Countywide Road Maintenance	Other Governmental Funds	122,250
Total		<u>\$ 322,250</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:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 30,248
Countywide Road Maintenance	General Fund	118,449
Other Governmental Funds	General Fund	128,095
Total		<u>\$ 276,792</u>

The principal purpose of transfers was to provide funds for operating expenses. 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, 2019**

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2019 consisted of the following:

Description	Amount
Governmental Funds:	
<i>General Fund:</i>	
MDHS welfare/food stamp reimbursement	\$ 28,643
Motor vehicle licenses	6,798
Legislative tag credit	99,708
Other	816
	<u>135,965</u>
<i>County-Wide Road Maintenance Fund:</i>	
Motor vehicle fuel tax	43,424
Motor vehicle licenses	34,496
	<u>77,920</u>
<i>Other Governmental Funds:</i>	
Community Development Block Grant	65,225
Other	866
	<u>66,091</u>
Total Governmental Funds / Governmental Activities	<u><u>\$ 279,976</u></u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(6) Capital Assets

Primary Government

The following is a summary of capital assets activity for the year ended September 30, 2019:

Governmental Activities:	Balance Oct. 1, 2018	Additions	Deletions	Completed Construction	Adjustments	Balance Sept. 30, 2019
<u>Non-depreciable capital assets</u>						
Land	\$ 1,317,609	265,643				\$ 1,583,252
Construction in progress	710,272	321,055		(716,292)		315,035
Total non-depreciable capital assets	<u>2,027,881</u>	<u>586,698</u>	<u>-0-</u>	<u>(716,292)</u>	<u>-0-</u>	<u>1,898,287</u>
<u>Depreciable capital assets</u>						
Buildings	3,211,623				2,440,800	5,652,423
Improvements other than buildings	39,800					39,800
Mobile equipment	5,713,402	6,000	(84,826)		(1,144,633)	4,489,943
Furniture and equipment	810,916		(131,056)		(68,157)	611,703
Leased property under capital lease	2,558,850	246,104			(1,220,735)	1,584,219
Infrastructure - roads	31,607,668					31,607,668
Infrastructure - bridges	13,576,801			716,292		14,293,093
Total depreciable assets	<u>57,519,060</u>	<u>252,104</u>	<u>(215,882)</u>	<u>716,292</u>	<u>7,275</u>	<u>58,278,849</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,251,284	103,831		878,688	(200)	2,233,603
Improvements other than buildings	20,696	1,592				22,288
Mobile equipment	4,317,231	70,461	(76,343)	(469,353)	6,477	3,848,473
Furniture and equipment	506,783	39,964	(117,950)	(25,485)	(13,035)	390,277
Leased property under capital lease	899,937	275,461		(383,850)		791,548
Infrastructure - roads	21,321,465	91,224			(230,501)	21,182,188
Infrastructure - bridges	4,348,206	286,308			65,875	4,700,389
Total accumulated depreciation	<u>32,665,602</u>	<u>868,841</u>	<u>(194,293)</u>	<u>-0-</u>	<u>(171,384)</u>	<u>33,168,766</u>
Total depreciable capital assets, net	<u>24,853,458</u>	<u>(616,737)</u>	<u>(21,589)</u>	<u>716,292</u>	<u>178,659</u>	<u>25,110,083</u>
Governmental activities capital assets, net	<u>\$ 26,881,339</u>	<u>(30,039)</u>	<u>(21,589)</u>	<u>-0-</u>	<u>178,659</u>	<u>\$ 27,008,370</u>

Adjustments were made to reclassify assets under capital lease, correct accumulated depreciation, and record an equipment purchase from a prior period.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 157,089
Public safety	154,123
Public works	<u>557,629</u>
Total Governmental Activities	<u>\$ 868,841</u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(6) Capital Assets (Continued)

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP 70 26 - CR 543 Bridge	\$ 854,444	December 2020
STP 2914 3 B - CR 102 Bridge	1,639,043	TBD
STP 0970 6 B - CR 200 Bridge	909,705	December 2020
Total Governmental Activities	<u>\$ 3,403,192</u>	

Component Unit – Tippah County Health Services

The following is a schedule of capital assets for Tippah County Health Services for the year ended September 30, 2019.

Business-type Activities:	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
<u>Non-depreciable capital assets</u>					
Land	\$ 116,132				\$ 116,132
Construction in progress	62,248	443,532			505,780
Total non-depreciable capital assets	<u>178,380</u>	<u>443,532</u>	<u>-0-</u>	<u>-0-</u>	<u>621,912</u>
<u>Depreciable capital assets</u>					
Land improvements	174,029			(733)	173,296
Buildings	6,987,641	387,967		(25,924)	7,349,684
Mobile equipment	7,975,920	256,989	(140,027)	(508,196)	7,584,686
Furniture and equipment	2,455,506	19,978		534,853	3,010,337
Leased property under capital lease	655,795	193,277			849,072
Total depreciable assets	<u>18,248,891</u>	<u>858,211</u>	<u>(140,027)</u>	<u>-0-</u>	<u>18,967,075</u>
<u>Less accumulated depreciation for:</u>					
Land improvements	172,634	490			173,124
Buildings	5,403,679	99,107		3,080	5,505,866
Mobile equipment	7,256,214	160,739	(140,027)		7,276,926
Furniture and equipment	2,322,764	121,801		(3,080)	2,441,485
Leased property under capital lease	93,957	132,214			226,171
Total accumulated depreciation	<u>15,249,248</u>	<u>514,351</u>	<u>(140,027)</u>	<u>-0-</u>	<u>15,623,572</u>
Total depreciable capital assets, net	<u>2,999,643</u>	<u>343,860</u>	<u>-0-</u>	<u>-0-</u>	<u>3,343,503</u>
Business-type activities capital assets, net	<u>\$ 3,178,023</u>	<u>787,392</u>	<u>-0-</u>	<u>-0-</u>	<u>\$ 3,965,415</u>

Adjustments were made to reclassify certain asset categories which had been inconsistently reported.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(6) Capital Assets (Continued)

Component Unit – Tippah County Development Foundation

The following is a schedule of capital assets for Tippah County Development Foundation for the year ended September 30, 2019.

	Balance Oct. 1, 2018	Additions	Deletions	Balance Sept. 30, 2019
<u>Non-depreciable property and equipment</u>				
Land	\$ 265,690			\$ 265,690
Total non-depreciable property and equipment	265,690	-0-	-0-	265,690
<u>Depreciable property and equipment</u>				
Buildings	364,420	2,676		367,096
Furniture and equipment	13,783			13,783
Total depreciable assets	378,203	2,676	-0-	380,879
Less accumulated depreciation	77,070	11,832		88,902
Total depreciable property and equipment, net	301,133	(9,156)	-0-	291,977
Property and equipment, net	\$ 566,823	(9,156)	-0-	\$ 557,667

(7) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases

As Lessee:

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

The County has entered into a certain operating lease which does not give rise to property rights. Total costs for the lease was \$80,500 for the year ended September 30, 2019. The future minimum lease payments for the lease are as follows:

Year Ending September 30,	Amount
2020	\$ 61,050
Total	\$ 61,050

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(9) Capital Leases

As Lessor:

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, 2019:

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ 252,640
Buildings	6,280,155
Total	<u>\$ 6,532,795</u>

The future net minimum lease receivables as of September 30, 2019, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 150,519	221,587
2021	159,802	212,303
2022	169,658	202,447
2023	180,123	191,983
2024	191,232	180,873
2025-2029	1,148,322	712,204
2030-2034	1,548,914	311,612
2035	212,784	4,277
Total	<u>\$ 3,761,354</u>	<u>2,037,286</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

<u>Classes of Property</u>	<u>Amount</u>
Mobile equipment	\$ 1,508,787
Furniture and equipment	75,432
Total	1,584,219
Less: Accumulated depreciation	<u>(791,548)</u>
Leased Property Under Capital Leases	<u>\$ 792,671</u>

The following is a schedule by years of the total payments due as of September 30, 2019:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 335,299	13,088
2021	246,405	9,704
2022	91,068	4,553
2023	63,941	2,505
2024	40,021	1,001
Total	<u>\$ 776,734</u>	<u>30,851</u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(10) Long-term Debt

Primary Government

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Governmental Activities:			
A. Capital Leases:			
3 Ford F-150 Trucks	\$ 39,085	2.00%	12/1/2020
Dodge Truck	15,733	2.00%	12/1/2021
Ford Explorer	10,200	2.00%	12/1/2021
3 Sheds	10,133	2.00%	12/1/2020
AS400 Server	26,784	2.00%	12/1/2021
Chevrolet Expedition	6,745	2.00%	9/23/2020
2 F-150 Trucks	48,000	2.00%	12/1/2022
5 Sheriff Vehicles	56,373	1.99%	12/1/2020
Dodge Truck	26,200	2.50%	12/1/2023
2 Sheriff Vehicles	54,356	2.50%	12/1/2023
Jail Fingerprint Machine	4,383	2.00%	12/1/2020
Jail Control Panel	12,692	2.00%	12/1/2021
DHS Property	20,800	2.50%	12/1/2022
Rosenbauer Fire Truck	47,200	2.00%	9/15/2021
Caterpillar Excavator	58,789	4.85%	12/1/2019
Excavator	22,900	2.00%	12/1/2020
2 F-750 Dump Trucks	62,776	2.00%	12/1/2020
Backhoe	34,812	2.00%	12/1/2020
Freightliner Dump Truck	30,637	2.00%	12/1/2020
F-250 Truck	26,880	2.00%	12/1/2022
Road Dept Truck	24,000	2.50%	12/1/2023
Garbage Truck	26,045	2.00%	9/23/2020
Garbage Truck	15,663	2.00%	12/1/2021
Garbage Truck	95,548	2.50%	12/1/2023
Total Capital Leases	\$ <u>776,734</u>		
B. Other Loans:			
Aluma Form Capital Improvements Note	\$ 3,658,485	3.00%	8/1/2035
Countywide 5-year Note	600,000	2.50%	12/1/2022
Real Property Note	265,000	2.50%	8/1/2024
Industrial Park Note	<u>500,000</u>	2.00%	4/1/2034
Total Other Loans	\$ <u>5,023,485</u>		

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(10) Long-term Debt (Continued)

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

Year Ending September 30,	Other Loans	
	Principal	Interest
2020	\$ 410,454	142,799
2021	418,457	129,721
2022	427,852	115,250
2023	433,149	104,878
2024	289,829	93,123
2025-2029	1,291,454	351,684
2030-2034	1,490,616	152,522
2035	261,674	3,898
Total	<u>\$ 5,023,485</u>	<u>1,093,875</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, 2019, the County has not incurred any debt toward this limitation.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sep. 30, 2019	Amount due within one year
Capital leases	\$ 204,335	200,104	443,095	815,390	776,734	335,299
Other loans	5,417,442	765,000	343,567	(815,390)	5,023,485	410,454
Totals	<u>\$ 5,621,777</u>	<u>965,104</u>	<u>786,662</u>	<u>-0-</u>	<u>5,800,219</u>	<u>745,753</u>

Adjustments were made to reclassify capital lease obligations.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(10) Long-term Debt (Continued)

Component Unit – Tippah County Health Services

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Business-type Activities:			
A. Other Loans:			
Unsecured loan	\$ 236,818	3.50%	12/15/2021
2016 ambulance	38,033	3.50%	12/15/2021
Total Other Loans	<u>\$ 274,851</u>		
B. Capital Leases:			
Equipment	\$ 475,525	Various	Various
Total Capital Leases	<u>\$ 475,525</u>		

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

Year Ending September 30,	Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 180,320	6,755	195,919	17,328
2021	94,531	980	163,864	7,424
2022			39,982	4,325
2023			40,559	2,549
2024			35,201	721
Total	<u>\$ 274,851</u>	<u>7,735</u>	<u>475,525</u>	<u>32,347</u>

A schedule of changes in long-term debt for the year ended September 30, 2019, follows:

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sep. 30, 2019	Amount due within one year
Business-type Activities:					
Notes payable	\$ 448,995		174,144	274,851	180,320
Capital leases	443,361	193,277	161,113	475,525	195,919
Totals	<u>\$ 892,356</u>	<u>193,277</u>	<u>335,257</u>	<u>750,376</u>	<u>376,239</u>

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(10) Long-term Debt (Continued)

Component Unit – Tippah County Development Foundation

Debt outstanding as of September 30, 2019, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
A. Notes payable:			
Building	\$ 104,382	2.00%	11/1/2024
Land	8,719	5.20%	8/24/2027
Total notes payable	\$ 113,101		

Annual principal payments to maturity for long-term debt are as follows:

Year Ending September 30,	Amount
2020	\$ 17,568
2021	17,956
2022	18,351
2023	18,757
2024	19,171
Thereafter	21,298
Total	\$ 113,101

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(11) Defined Benefit Pension Plan

Primary Government

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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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.

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) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 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 2.5 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 3.0 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 3.0 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, 2019, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate was an increase as of July 1, 2019, from 15.75%. 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, 2019, 2018, and 2017 were \$528,557, \$482,514, and \$484,988, respectively, equal to the required contributions for each year.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(11) Defined Benefit Pension Plan (Continued)

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

At September 30, 2019, the County reported a liability of \$8,727,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 net pension liability was 0.049612 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000516 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$994,966. At September 30, 2019, the County 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	\$ 5,163	9,395
Net difference between projected and actual earnings on pension plan investments		95,484
Changes of assumptions	85,568	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	121,514	
County contributions subsequent to the measurement date	144,022	
Total	\$ 356,267	104,879

\$144,022 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 ending September 30, 2020. 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:	Amount
2020	\$ 116,552
2021	(87,165)
2022	38,132
2023	39,847
	\$ 107,366

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(11) Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
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 (17.40%). 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.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(11) Defined Benefit Pension Plan (Continued)

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County'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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 11,472,903	8,727,730	6,461,836

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

Discretely Presented Component Unit – Tippah County Health Services

Plan Description. Tippah County Health Services 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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.

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) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 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 2.5 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 3.0 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 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(11) Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the hospital is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. This rate was an increase as of July 1, 2019, from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The hospital's contributions to PERS for the years ending September 30, 2019, 2018, and 2017, were \$859,397, 903,431, and \$859,032, respectively, which equaled 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, 2019, the hospital reported a liability of \$14,420,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The hospital's proportion of the net pension liability was based on a projection of the hospital's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The hospital's proportionate share used to calculate the September 30, 2019 net pension liability was 0.081972 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.007555 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the hospital recognized pension expense of \$1,746,109. At September 30, 2019 the hospital 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	\$ 9,316	15,931
Net difference between projected and actual earnings on pension plan investments		208,322
Changes of assumptions	141,437	
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	578,745	933,770
Hospital contributions subsequent to the measurement date	224,573	
Total	\$ 954,071	1,158,023

\$224,573 reported as deferred outflows of resources related to pensions resulting from hospital contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2020	\$ 77,560
2021	(351,998)
2022	(219,923)
2023	65,836
Total	\$ (428,525)

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(11) Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
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 (17.40%). 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.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(11) Defined Benefit Pension Plan (Continued)

Sensitivity to the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the hospital's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the hospital'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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's proportionate share of the net pension liability	\$ 18,956,236	\$ 14,420,492	\$ 10,676,642

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) 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.

(13) Deficit Fund Balances of Individual Funds

The following fund reported a deficit in fund balance at September 30, 2019:

<u>Fund</u>	<u>Deficit Amount</u>
EMA Grant	\$ 97,502

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(14) Effect of Deferred Amounts on Net Position

Primary Government

The governmental activities' unrestricted net position (deficit) amount of (\$2,963,003) 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 \$144,022 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, 2020. The remaining \$212,245 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 3 years. The \$104,879 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position (deficit) amount of (\$2,963,003) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$2,037,286 balance of deferred inflows of resources at September 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 16 years.

Discretely Presented Component Unit – Tippah County Health Services

The governmental activities' unrestricted net position amount of (\$11,814,155) includes the effect of deferred outflows/inflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$224,573 resulting from hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The remaining \$1,262,358 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years. The \$1,690,883 balance of the deferred inflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years.

(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 \$130,000.

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

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(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 2019.

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 2019.

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 \$607,390 in support of the college in fiscal year 2019.

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 2019. User governments will be billed on the volume of solid waste from each government.

(17) Tax Abatements

The Governmental Accounting Standards Board (GASB) Statement 77, *Tax Abatement Disclosures*, requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Tippah County Board of Supervisors negotiates property tax abatements on an individual or entity basis with varying abatement periods. These abatements contribute to the economic development and citizenry of the County.

Sections 27-31-101 and 27-31-105 Miss Code (Ann.) 1972

General exemptions to new factories and enterprises or expansions to existing properties.

There are 17 companies that have tax abatements under these statutes. The gross amount of taxes abated during the fiscal year is \$781,297.

Section 27-31-53 Miss. Code (Ann.) 1972

Free port warehouse exemptions.

There are 2 companies that have tax abatements under this statute. The gross amount of taxes abated during the fiscal year is \$22,891.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(18) 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 January 31, 2023, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

Subsequent to September 30, 2019, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
02/11/20	2.00%	\$ 27,634	Lease Purchase	Advalorem taxes
02/11/20	2.00%	49,903	Lease Purchase	Advalorem taxes
06/17/20	2.50%	116,000	Lease Purchase	Advalorem taxes
08/26/20	2.50%	39,344	Lease Purchase	Advalorem taxes
06/17/20	2.50%	33,800	Lease Purchase	Advalorem taxes
06/17/20	2.50%	37,850	Lease Purchase	Advalorem taxes
06/18/20	2.50%	37,850	Lease Purchase	Advalorem taxes
08/17/20	3.35%	9,500,000	General Obligation Bonds *	Advalorem taxes
08/27/20	2.50%	39,344	Lease Purchase	Advalorem taxes
12/08/20	2.50%	62,397	Lease Purchase	Advalorem taxes
12/08/20	2.50%	78,339	Lease Purchase	Advalorem taxes
12/08/20	2.50%	101,399	Lease Purchase	Advalorem taxes
08/12/21	2.50%	127,193	Lease Purchase	Advalorem taxes
05/18/21	2.50%	27,010	Lease Purchase	Advalorem taxes
05/18/21	2.50%	114,313	Lease Purchase	Advalorem taxes
05/18/21	2.50%	108,081	Lease Purchase	Advalorem taxes
08/12/21	2.50%	30,290	Lease Purchase	Advalorem taxes
08/19/22	3.75%	900,000	Other Loan	Advalorem taxes

* - The \$9,500,000 General Obligation Bonds were issued for the purpose of providing partial funding for the construction of a new hospital located in Tippah County.

On March 11, 2020 the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the entity's operations. As of January 31, 2023, County management reports an adverse effect on revenue, workforce or related costs which can be attributed directly to COVID-19.

REQUIRED SUPPLEMENTARY INFORMATION

Tippah County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,412,501	4,666,715	4,666,715	-0-
Licenses, commissions and other revenue	229,100	317,567	318,367	800
Fines and forfeitures	137,950	111,107	111,107	-0-
Intergovernmental revenues	808,670	617,325	630,011	12,686
Charges for services	81,375	91,809	91,809	-0-
Interest income	80,000	107,323	107,323	-0-
Miscellaneous revenues	77,000	75,231	61,745	(13,486)
Total Revenues	<u>5,826,596</u>	<u>5,987,077</u>	<u>5,987,077</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	4,255,407	3,256,263	3,521,263	(265,000)
Public safety	1,436,750	1,392,373	1,503,987	(111,614)
Public works	247,870	135,793	135,793	-0-
Health and welfare	197,575	190,613	190,613	-0-
Culture and recreation	130,000	144,945	144,945	-0-
Conservation of natural resources	126,600	89,201	89,201	-0-
Economic development and assistance	15,000	15,000	15,000	-0-
Debt service:				
Principal	335,207	250,430	250,171	259
Interest	12,915	10,188	9,637	551
Total Expenditures	<u>6,757,324</u>	<u>5,484,806</u>	<u>5,860,610</u>	<u>(375,804)</u>
Excess of Revenues over (under) Expenditures	<u>(930,728)</u>	<u>502,271</u>	<u>126,467</u>	<u>375,804</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-0-	-0-	345,556	345,556
Transfers in	-0-	-0-	30,248	30,248
Transfers out	-0-	(246,544)	(246,544)	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>(246,544)</u>	<u>129,260</u>	<u>375,804</u>
Net Change in Fund Balance	(930,728)	255,727	255,727	-0-
Fund Balances - Beginning, as originally stated	(6,892,810)	90,509	90,509	-0-
Amendment to Budget Actual	6,983,319	-0-	-0-	-0-
Fund Balances - Beginning, as amended	90,509	90,509	90,509	-0-
Fund Balances - Ending	<u>\$ (840,219)</u>	<u>346,236</u>	<u>346,236</u>	<u>-0-</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)
County-Wide Road Maintenance Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 895,000	1,099,047	1,099,047	-0-
Road and bridge privilege taxes	255,000	265,595	265,595	-0-
Intergovernmental revenues	788,500	810,350	810,350	-0-
Interest income	3,000	4,226	4,226	-0-
Miscellaneous revenues	8,500	17,924	17,924	-0-
Total Revenues	<u>1,950,000</u>	<u>2,197,142</u>	<u>2,197,142</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	2,456,356	2,453,913	2,477,913	(24,000)
Debt service:				
Principal	115,000	118,133	114,185	3,948
Interest	9,000	4,937	8,885	(3,948)
Total Expenditures	<u>2,580,356</u>	<u>2,576,983</u>	<u>2,600,983</u>	<u>(24,000)</u>
Excess of Revenues over (under) Expenditures	<u>(630,356)</u>	<u>(379,841)</u>	<u>(403,841)</u>	<u>24,000</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-0-	-0-	24,000	(24,000)
Transfers in	5,000	118,449	118,449	-0-
Total Other Financing Sources and Uses	<u>5,000</u>	<u>118,449</u>	<u>142,449</u>	<u>(24,000)</u>
Net Change in Fund Balance	(625,356)	(261,392)	(261,392)	-0-
Fund Balances - Beginning, as originally stated	(2,923,327)	1,211,188	1,211,188	-0-
Amendment to Budget Actual	4,134,515	-0-	-0-	-0-
Fund Balances - Beginning, as amended	<u>1,211,188</u>	<u>1,211,188</u>	<u>1,211,188</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 585,832</u>	<u>949,796</u>	<u>949,796</u>	<u>-0-</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)
Aluma Form Fund
For the Year Ended September 30, 2019
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ 230,331	230,331	230,331	-0-
Total Revenues	<u>230,331</u>	<u>230,331</u>	<u>230,331</u>	<u>-0-</u>
EXPENDITURES				
Debt service:				
Principal	194,000	193,568	193,568	-0-
Interest	118,000	117,567	117,567	-0-
Total Expenditures	<u>312,000</u>	<u>311,135</u>	<u>311,135</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(81,669)</u>	<u>(80,804)</u>	<u>(80,804)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	141,774	141,774	141,774	-0-
Total Other Financing Sources and Uses	<u>141,774</u>	<u>141,774</u>	<u>141,774</u>	<u>-0-</u>
Net Change in Fund Balance	60,105	60,970	60,970	-0-
Fund Balances - Beginning, as originally stated	255,171	235,577	235,577	-0-
Amendment to Budget Actual	<u>(19,489)</u>	<u>105</u>	<u>105</u>	<u>-0-</u>
Fund Balances - Beginning, as amended	<u>235,682</u>	<u>235,682</u>	<u>235,682</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 295,787</u>	<u>296,652</u>	<u>296,652</u>	<u>-0-</u>

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

TIPPAH COUNTY
SCHEDULE OF THE COUNTY'S AND COMPONENT UNIT'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Tippah County	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.049612%	0.049096%	0.048528%	0.046761%	0.045675%	0.044637%
County's proportionate share of the net pension liability	\$ 8,727,730	8,166,123	8,067,001	8,352,682	7,064,319	5,413,623
County's covered payroll	\$ 3,231,079	3,135,225	2,930,200	2,967,432	2,853,505	2,727,530
County's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	275.31%	281.48%	247.57%	198.48%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%
Tippah County Health Services	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability	0.081972%	0.089527%	0.084129%	0.076377%	0.070875%	0.078516%
Hospital's proportionate share of the net pension liability	\$ 14,420,492	14,891,000	13,985,095	13,642,839	10,955,877	9,528,463
Hospital's covered payroll	\$ 5,321,279	5,736,070	5,454,171	5,163,194	4,321,346	4,797,733
Hospital's proportionate share of the net pension liability as a percentage of its covered payroll	271.00%	259.60%	256.41%	264.23%	253.53%	198.60%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

* The amount presented for each fiscal year was determined as of the measurement date of 6/30 of the year presented modified for the effects of the remaining fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/14, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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

TIPPAH COUNTY
SCHEDULE OF COUNTY AND COMPONENT UNIT CONTRIBUTIONS - PERS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Tippah County	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 528,557	482,514	484,988	480,664	456,206	413,471
Contributions in relation to the contractually required contribution	<u>(528,557)</u>	<u>(482,514)</u>	<u>(484,988)</u>	<u>(480,664)</u>	<u>(456,206)</u>	<u>(413,471)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
County's covered payroll	3,269,202	3,063,581	3,079,289	3,051,835	2,896,546	2,625,213
Contributions as a percentage of covered payroll	16.17%	15.75%	15.75%	15.75%	15.75%	15.75%
Tippah County Health Services	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 859,397	903,431	859,032	813,203	680,612	755,644
Contributions in relation to the contractually required contribution	<u>(859,397)</u>	<u>(903,431)</u>	<u>(859,032)</u>	<u>(813,203)</u>	<u>(680,612)</u>	<u>(755,644)</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Hospital's covered payroll	5,321,279	5,736,070	5,454,171	5,163,194	4,321,346	4,797,733
Contributions as a percentage of covered payroll	16.15%	15.75%	15.75%	15.75%	15.75%	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/14, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

The 2019 contributions as a percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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

TIPPAH COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
UNAUDITED

Budgetary Comparison Schedules

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 supplementary 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:

Governmental Fund Types			
	General Fund	Countywide Road Fund	Aluma Form Fund
Budget (Cash Basis)	\$ 255,727	\$ (261,392)	\$ 60,970
Increase (Decrease)			
Net adjustments for:			
Revenue accruals	2,218	65,331	-0-
Expenditure accruals	21,444	(2,212)	-0-
GAAP Basis	\$ <u>279,389</u>	\$ <u>(198,273)</u>	\$ <u>60,970</u>

TIPPAH COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
UNAUDITED

Pension Schedules

A. Changes of Assumptions

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: For males, 137% of male rates at all ages, and for females, 115% of female rates at all ages. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016

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

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.

TIPPAH COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
UNAUDITED

Pension Schedules, continued

B. Changes in benefit provisions

2016

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

C. 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 (June 30, 2017 valuation for the June 30, 2019 fiscal year end). 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

**TIPPAH COUNTY
RECONCILIATION OF OPERATING COSTS OF SOLID WASTE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Operating Expenditures, Cash Basis:

Salaries	\$ 352,597
Refuse and waste fees	50,488
Expendable Commodities:	
Gasoline and petroleum	63,096
Repair parts	21,087
Supplies	1,847
Capital outlay	133,048
Debt retirement	55,138
Interest expense	1,703
	<hr/>
Solid Waste Cash Basis Operating Expenditures	679,004
	<hr/>

Full Cost Expenses:

Depreciation on equipment	39,820
Net effect of other accrued expenses	712
	<hr/>

Solid Waste Full Cost Operating Expenses

40,532

Solid Waste Full Cost Operating Expenses

\$

719,536

OTHER INFORMATION

Tippah County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
UNAUDITED

Name	Position	Company	Bond
Jimmy Gunn	Supervisor District 1	Travelers	\$ 100,000
Greg Harrell	Supervisor District 2	Travelers	100,000
Mike Graves	Supervisor District 3	Travelers	100,000
Dennis Grisham	Supervisor District 4	Travelers	100,000
Chad Newby	Supervisor District 5	Travelers	100,000
Melinda Crum	County Administrator	Travelers	100,000
Mike Long	Chancery Clerk	Travelers	100,000
Randy Graves	Circuit Clerk	Travelers	100,000
Stacy Spink	Purchase Clerk	Travelers	75,000
Melinda Crum	Assistant Purchase Clerk	Travelers	50,000
Shellie Parker	Receiving Clerk	Travelers	75,000
Donnie Stroupe	Assistant Receiving Clerk	Travelers	50,000
Tony Box	Assistant Receiving Clerk	Travelers	50,000
Nick Barkley	Assistant Receiving Clerk	Travelers	50,000
John Raines	Assistant Receiving Clerk	Travelers	50,000
Drew Noe	Assistant Receiving Clerk	Travelers	50,000
Dewayne Bennett	Assistant Receiving Clerk	Travelers	50,000
Gloria White	Justice Court Clerk	Travelers	50,000
Kristina Lovorn	Justice Court Clerk	Travelers	50,000
Katie Lindsey	Justice Court Clerk	Travelers	50,000
Patricia Kent	Justice Court Clerk	Travelers	50,000
Shana Lowry	Chancery Clerk Deputy	Travelers	50,000
Kim Estes	Chancery Clerk Deputy	Travelers	50,000
Whitney Briscoe	Chancery Clerk Deputy	Travelers	50,000
Sandra Benefield	Circuit Clerk Deputy	Travelers	50,000
Lisa Moore	Circuit Clerk Deputy	Travelers	50,000
Rebekah Power	Circuit Clerk Deputy	Travelers	50,000
David Mathis	Constable	Travelers	50,000
Keith Bullock	Constable	Travelers	50,000
Mary Jo Hudson	Inventory Control Clerk	Travelers	75,000
Larry Jackson	Road Manager	Travelers	50,000
Clarence Meeks	Justice Court Judge	Travelers	50,000
Robert Brown	Justice Court Judge	Travelers	50,000

(Continued)

Tippah County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
UNAUDITED

Name	Position	Company	Bond
David Gaillard	Sheriff	Travelers	\$ 100,000
Howard Knight	Jail Administrator	Travelers	50,000
Billy Johnson	Jail Administrator	Travelers	50,000
Richard Alan Benefield	Jailer	Travelers	50,000
Ashley Poole	Jailer	Travelers	50,000
Dean Kidd	Jailer	Travelers	50,000
Bethany Young	Jailer	Travelers	50,000
Crystal Merea Paul	Jailer	Travelers	50,000
Maxine Barkley	Jailer	Travelers	50,000
Sheryl Dean Adams	Jailer	Travelers	50,000
Pat Moffitt	Jailer	Travelers	50,000
Roland Kyle Pierce	Jailer	Travelers	50,000
Christopher Lynn Hall	Jailer	Travelers	50,000
Joe Akins	Tax Assessor / Collector	Travelers	100,000
Melissa Roberson	Tax Assessor Deputy	Travelers	10,000
Dana Davis	Tax Assessor Deputy	RLI	10,000
Amy Nance	Tax Assessor Deputy	Travelers	10,000
Will Hall	Tax Assessor Deputy	Travelers	10,000
Janice Carter	Tax Assessor Deputy	Travelers	10,000
Jenny Wilbanks	Tax Assessor Deputy	Travelers	10,000
Melissa Roberson	Tax Collector Deputy	Travelers	50,000
Jenny Wilbanks	Tax Collector Deputy	Travelers	50,000
Becky Carter	Tax Collector Deputy	Travelers	50,000
Cassandra Jackson	Tax Collector Deputy	RLI	50,000
Kesha Robbins	Tax Collector Deputy	Travelers	50,000
Hillary Crowell	Tax Collector Deputy	Travelers	50,000
Madlyn Kilzer	Tax Collector Deputy	Travelers	50,000

SPECIAL REPORTS

J. E. VANCE & COMPANY, P.A.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Tippah County, Mississippi

We have audited, 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 the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 31, 2023. 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 auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tippah County, Mississippi's internal control over financial reporting (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 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 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 a material weakness 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 2019-001, 2019-002, 2019-003, and 2019-004 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 2019-005 and 2019-006 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted certain matters which we have reported to the management of Tippah County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated January 31, 2023, 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 the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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.

A handwritten signature in black ink that reads "J & E Vance + Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
January 31, 2023

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

Members of the Board of Supervisors
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, 2019. 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 current 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors:

Finding 1: The Receiving Clerk Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 25-1-15(2), Mississippi Code Annotated (1972)*, states, "A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee."

Section 31-7-124, Mississippi Code Annotated (1972), states, "All assistant purchasing, receiving and inventory control clerks shall be bonded in a penalty not less than Fifty Thousand Dollars (\$50,000.00). Such bond shall be in addition to any other bond required by law, with sufficient surety, to be payable, conditioned, and approved as provided by law."

Finding Detail: As a result of procedures performed, we noted that the five (5) Assistant Receiving Clerks' surety bonds were covered under a blanket bond, which had an indefinite term.

Failure to have a new surety bond in place for a definite term of office could limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation: We recommend the Board of Supervisor implement procedures to ensure that surety bonds are secured in the correct amounts, list a term of office covered, and renewed every four (4) years concurrent with the normal election cycle of the local government applicable to the employee.

Official Response: We were not aware that it needed to be a definite period. We will get this corrected.

Repeat Finding: Yes.

Inventory Control Clerk:

Finding 2: The County should ensure that all infrastructure assets are accurately recorded in its accounting system.

Applicable State Law: *Section 31-7-107, Mississippi Code Annotated (1972)*, requires the establishment and maintenance of an inventory control system.

Finding Detail: As a result of procedures performed, we noted that several recent infrastructure projects were not recorded in the County's inventory system. The County failed to account for construction-in-process and completion on six (6) state-aid and emergency road and bridge infrastructure projects.

Also, we noted errors in the County's inventory system which resulted in no depreciation being taken on certain classes of roads, and historical records for GASB Statement No. 34 infrastructure were not listed with other assets in the system, resulting in incomplete records that had to be reconciled back to audited amounts.

Audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval.

Failure to maintain accurate inventory control records could result in violation of state purchasing statutes or the misappropriation of public funds.

Recommendation: The Inventory Control Clerk should implement procedures to ensure that progress on all state aid road and bridge projects which meet the capitalization criteria are recorded for inclusion in capital asset records.

Official Response: – The Inventory Control Clerk has developed a plan to make sure that all infrastructure improvements are capitalized as required and has set the plan in motion. We have made corrections to our historical records and will continue to improve our recordkeeping for construction-in-progress moving forward.

Repeat Finding: No.

Circuit Clerk:

Finding 3: The Circuit Clerk's Deputies Should Ensure Compliance with State Law over Surety Bonds.

Applicable State Law: *Section 9-7-123, Mississippi Code Annotated (1972)*, states, in part "Each deputy clerk of the circuit court, before he enters upon the duties of the appointment, shall take the oath of office, and shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to three percent (3%) of the sum of all the state and county taxes shown by the assessment rolls and the levies to have been collectible in the county for the year immediately preceding the commencement of the term of office for the circuit clerk. However, the amount of such bond shall not be less than Fifty Thousand Dollars (\$50,000.00) nor more than One Hundred Thousand Dollars (\$100,000.00). The bond shall cover all monies coming into the hands of the deputy clerk by law or order of the court. The board of supervisors, in its discretion, may pay the bond on behalf of the deputy clerk."

Finding Detail: As a result of procedures performed, we noted that each of the three (3) Circuit Clerk Deputies' surety bonds were issued for \$50,000. According to the referenced statute, each Deputy should be covered by a bond equal to \$100,000.

Failure to have a sufficient surety bond in place could limit the amount available for recovery if a loss were to occur.

Recommendation: We recommend that the Circuit Clerk ensure that all deputies' surety bonds are secured in the statutory amounts.

Official Response: We were not aware of this provision in determining the threshold. We will get this corrected.

Repeat Finding: No.

In our opinion, except for the noncompliance referred to in the preceding paragraphs, Tippah County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2019.

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.

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 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.

A handwritten signature in black ink that reads "J. E. Vance + Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
January 31, 2023

Tippah County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2019

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
7/15/2019	Garbage Truck	\$ 133,048	Ingram Equipment	\$ 129,995	The truck provided by Ingram was more compatible for usage of spare parts. Also, delivery time from lowest bidders was deemed to be unacceptable.

**Tippah County
Schedule of Emergency Purchases
For the Year Ended September 30, 2019**

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/5/2019	Culvert	\$ 7,242	G&O Supply	Residences were flooding due to road washing

Tippah County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2019

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
3/18/2019	Tank Car Pipe	\$ 10,370	The Railroad Yard
5/9/2019	Floor Cleaning	7,000	Lindley Cleaning Solutions
8/15/2019	Express Poll Books	13,857	Election Systems

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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, 2019, 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 January 31, 2023, 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors:

Finding 1: Public Officials Should Ensure Compliance with State Law over Purchasing Real Property.

Applicable State Law: *Section 43-37-3(1)(b), Mississippi Code Annotated (1972)*, states, "Real property shall be appraised before the initiation of negotiations, except that the acquiring person, agency, or other entity may adopt a procedure in compliance with federal regulations to waive the appraisal in cases involving the acquisition by sale or donation of property with a low fair market value. For the purposes of this chapter, property with a low fair market value is property with a fair market value of Ten Thousand Dollars (\$10,000.00) or less. The owner or his designated representative shall be given an opportunity to accompany the appraiser during his inspection of the property."

Finding Detail: As a result of procedures performed, we noted that the County purchased real property without obtaining a fair market value appraisal before the purchase was made.

Failure to obtain a fair market value appraisal before acquiring real property may result in fraud, misappropriation, or loss of public funds; further, it may also result in a loss of public trust.

Recommendation: We recommend the County implement controls to ensure that a fair market value appraisal is obtained before purchasing real property.

Official Response: The property in question was purchased in late spring 2019 with an existing tax appraisal. We were later informed by the State Auditor's Office that we could not rely on the tax appraisal and were required to obtain a separate appraisal. This was completed on October 18, 2019. We will obtain appraisals for all applicable purchases in the future.

Repeat Finding: Yes.

Auditor's Note: This finding pertained to the same property purchase referenced by the State Auditor's Office in the prior year compliance audit. No additional non-compliance has come to our attention since the date that the County was notified of non-compliance in the prior year report.

Chancery Clerk.

Repeat Finding: Yes.

Finding 2: The Chancery Clerk Should Ensure Compliance with State Law over Statutory Fees for Attending Board Meetings.

Applicable State Law: *Section 25-7-9(1), Mississippi Code Annotated (1972)*, provides that the Clerks of the Chancery Courts shall charge \$20 for himself and one (1) deputy for each days' attendance on the Board of Supervisors' meetings.

Finding Detail: As a result of procedures performed, we noted the Chancery Clerk was paid \$20 for himself and one (1) deputy. However, there was no evidence that the deputy was present at the Board of Supervisors' meetings. This error resulted in the Chancery Clerk being paid \$520 in error.

Failure to have controls in place to ensure the Chancery Clerk is not being reimbursed for services not provided could result in fraud, waste, and abuse of public funds.

Recommendation: We recommend the Chancery Clerk only charge \$20 for himself and one (1) Deputy if both individuals are in attendance at the Board of Supervisors' meetings. The Chancery Clerk should also remit the \$520 to the County.

Official Response: I established a deputy to attend each board meeting beginning on December 2, 2019. I will remit the overage for the period during which I did not have a deputy in 2019.

Repeat Finding: Yes.

Constable, North Half; Constable, South Half; Justice Court Judge, North Half; Supervisor, District Four.

Finding 3: The Public Officials Should Ensure Compliance with State Law over Statements of Economic Interest.

Applicable State Law: *Section 25-4-25(a), Mississippi Code Annotated (1972)*, provides that, "Each of the following individuals shall file a statement of economic interest with the commission in accordance with the provisions of this chapter: a) Persons elected by popular vote..."

Section 25-4-29(1), Mississippi Code Annotated (1972), provides that, "Required statements hereunder shall be filed as follows: a) Every incumbent public official required...to file a statement of economic interest shall file such statement with the commission on or before May 1 of each year that such official holds office, regardless of duration."

Section 25-4-29(2), Mississippi Code Annotated (1972), provides that, "Any person who fails to file a statement of economic interest within thirty (30) days of the date of the statement is due shall be deemed delinquent by the commission...a fine of Fifty Dollars (\$50.00) per day, not to exceed a total fine of One Thousand Dollars (\$1,000.00) shall be assessed against the delinquent filer for each day thereafter in which the statement of economic interest is not properly filed. The commission shall enroll such assessment as a civil judgment with the circuit clerk in the delinquent filer's county of residence."

Finding Detail: As a result of procedures performed, we noted that the following public officials failed to file a Statement of Economic Interest by May 1st, as required by state law:

- Constable, North Half
- Constable, South Half
- Justice Court Judge, North Half
- Supervisor, District Four

Failure to file the Statement of Economic Interest, as required by state law, results in non-compliance with *Section 25-4-25* and could result in fines and a civil judgment being enrolled against the delinquent filer, as allowed by *Section 25-4-29(2)*.

Recommendation: We recommend the Public Officials should file a Statement of Economic Interest annually, no later than May 1st of each year, that such official hold's office, regardless of duration.

Official Responses:

Constable, North Half: I will fill this out every year.

Constable, South Half: I will fill this out every year.

Justice Court Judge, North Half: I will fill this out every year.

Supervisor, District Four: I will fill this out every year.

Repeat Finding: No.

Election Commissioners.

Finding 4: Public Officials Should Ensure Compliance with State Law over Completing Claim Forms.

Applicable State Law: *Section 23-15-153(5), Mississippi Code Annotated (1972)*, states, "The election commissioners shall be entitled to receive a per diem in the amount of One Hundred Dollars (\$100), to be paid from the county general fund, not to exceed fourteen (14) days for every day or period of no less than five (5) hours accumulated over two (2) or more days actually employed in the performance of their duties for the necessary time spent in the revision of the county voter roll as electronically maintained by the Statewide Elections Management System and in the conduct of a runoff election following either a general or special election."

Section 23-15-153(10), Mississippi. Code Annotated (1972), states, "Every election commissioner shall sign personally a certification setting forth the number of hours actually worked in the performance of the commissioner's official duties and for which the commissioner seeks compensation. The certification must be on the form as prescribed in this subsection. The commissioner's official's signature is, as a matter of law, made under the commissioner's oath of office and under penalties of perjury... When properly completed and signed, the certification must be filed with the clerk of the county board of supervisors before any payment may be made. The certification will be a public record available for inspection and reproduction immediately upon oral or written request of any person."

Finding Detail: As a result of procedures performed, we noted the following exceptions with the Election Commissioners' claim forms:

- The claim forms prior to August 2019 were missing information such as statute references, hours worked, beginning/ending time, signatures, and attestation date.

Failure to properly prepare and submit claim forms could result in loss, misappropriation, fraud, waste, and abuse of public funds.

Recommendation: We recommend the Election Commissioners complete the forms, prescribed in the statute listed above, accurately. The Election Commissioners should remit the overpayments back to the County.

Official Response: We were notified of these issues during the 2018 compliance audit and have taken steps to make sure these forms are completed correctly. These corrections were implemented in August 2019.

Repeat Finding: No.

Finding 5: Public Officials Should Ensure Compliance with State Law over Completing/Submitting PERS Form 4Bs.

Applicable State Law: *Section 25-11-127(4)(b), Mississippi Code Annotated (1972)*, provides that, “Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.”

Section 105, PERS Regulation 34, provides that, “A service retiree reemployed under *Section 103* may make one election per fiscal year to either (1) limit the number of days/hours worked for all covered employers to that allowed under *Section 103.1.a.* or (2) limit the amount of compensation that will be earned from all covered employers as provided under *Section 103.1.b.* of this regulation.”

The Instructions on the PERS Form 4B provides that, “A Form 4B, Reemployment of PERS Service Retiree Certification/Acknowledgement, should be submitted each fiscal year (July 1 – June 30) of reemployment.”

Finding Detail: As a result of procedures performed, we noted that the Payroll Clerk failed to complete/submit the required forms to PERS within five (5) days of reemployment for the two (2) PERS retirees employed during fiscal year 2019. Failure to properly file Form 4Bs could jeopardize the provisions for reemployment.

Recommendation: We recommend the Payroll Clerk file the PERS Form 4Bs each fiscal year of the reemployment of PERS retirees.

Official Response: We are aware of this rule now. I will comply.

Repeat Finding: Yes.

Finding 6: Public Officials Should Strengthen Internal Controls over Collections and Disbursements Through Adequate Segregation of Duties.

Control Deficiency: An effective system of internal controls should include adequate segregation of duties. *Standards for Internal Control in the Federal Government (the Green Book), Principle 10.13*, states, “Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties.” *Principle 10.14* states, “If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.”

Finding Detail: As a result of procedures performed, we noted that the cash collection and disbursement functions are not adequately separated for effective internal controls. The Deputy Tax Collector makes deposits, takes the deposits to the bank, calculates the monthly settlements, posts to the cash journal, reconciles the bank statements, and disburses all funds.

Failure to implement adequate segregation of duties could result in fraud, waste, abuse, or loss of public funds.

Recommendation: We recommend the Tax Assessor/Collector implement internal controls to ensure adequate segregation of duties regarding the collection and disbursement functions in the Tax Collector’s office.

Official Response: I will have an additional deputy to start and help me with the daily deposits.

Repeat Finding: Yes.

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

A handwritten signature in black ink that reads "J & Vance + Company". The script is cursive and fluid, with the ampersand and plus sign clearly visible.

Tupelo, Mississippi
January 31, 2023

SCHEDULE OF FINDINGS AND RESPONSES

**TIPPAH COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
County-wide Road Maintenance Fund	Unmodified
Aluma Form Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal control over financial reporting:

a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified?	Yes

3. Noncompliance material to the financial statements? No

Section 2: Financial Statement Findings

Chancery Clerk

Material Weakness

2019-001 Lack of proper segregation of duties over general accounting functions.

Repeat Finding: Yes 2018-001

Criteria

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

Condition

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

Cause

Due to an improperly designed internal control structure, the County Bookkeeper maintains the general ledger, collects cash, writes and signs checks, handles certificates of deposit transactions, and prepares bank reconciliations.

Effect

Lack of segregation of duties could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation

The Chancery Clerk should implement an effective system of internal control over general accounting functions that provides a proper segregation of duties for cash disbursement, collection, deposit preparation, general journal, recording, and reconciling functions

Response

The Chancery Clerk will implement effective internal control policies as feasible. Due to limited financial resources, the County is not able to hire additional personnel to achieve the desirable segregation of duties.

Material Weakness

2019-002 Lack of proper segregation of duties over the payroll function.

Repeat Finding: Yes 2018-002

Criteria

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

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.

Cause

Due to an improperly designed internal control structure, the payroll clerk prepares the payroll, stamps the Chancery Clerk's signature, and reconciles the payroll bank statement.

Effect

Lack of segregation of duties could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation

The Chancery Clerk should implement an effective system of internal controls over the payroll function that will ensure proper segregation of duties exists with respect to control of the general ledger, the processing of payroll, and other payroll duties.

Response

The Chancery Clerk will implement effective internal control policies as feasible. Due to limited financial resources, the County is not able to hire additional personnel to achieve the desirable segregation of duties.

Sheriff

Material Weakness

2019-003 Lack of proper segregation of duties in the Sheriff's office.

Repeat Finding: Yes 2018-003

Criteria

An effective system of internal control should include adequate segregation of duties in the Sheriff's office.

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.

Cause

Due to an improperly designed internal control structure, 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

Lack of segregation of duties could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation

The Sheriff should implement effective internal control policies to ensure a proper segregation of duties in the cash collection, disbursement, recording, and reconciling functions.

Response

The Sheriff will implement effective internal controls as feasible with the available resources. However, he does provide frequent and independent reviews of the processing and recording of the financial data of the Sheriff's office.

Inventory Control Clerk

Material Weakness

2019-004 Finding – The County should implement controls to ensure that infrastructure improvements are capitalized.

Repeat Finding – No

Criteria

An effective system of internal controls should include adequate subsidiary records documenting amounts to be capitalized for state aid road and bridge projects.

Condition

The County failed to account for construction-in-process on state-aid and emergency road and bridge infrastructure projects. As a result, audit adjustments were necessary to correct the balance of the County's capital asset records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval.

Cause

The lack of adequate controls over state aid road and bridge projects in the inventory control system.

Effect

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

Recommendation

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

Response

The Inventory Control Department has developed a plan to make sure that all infrastructure improvements are capitalized as required and has set the plan in motion. We have made corrections to our historical records and will continue to improve our recordkeeping for construction-in-progress moving forward.

Board of Supervisors

Significant Deficiency

2019-005 – The County should establish and test a disaster recovery process.

Repeat Finding – No

As a result of audit procedures, it was noted the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobIT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

The County is currently using an automated system to perform daily back-ups of the IBM server, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and

its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Response

We will work with our software providers for a solution to this.

Significant Deficiency

2019-006 – The County should implement a formal information security policy.

Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity/Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Response

We will work with our computer service providers for a solution to this.