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TIPPAH COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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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, 2020, 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 represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit column. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Tippah County, Mississippi, as of September 30, 2020, 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 Management's Discussion and Analysis, 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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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.
September 21, 2023

FINANCIAL STATEMENTS

Tippah County
Statement of Net Position
September 30, 2020

Exhibit 1

	Primary Government Governmental	Component Units		
	Activities	Tippah County Health Services	Tippah County Development Foundation	Total Component Units
ASSETS				
Cash	\$ 6,436,613	6,956,117	15,211,332	22,167,449
Interest receivable			49	49
Property tax receivable	5,924,630			0
Accounts receivable			19,325	19,325
Patient accounts receivable (net of allowance for uncollectibles of \$3,603,705)		1,933,733		1,933,733
Fines receivable (net of allowance for uncollectibles of \$841,529)	514,634			0
Capital leases receivable	5,426,535			0
Intergovernmental receivables	950,915			0
Estimated third party payor settlements		1,191,137		1,191,137
Inventories and prepaid items		395,180		395,180
Other receivables	298,384	328,889		328,889
Other assets		325,359	500	325,859
Restricted assets - cash		33,658		33,658
Leverage loan receivable		17,625,100		17,625,100
Capital assets:				
Land and construction in progress	3,810,218	151,261	8,940,980	9,092,241
Other capital assets, net	24,503,268	3,572,018	280,138	3,852,156
Total Assets	47,865,197	32,512,452	24,452,324	56,964,776
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	821,727	2,115,562		2,115,562
Total Deferred Outflows of Resources	821,727	2,115,562	0	2,115,562
LIABILITIES				
Claims payable	406,063	1,030,438	7,685	1,038,123
Accrued expenses	442,924	790,576	2,465	793,041
Patient accounts receivable - credit balances		197,808		197,808
Intergovernmental payables	459,206			0
Accrued interest payable	190,829		152	152
Unearned revenue	221,363			0
Accelerated payments		1,813,188		1,813,188
Amounts held in custody for others	38,336			0
Long-term liabilities				
Due within one year:				
Capital debt	853,648	76,045	16,954	92,999
Non-capital debt	150,000			0
Due in more than one year:				
Capital debt	13,883,900	6,870,567	24,983,636	31,854,203
Less: debt issuance costs			(1,129,833)	(1,129,833)
Non-capital debt	300,000			0
Net pension liability	9,747,175	16,999,576		16,999,576
Total Liabilities	26,693,444	27,778,198	23,881,059	51,659,257
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	0	595,447		595,447
Property tax for future reporting period	5,924,630			0
Unavailable revenue - interest on capital leases	1,815,699			0
Total Deferred Inflows of Resources	7,740,329	595,447	0	595,447
NET POSITION				
Net investment in capital assets	13,575,938	3,565,581		3,565,581
Restricted:				
Expendable:				
Public safety	1,248,659			0
Public works	1,620,392			0
Health and welfare	13,875			0
Economic development and assistance	522,158			0
Debt service	638,620			0
Unrestricted	(3,366,491)	2,688,788	571,265	3,260,053
Total Net Position	\$ 14,253,151	6,254,369	571,265	6,825,634

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

Tippah County
Statement of Activities
For the Year Ended September 30, 2020

Exhibit 2

For the Year Ended September 30, 2020			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	\$ 3,067,536	378,969	11,239		(2,677,328)	
Public safety	2,094,415	308,256	592,939		(1,193,220)	
Public works	3,497,446	160,360	926,039	2,177,575	(233,472)	
Health and welfare	1,148,614		77,212		(1,071,402)	
Tippah County Health Services donation	9,800,000				(9,800,000)	
Culture and recreation	151,997	3,778			(148,219)	
Conservation of natural resources	72,795		18,630		(54,165)	
Economic development and assistance	818,557		581,883		(236,674)	
Interest on long-term debt	311,313				(311,313)	
Pension expense	1,032,357				(1,032,357)	
Total Governmental Activities	<u>21,995,030</u>	<u>851,363</u>	<u>2,207,942</u>	<u>2,177,575</u>	<u>(16,758,150)</u>	
Component units:						
Tippah County Health Services	17,401,580	15,004,879	4,499,174	12,640,465		14,742,938
Tippah County Development Foundation	180,931	35,616	1,800			(143,515)
Total Component Units	<u>\$ 17,582,511</u>	<u>15,040,495</u>	<u>4,500,974</u>	<u>12,640,465</u>		<u>14,599,423</u>
General revenues:						
Property taxes				\$	7,276,062	110,099
Road & bridge privilege taxes					269,965	
Grants and contributions not restricted to specific programs					697,748	
Lease revenue						46,043
Gain on disposal of assets						14,860
Unrestricted interest income					323,515	105,911
Miscellaneous					123,067	1,382
Total General Revenues					<u>8,690,357</u>	<u>278,295</u>
Changes in Net Position					<u>(8,067,793)</u>	<u>14,877,718</u>
Net Position - Beginning					<u>22,320,944</u>	<u>(8,052,084)</u>
Net Position - Ending				\$	14,253,151	6,825,634

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

Tippah County
Balance Sheet - Governmental Funds
September 30, 2020

Exhibit 3

	Major Funds					
	General Fund	County-Wide Road Maint. Fund	Aluma Form Fund	Hospital Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 2,800,134	756,731	379,043	11,425	2,489,280	6,436,613
Property tax receivable	3,541,099	983,426		135,574	1,264,531	5,924,630
Fines receivable (net of allowance for uncollectibles of \$841,529)	514,634					514,634
Capital lease receivable			5,426,535			5,426,535
Intergovernmental receivables	117,885	77,573		90	736,315	931,863
Other receivables	25,223				35,347	60,570
Due from other funds	237,814	72,900		7,261	46,903	364,878
Advance to other funds		322,250				322,250
Total Assets	\$ 7,236,789	2,212,880	5,805,578	154,350	4,572,376	19,981,973
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 87,320	193,596		9,605	115,542	406,063
Accrued payroll	307,308	73,244			62,372	442,924
Intergovernmental payables	434,533					434,533
Unearned revenue					221,363	221,363
Due to other funds	151,737					151,737
Advances from other funds	200,000				122,250	322,250
Amounts held in custody for others	38,336					38,336
Total Liabilities	1,219,234	266,840	0	9,605	521,527	2,017,206
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	3,541,099	983,426		135,574	1,264,531	5,924,630
Unavailable revenue - fines	514,634					514,634
Unavailable revenue - principal and interest on capital leases			5,426,535			5,426,535
Total Deferred Inflows of Resources	4,055,733	983,426	5,426,535	135,574	1,264,531	11,865,799
Fund Balances:						
Restricted to:						
Public safety					1,248,659	1,248,659
Public works		962,614			657,778	1,620,392
Health and welfare				9,171	4,704	13,875
Economic development and assistance					522,158	522,158
Debt service			379,043		450,406	829,449
Unassigned	1,961,822				(97,387)	1,864,435
Total Fund Balances	1,961,822	962,614	379,043	9,171	2,786,318	6,098,968
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,236,789	2,212,880	5,805,578	154,350	4,572,376	19,981,973

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, 2020

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,098,968
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 \$33,943,635.	28,313,486
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Intergovernmental receivables	19,052
Fines receivable	514,634
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,187,548)
Net Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,747,175)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(190,829)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,610,836
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	<u>821,727</u>
Total Net Position - Governmental Activities	\$ <u>14,253,151</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, 2020

Exhibit 4

	<u>Major Funds</u>					
	<u>General Fund</u>	<u>County-Wide Road Maint. Fund</u>	<u>Aluma Form Fund</u>	<u>Hospital Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 4,977,775	1,138,703		167,810	991,774	7,276,062
Road and bridge privilege taxes		269,965				269,965
Licenses, commissions and other revenue	227,776					227,776
Fines and forfeitures	87,250				32,648	119,898
Intergovernmental revenues	684,198	930,485		921	3,448,609	5,064,213
Charges for services	107,367				374,394	481,761
Interest income	87,174	4,599	221,587		10,155	323,515
Miscellaneous revenues	81,347	7,753			13,190	102,290
Total Revenues	<u>6,252,887</u>	<u>2,351,505</u>	<u>221,587</u>	<u>168,731</u>	<u>4,870,770</u>	<u>13,865,480</u>
EXPENDITURES						
Current:						
General government	3,277,864					3,277,864
Public safety	1,470,795				617,250	2,088,045
Public works	130,848	2,527,545			2,764,951	5,423,344
Health and welfare	197,135			10,421,048	64,789	10,682,972
Culture and recreation	151,997					151,997
Conservation of natural resources	102,422					102,422
Economic development and assistance	18,050				800,507	818,557
Debt service:						
Principal	116,304	155,104	178,541	53,000	258,312	761,261
Interest	6,259	5,471	111,173	6,625	27,284	156,812
Total Expenditures	<u>5,471,674</u>	<u>2,688,120</u>	<u>289,714</u>	<u>10,480,673</u>	<u>4,533,093</u>	<u>23,463,274</u>
Excess of Revenues over (under) Expenditures	<u>781,213</u>	<u>(336,615)</u>	<u>(68,127)</u>	<u>(10,311,942)</u>	<u>337,677</u>	<u>(9,597,794)</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	148,844	165,903			27,634	342,381
Long-term non-capital debt issued				9,500,000		9,500,000
Premium on bonds sold				306,209		306,209
Proceeds from sale of capital assets		26,251				26,251
Transfers in		258,083		496,000	207,261	961,344
Transfers out	(961,344)					(961,344)
Lease principal payments			150,518			150,518
Total Other Financing Sources and Uses	<u>(812,500)</u>	<u>450,237</u>	<u>150,518</u>	<u>10,302,209</u>	<u>234,895</u>	<u>10,325,359</u>
Net Changes in Fund Balances	<u>(31,287)</u>	<u>113,622</u>	<u>82,391</u>	<u>(9,733)</u>	<u>572,572</u>	<u>727,565</u>
Fund Balances - Beginning	<u>1,993,109</u>	<u>848,992</u>	<u>296,652</u>	<u>18,904</u>	<u>2,213,746</u>	<u>5,371,403</u>
Fund Balances - Ending	<u>\$ 1,961,822</u>	<u>962,614</u>	<u>379,043</u>	<u>9,171</u>	<u>2,786,318</u>	<u>6,098,968</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, 2020

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 727,565
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,537,301 exceeded depreciation of \$918,315 in the current period.	1,618,986
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 \$287,619 and proceeds from sale of \$26,251.	(313,870)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Fines receivable	21,928
Intergovernmental receivables	19,052
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	(9,842,381)
Bond premium	(306,209)
Debt repayments	761,261
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	(154,501)
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.	
	(150,518)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,032,357)
Recording of contributions made to defined benefit pension plan	583,251
Change in Net Position of Governmental Activities	\$ <u>(8,067,793)</u>

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

Tippah County
Statement of Fiduciary Assets and Liabilities
September 30, 2020

Exhibit 5

	Agency Funds
	<u> </u>
ASSETS	
Cash	\$ 256,117
Due from other funds	<u>24,673</u>
Total Assets	<u><u>\$ 280,790</u></u>
 LIABILITIES	
Amounts held in custody for others	\$ 40,527
Intergovernmental payables	2,449
Due to other funds	<u>237,814</u>
Total Liabilities	<u><u>\$ 280,790</u></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, 2020**

(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 \$167,810 to provide financial support for Tippah County Health Services. Tippah County also provided proceeds primarily from the issuance of bonds in the amount of \$9,800,000 to provide support for the construction of a new hospital. 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 \$103,985 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, 2020**

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

Fund Financial Statements

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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 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, 2020**

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 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.

Hospital Maintenance Fund – This fund is used to account for monies that are restricted for support and maintenance of Tippah County Health Services.

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.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

G. Receivables

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

H. Interfund Transactions and Balances

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

I. 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 governmental column of 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. 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, 2020

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, 2020**

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, 2020**

N. Equity Classifications (Continued)

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted 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. 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, 2020, Tippah County recognized no liability.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

R. Changes in Accounting Standards.

The Governmental Accounting Standards Board issued GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, Leases, and Implementation Guide No. 2019-3, Leases, were postponed eighteen months.

(2) Deposits

Primary Government

Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2020, was \$6,692,730 (including deposits of \$256,117 in fiduciary accounts), and the bank balance was \$6,801,123. 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.

(3) Leverage Loan Receivable

Component Unit – Tippah County Health Services

In March 2020, Tippah County Health Services secured funding for the leverage loan necessary to comply with the New Markets Tax Credit program which the facility has entered into to build a new facility. The funding for the leverage loan was received as follows:

Donation from Tippah County	\$ 9,800,000
Donation from Ripley, Mississippi	\$ 250,000
Donation from 3RIV State Fund B, LLC	\$ 1,372,962
Proceeds from CIP Buy-Out (see below)	\$ 1,445,799
Note Payable with Hope Federal Credit Union	\$ 2,500,000
Note Payable with The People's Bank	\$ 2,500,000

As part of the New Markets Tax Credit program, Tippah County Foundation Hospital, LLC purchased the Construction in Progress relating to the building of the new facility from Tippah County Health Services. Tippah County Health Services leverage loan receivable balance was \$17,625,100 as of September 30, 2020 and \$0 as of September 30, 2019.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2020:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 237,814
Countywide Road Maintenance	General Fund	72,900
Hospital Maintenance Fund	General Fund	7,261
Other Governmental Funds	General Fund	46,903
Agency Funds	General Fund	24,673
Total		<u>\$ 389,551</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2020. 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
Countywide Road Maintenance	General Fund	\$ 258,083
Hospital Maintenance Fund	General Fund	496,000
Other Governmental Funds	General Fund	207,261
Total		<u>\$ 961,344</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, 2020

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2020 consisted of the following:

Description	Amount
Governmental Funds:	
<i>General Fund:</i>	
MDHS welfare/food stamp reimbursement	\$ 6,233
Motor vehicle licenses	6,997
Legislative tag credit	91,510
Coronavirus Relief Fund	12,836
Other	309
	<u>117,885</u>
<i>County-Wide Road Maintenance Fund:</i>	
Motor vehicle fuel tax	41,639
Motor vehicle licenses	35,712
Overweight fines	222
	<u>77,573</u>
<i>Hospital Maintenance Fund:</i>	
Motor vehicle licenses	90
<i>Other Governmental Funds:</i>	
Community Development Block Grant	360,788
Small Municipalities Grant	43,079
Coronavirus Relief Fund	331,702
Motor vehicle licenses	746
	<u>736,315</u>
Total Governmental Funds	<u>931,863</u>
Emergency management performance grant	14,566
Harvest permits	1,391
Overweight fines	3,095
Total Long-Term Receivables	<u>19,052</u>
Total Governmental Funds / Governmental Activities	<u><u>\$ 950,915</u></u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(6) Capital Assets

Primary Government

The following is a summary of capital assets activity for the year ended September 30, 2020:

Governmental Activities:	Balance Oct. 1, 2019	Additions	Deletions	Adjustments	Balance Sept. 30, 2020
<u>Non-depreciable capital assets</u>					
Land	\$ 1,583,252		(265,643)		\$ 1,317,609
Construction in progress	315,035	2,177,574			2,492,609
Total non-depreciable capital assets	<u>1,898,287</u>	<u>2,177,574</u>	<u>(265,643)</u>	<u>-0-</u>	<u>3,810,218</u>
<u>Depreciable capital assets</u>					
Buildings	5,652,423				5,652,423
Improvements other than buildings	39,800				39,800
Mobile equipment	4,489,943	7,500	(96,049)	157,817	4,559,211
Furniture and equipment	611,703	38,972	(95,624)		555,051
Leased property under capital lease	1,584,219	292,478		(157,817)	1,718,880
Infrastructure - roads	31,607,668	20,777			31,628,445
Infrastructure - bridges	14,293,093				14,293,093
Total depreciable assets	<u>58,278,849</u>	<u>359,727</u>	<u>(191,673)</u>	<u>-0-</u>	<u>58,446,903</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,233,603	103,831			2,337,434
Improvements other than buildings	22,288	1,592			23,880
Mobile equipment	3,848,473	79,267	(86,444)	85,717	3,927,013
Furniture and equipment	390,277	46,523	(57,002)		379,798
Leased property under capital lease	791,548	310,963		(85,717)	1,016,794
Infrastructure - roads	21,182,188	284,188			21,466,376
Infrastructure - bridges	4,700,389	91,951			4,792,340
Total accumulated depreciation	<u>33,168,766</u>	<u>918,315</u>	<u>(143,446)</u>	<u>-0-</u>	<u>33,943,635</u>
Total depreciable capital assets, net	<u>25,110,083</u>	<u>(558,588)</u>	<u>(48,227)</u>	<u>-0-</u>	<u>24,503,268</u>
Governmental activities capital assets, net	<u>\$ 27,008,370</u>	<u>1,618,986</u>	<u>(313,870)</u>	<u>-0-</u>	<u>\$ 28,313,486</u>

Adjustments were made to reclassify assets no longer under capital lease obligation.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 176,828
Public safety	157,410
Public works	<u>584,077</u>
Total Governmental Activities	<u>\$ 918,315</u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(6) Capital Assets (Continued)

Commitments with respect to unfinished capital projects at September 30, 2020, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP 70 26 - CR 543 Bridge	\$ 5,838	December 2020
STP 2914 3 B - CR 102 Bridge	48,214	February 2021
STP 0970 6 B - CR 200 Bridge	9,352	December 2020
LSBP 70 27 - CR 632 Bridge	414,265	April 2023
LSBP 70 28 - CR 730 Bridge	1,058,932	February 2024
Total Governmental Activities	<u>\$ 1,536,601</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, 2020.

Business-type Activities:	Balance Oct. 1, 2019	Additions	Retirements and Other	Balance Sept. 30, 2020
<u>Non-depreciable capital assets</u>				
Land	\$ 116,132			\$ 116,132
Construction in progress	505,780	1,007,648	(1,478,299)	35,129
Total non-depreciable capital assets	<u>621,912</u>	<u>1,007,648</u>	<u>(1,478,299)</u>	<u>151,261</u>
<u>Depreciable capital assets</u>				
Land improvements	173,296			173,296
Buildings	7,349,684	480,638		7,830,322
Mobile equipment	7,584,686	332,155	(105,533)	7,811,308
Furniture and equipment	3,010,337			3,010,337
Leased property under capital lease	849,072			849,072
Total depreciable assets	<u>18,967,075</u>	<u>812,793</u>	<u>(105,533)</u>	<u>19,674,335</u>
<u>Less accumulated depreciation for:</u>				
Land improvements	173,124	172		173,296
Buildings	5,505,866	142,145		5,648,011
Mobile equipment	7,276,926	164,476	(104,634)	7,336,768
Furniture and equipment	2,441,485	121,363		2,562,848
Leased property under capital lease	226,171	155,223		381,394
Total accumulated depreciation	<u>15,623,572</u>	<u>583,379</u>	<u>(104,634)</u>	<u>16,102,317</u>
Total depreciable capital assets, net	<u>3,343,503</u>	<u>229,414</u>	<u>(899)</u>	<u>3,572,018</u>
Business-type activities capital assets, net	<u>\$ 3,965,415</u>	<u>1,237,062</u>	<u>(1,479,198)</u>	<u>\$ 3,723,279</u>

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(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, 2020.

	Balance Oct. 1, 2019	Additions	Deletions	Balance Sept. 30, 2020
<u>Non-depreciable property and equipment</u>				
Land	\$ 265,690		(4,000)	\$ 261,690
Construction in progress		8,679,290		8,679,290
Total non-depreciable property and equipment	265,690	8,679,290	(4,000)	8,940,980
<u>Depreciable property and equipment</u>				
Buildings	367,096			367,096
Furniture and equipment	13,783			13,783
Total depreciable assets	380,879	-0-	-0-	380,879
Less accumulated depreciation	(88,902)	(11,839)		(100,741)
Total depreciable property and equipment, net	291,977	(11,839)	-0-	280,138
Property and equipment, net	\$ 557,667	8,667,451	(4,000)	\$ 9,221,118

(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, 2020, to January 1, 2021. 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 lease agreement contained an automatic renewal clause for an additional ten year period beginning July 1, 2020 and ending July 1, 2030. The rental payments shall increase by \$100 per month per year beginning on July 1, 2013 and on the first day of July for each year thereafter.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(8) Operating Leases (Continued)

Total costs for the lease were \$81,700 for the year ended September 30, 2020. The future minimum lease payments for the lease are as follows:

Year Ending September 30,	Amount
2021	\$ 82,900
2022	84,100
2023	85,300
2024	86,500
2025	87,700
2026-2030	432,850
Total	\$ 859,350

(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, 2020:

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

The future net minimum lease receivables as of September 30, 2020, are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 159,802	212,303
2022	169,658	202,447
2023	180,123	191,983
2024	191,232	180,873
2025	203,027	169,078
2026-2030	1,219,148	641,378
2031-2035	1,487,846	217,637
Total	\$ 3,610,836	1,815,699

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(9) Capital Leases (Continued)

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2020:

<u>Classes of Property</u>	<u>Amount</u>
Mobile equipment	\$ 1,643,448
Furniture and equipment	<u>75,432</u>
Total	1,718,880
Less: Accumulated depreciation	<u>(1,016,794)</u>
Leased Property Under Capital Leases	<u><u>\$ 702,086</u></u>

The following is a schedule by years of the total payments due as of September 30, 2020:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 314,881	13,765
2022	159,544	10,785
2023	132,417	7,103
2024	108,497	3,964
2025	<u>52,969</u>	<u>1,325</u>
Total	<u><u>\$ 768,308</u></u>	<u><u>36,942</u></u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(10) Long-term Debt

Primary Government

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
Governmental Activities:			
A. Special Obligation Bonds			
Special Obligation Bonds, Series 2020	\$ 9,500,000	3.00-4.00%	5/15/2040
B. Capital Leases:			
3 Ford F-150 Trucks	19,736	2.00%	12/1/2020
Dodge Truck	10,488	2.00%	12/1/2021
Ford Explorer	6,800	2.00%	12/1/2021
3 Sheds	5,117	2.00%	12/1/2020
AS400 Server	17,856	2.00%	12/1/2021
2 F-150 Trucks	36,000	2.00%	12/1/2022
5 Sheriff Vehicles	28,464	1.99%	12/1/2020
Dodge Truck	20,960	2.50%	12/1/2023
2 Sheriff Vehicles	43,485	2.50%	12/1/2023
Jail Fingerprint Machine	2,213	2.00%	12/1/2020
Jail Control Panel	8,461	2.00%	12/1/2021
DHS Property	15,600	2.50%	12/1/2022
Ford F-150 Truck	39,344	2.50%	12/1/2024
Ford F-150 Truck	33,800	2.50%	12/1/2024
Ford F-150 Truck	37,850	2.50%	12/1/2024
Ford F-150 Truck	37,850	2.50%	12/1/2024
Rosenbauer Fire Truck	23,600	2.00%	9/15/2021
Caterpillar Excavator	39,922	2.00%	8/1/2024
2 Dump Trucks	116,000	2.50%	12/1/2024
Excavator	11,564	2.00%	12/1/2020
2 F-750 Dump Trucks	31,699	2.00%	12/1/2020
Backhoe	17,578	2.00%	12/1/2020
Freightliner Dump Truck	15,470	2.00%	12/1/2020
F-250 Truck	20,160	2.00%	12/1/2022
Road Dept Truck	19,200	2.50%	12/1/2023
Garbage Truck	10,545	2.00%	12/1/2021
Garbage Truck	76,439	2.50%	12/1/2023
Garbage Truck	22,107	2.00%	8/1/2024
Total Capital Leases	<u>\$ 768,308</u>		
C. Other Loans:			
Aluma Form Capital Improvements Note	\$ 3,479,944	3.00%	8/1/2035
Countywide 5-year Note	450,000	2.50%	12/1/2022
Real Property Note	212,000	2.50%	8/1/2024
Industrial Park Note	471,087	2.00%	4/1/2034
Total Other Loans	<u>\$ 4,613,031</u>		

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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,	Special Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2021	\$ 255,000	369,312	418,457	129,721
2022	350,000	301,650	427,852	115,250
2023	365,000	287,650	433,149	104,879
2024	380,000	273,050	289,829	93,123
2025	390,000	261,650	243,707	84,921
2026-2030	2,185,000	1,081,550	1,329,004	314,134
2031-2035	2,580,000	686,250	1,471,033	109,049
2036-2040	2,995,000	274,800	-0-	-0-
Total	\$ 9,500,000	3,535,912	4,613,031	951,077

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, 2020, the amount of outstanding debt was equal to 6.92% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sep. 30, 2020	Amount due within one year
Special obligation bonds	\$	9,500,000		9,500,000	255,000
Unamortized premium		306,209		306,209	15,310
Capital leases	776,734	342,381	350,807	768,308	314,881
Other loans	5,023,485		410,454	4,613,031	418,457
Totals	\$ 5,800,219	10,148,590	761,261	15,187,548	1,003,648

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(10) Long-term Debt (Continued)

Component Unit – Tippah County Health Services

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Interest Rates	Amount Outstanding	Maturity Date
Business-type Activities:			
A. Other Loans:			
Note payable to People's Bank	3.25%-5.00%	\$ 2,500,000	3/30/2040
Note payable to Hope Federal Credit Union	6.00%	2,500,000	3/30/2027
Payroll protection program loan	1.00%	1,788,914	5/8/2022
Total Other Loans		<u>\$ 6,788,914</u>	
B. Capital Leases:			
Equipment	Various	\$ 157,698	Various
Total Capital Leases		<u>\$ 157,698</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
2021	\$ 32,905	230,675	43,140	7,152
2022	1,901,797	251,895	38,798	4,310
2023	149,622	262,283	40,559	2,549
2024	157,965	253,826	35,201	721
2025	166,777	244,893	-0-	-0-
Thereafter	4,379,848	1,201,133	-0-	-0-
Total	<u>\$ 6,788,914</u>	<u>2,444,705</u>	<u>157,698</u>	<u>14,732</u>

A schedule of changes in long-term debt for the year ended September 30, 2020, follows:

	Balance Oct. 1, 2019	Additions	Reductions	Balance Sep. 30, 2020	Amount due within one year
Business-type Activities:					
Notes payable	\$ 274,851	6,788,914	274,851	6,788,914	32,905
Capital leases	475,525		317,827	157,698	43,140
Totals	<u>\$ 750,376</u>	<u>6,788,914</u>	<u>592,678</u>	<u>6,946,612</u>	<u>76,045</u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(10) Long-term Debt (Continued)

Component Unit – Tippah County Development Foundation

Debt outstanding as of September 30, 2020, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rates	Maturity Date
A. Notes payable:			
Commercial Building - DHS	\$ 87,820	2.00%	11/1/2024
Commercial Land	7,770	5.20%	8/24/2027
Commercial Loan - Construction of Hospital	7,002,000	1.25%	3/31/2055
Commercial Loan - Construction of Hospital	2,698,000	1.25%	3/31/2055
Commercial Loan - Construction of Hospital	5,521,600	1.25%	3/31/2055
Commercial Loan - Construction of Hospital	2,238,400	1.25%	3/31/2055
Commercial Loan - Construction of Hospital	3,400,320	1.32%	3/31/2055
Commercial Loan - Construction of Hospital	1,703,900	1.32%	3/31/2055
Commercial Loan - Construction of Hospital	340,780	1.32%	4/1/2027
Commercial Loan - Construction of Hospital	1,360,400	1.32%	3/31/2055
Commercial Loan - Construction of Hospital	639,600	1.32%	3/31/2055
Total notes payable	25,000,590		
Current portion of notes payable	(16,954)		
Notes payable, net of current portion	\$ 24,983,636		

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

Year Ending September 30,	Amount
2021	\$ 16,954
2022	18,351
2023	18,757
2024	19,172
2025	18,010
Thereafter	24,909,346
Total	\$ 25,000,590

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(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, 2020, 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, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019, and 2018 were \$583,251, \$528,557, and \$482,514, respectively, equal to the required contributions for each year.

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(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, 2020, the County reported a liability of \$9,747,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.050350 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.000738 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the County recognized pension expense of \$1,032,357. At September 30, 2020, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 84,607
Net difference between projected and actual earnings on pension plan investments	400,376
Changes of assumptions	54,526
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	138,316
County contributions subsequent to the measurement date	143,902
Total	\$ 821,727

\$143,902 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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Amount
2021	\$ 104,603
2022	232,124
2023	212,084
2024	129,014
	<u>\$ 677,825</u>

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(11) Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2020 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 used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	100.00 %	

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, 2020**

(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	\$ 12,616,520	9,747,175	7,378,812

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, 2020

(11) Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2020, 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, 2020 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, 2020, 2019, and 2018, were \$1,041,841, \$859,397, and 903,431, 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, 2020, the hospital reported a liability of \$16,999,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020 net pension liability was 0.087813 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.005841 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the hospital recognized pension expense of \$1,896,859. At September 30, 2020 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	\$ 147,641	
Net difference between projected and actual earnings on pension plan investments	693,466	
Changes of assumptions	88,770	
Changes in proportion and differences between the Hospital's contributions and proportionate share of contributions	936,698	595,447
Hospital contributions subsequent to the measurement date	248,987	
Total	\$ 2,115,562	595,447

\$248,987 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, 2021. 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
2021	\$ 202,777
2022	334,853
2023	508,490
2024	225,008
Total	\$ 1,271,128

TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(11) Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2020 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 used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	100.00 %	

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, 2020

(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	\$ 22,003,863	\$ 16,999,576	\$ 12,869,029

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 funds reported deficits in fund balance at September 30, 2020:

<u>Fund</u>	<u>Deficit Amount</u>
EMA Grant	\$ 97,387

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(14) Effect of Deferred Amounts on Net Position

Primary Government

The governmental activities' unrestricted net position (deficit) amount of (\$3,366,491) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$143,902 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, 2021. The remaining \$677,825 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position (deficit) amount of (\$3,366,491) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$1,815,699 balance of deferred inflows of resources at September 30, 2020, will be recognized as revenue and will increase the unrestricted net position over the next 15 years.

Discretely Presented Component Unit – Tippah County Health Services

The governmental activities' unrestricted net position amount of \$2,688,788 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 \$248,987 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, 2021. The remaining \$1,866,575 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next 4 years. The \$595,447 balance of the deferred inflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next 3 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 \$136,500.

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

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(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 2020.

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 2020.

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 \$594,649 in support of the college in fiscal year 2020.

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 2020. 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.

The County had two types of abatements. The payments in lieu of taxes is the only type of abatement that provides for the abatement of school tax levies.

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 15 companies that have tax abatements under these statutes. The gross amount of taxes abated during the fiscal year is \$640,290.

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

Free port warehouse exemptions

There are 4 companies that have tax abatements under this statute. The gross amount of taxes abated during the fiscal year is \$95,079.

**TIPPAH COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(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 September 21, 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, 2020, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
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%	109,081	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
01/13/23	3.75%	190,000	Lease Purchase	Advalorem taxes
01/18/23	3.75%	127,761	Lease Purchase	Advalorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Tippah County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,583,957	4,838,359	4,838,359	-0-
Licenses, commissions and other revenue	253,850	197,214	186,975	(10,239)
Fines and forfeitures	112,300	83,735	83,735	-0-
Intergovernmental revenues	840,700	660,470	691,664	31,194
Charges for services	81,500	109,724	109,724	-0-
Interest income	80,000	65,839	65,839	-0-
Miscellaneous revenues	57,500	98,932	84,223	(14,709)
Total Revenues	<u>6,009,807</u>	<u>6,054,273</u>	<u>6,060,519</u>	<u>6,246</u>
EXPENDITURES				
Current:				
General government	4,811,468	3,219,477	3,368,321	(148,844)
Public safety	1,553,050	1,453,034	1,453,969	(935)
Public works	247,805	128,354	128,354	-0-
Health and welfare	203,325	197,273	197,273	-0-
Culture and recreation	153,000	151,947	151,947	-0-
Conservation of natural resources	129,500	100,739	100,739	-0-
Economic development and assistance	15,000	15,000	15,000	-0-
Debt service:				
Principal	166,899	117,239	116,304	935
Interest		6,259	6,259	-0-
Total Expenditures	<u>7,280,047</u>	<u>5,389,322</u>	<u>5,538,166</u>	<u>(148,844)</u>
Excess of Revenues over (under) Expenditures	<u>(1,270,240)</u>	<u>664,951</u>	<u>522,353</u>	<u>155,090</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			148,844	148,844
Transfers out	(59)	(955,098)	(961,344)	(6,246)
Total Other Financing Sources and Uses	<u>(59)</u>	<u>(955,098)</u>	<u>(812,500)</u>	<u>142,598</u>
Net Change in Fund Balance	(1,270,299)	(290,147)	(290,147)	-0-
Fund Balances - Beginning, as originally stated	(840,219)	346,236	346,236	-0-
Amendment to Budget Actual	<u>3,106,789</u>	<u>1,920,334</u>	<u>1,920,334</u>	<u>-0-</u>
Fund Balances - Beginning, as amended	<u>2,266,570</u>	<u>2,266,570</u>	<u>2,266,570</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 996,271</u>	<u>1,976,423</u>	<u>1,976,423</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, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,067,148	1,105,353	1,105,353	-0-
Road and bridge privilege taxes	255,000	267,117	267,117	-0-
Intergovernmental revenues	773,000	930,832	930,832	-0-
Interest income		4,599	4,599	-0-
Miscellaneous revenues	6,000	6,549	7,753	1,204
Total Revenues	<u>2,101,148</u>	<u>2,314,450</u>	<u>2,315,654</u>	<u>1,204</u>
EXPENDITURES				
Current:				
Public works	2,504,857	2,268,164	2,411,619	(143,455)
Debt service:				
Principal	118,618	105,878	155,104	(49,226)
Interest	<u>5,382</u>	<u>4,794</u>	<u>5,471</u>	<u>(677)</u>
Total Expenditures	<u>2,628,857</u>	<u>2,378,836</u>	<u>2,572,194</u>	<u>(193,358)</u>
Excess of Revenues over (under) Expenditures	<u>(527,709)</u>	<u>(64,386)</u>	<u>(256,540)</u>	<u>194,562</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			165,903	(165,903)
Proceeds from sale of capital assets			26,251	(26,251)
Transfers in		258,083	258,083	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>258,083</u>	<u>450,237</u>	<u>(192,154)</u>
Net Change in Fund Balance	(527,709)	193,697	193,697	-0-
Fund Balances - Beginning, as originally stated	585,832	949,796	949,796	-0-
Amendment to Budget Actual	<u>(22,798)</u>	<u>(386,762)</u>	<u>(386,762)</u>	<u>-0-</u>
Fund Balances - Beginning, as amended	<u>563,034</u>	<u>563,034</u>	<u>563,034</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 35,325</u>	<u>756,731</u>	<u>756,731</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, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Interest income	\$ 221,587	221,587	221,587	-0-
Total Revenues	221,587	221,587	221,587	-0-
EXPENDITURES				
Debt service:				
Principal	182,500	182,320	178,541	3,779
Interest	107,500	107,394	111,173	(3,779)
Total Expenditures	290,000	289,714	289,714	-0-
Excess of Revenues over (under) Expenditures	(68,413)	(68,127)	(68,127)	-0-
OTHER FINANCING SOURCES (USES)				
Lease principal payments	150,518	150,518	150,518	-0-
Total Other Financing Sources and Uses	150,518	150,518	150,518	-0-
Net Change in Fund Balance	82,105	82,391	82,391	-0-
Fund Balances - Beginning, as originally stated	295,787	296,652	296,652	-0-
Amendment to Budget Actual	865			-0-
Fund Balances - Beginning, as amended	296,652	296,652	296,652	-0-
Fund Balances - Ending	\$ 378,757	379,043	379,043	-0-

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)
Hospital Maintenance Fund
For the Year Ended September 30, 2020
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 165,000	164,297	164,297	-0-
Intergovernmental revenues	1,000	970	970	-0-
Total Revenues	<u>166,000</u>	<u>165,267</u>	<u>165,267</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Health and welfare	110,207	605,233	10,411,442	(9,806,209)
Debt service:				
Principal	50,215	53,000	53,000	-0-
Interest	5,000	6,625	6,625	-0-
Total Expenditures	<u>165,422</u>	<u>664,858</u>	<u>10,471,067</u>	<u>(9,806,209)</u>
Excess of Revenues over (under) Expenditures	<u>578</u>	<u>(499,591)</u>	<u>(10,305,800)</u>	<u>(9,806,209)</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued			9,500,000	9,500,000
Premium on bonds sold			306,209	306,209
Transfers in		496,000	496,000	-0-
Total Other Financing Sources and Uses	<u>-0-</u>	<u>496,000</u>	<u>10,302,209</u>	<u>9,806,209</u>
Net Change in Fund Balance	578	(3,591)	(3,591)	-0-
Fund Balances - Beginning	<u>15,016</u>	<u>15,016</u>	<u>15,016</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 15,594</u>	<u>11,425</u>	<u>11,425</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, 2020

Tippah County	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.050350%	0.049612%	0.049096%	0.048528%	0.046761%	0.045675%	0.044637%
County's proportionate share of the net pension liability	\$ 9,747,175	8,727,730	8,166,123	8,067,001	8,352,682	7,064,319	5,413,623
County's covered payroll	\$ 3,352,707	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	290.73%	270.12%	260.46%	275.31%	281.48%	247.57%	198.48%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%
Tippah County Health Services	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability	0.087813%	0.081972%	0.089527%	0.084129%	0.076377%	0.070875%	0.078516%
Hospital's proportionate share of the net pension liability	\$ 16,999,576	14,420,492	14,891,000	13,985,095	13,642,839	10,955,877	9,528,463
Hospital's covered payroll	\$ 5,987,598	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	283.91%	271.00%	259.60%	256.41%	264.23%	253.53%	198.60%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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, 2020

Tippah County	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution \$	583,251	528,557	482,514	484,988	480,664	456,206	413,471
Contributions in relation to the contractually required contribution	<u>(583,251)</u>	<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>	<u>-0-</u>
County's covered payroll	3,352,025	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	17.40%	16.17%	15.75%	15.75%	15.75%	15.75%	15.75%
Tippah County Health Services	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution \$	1,041,841	859,397	903,431	859,032	813,203	680,612	755,644
Contributions in relation to the contractually required contribution	<u>(1,041,841)</u>	<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>	<u>-0-</u>
Hospital's covered payroll	5,987,598	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	17.40%	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 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, 2020
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	Hospital Maintenance Fund
Budget (Cash Basis)	\$ (290,147)	\$ 193,697	\$ 82,391	\$ (3,591)
Increase (Decrease)				
Net adjustments for:				
Revenue accruals	192,368	35,851	-0-	3,464
Expenditure accruals	66,492	(115,926)	-0-	(9,606)
GAAP Basis	\$ <u>(31,287)</u>	\$ <u>113,622</u>	\$ <u>82,391</u>	\$ <u>(9,733)</u>

TIPPAH COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
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, 2020
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, 2018 valuation for the June 30, 2020 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	30.9 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
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Passed through the Mississippi Development Authority:</i>			
Community Development Block Grants / State's Program	14.228	1134-18-070-PF-01	\$ 178,015
Total passed through the Mississippi Development Authority			178,015
Total U.S. Department of Housing and Urban Development			178,015
Department of the Treasury			
<i>Passed through the Mississippi Emergency Management Agency:</i>			
Coronavirus Relief Fund	21.019	DR-4528-MS	344,538 *
Total passed through the Mississippi Emergency Management Agency			344,538
Total Department of the Treasury			344,538
Appalachian Regional Commission			
Appalachian Area Development	23.002	MS-19534	360,788 *
Total Appalachian Regional Commission			360,788
Federal Emergency Management Agency			
<i>Passed through the Mississippi Emergency Management Agency:</i>			
Disaster Grants - Public Assistance	97.036	DR-4470-MS	126,543
Emergency Management Performance Grants	97.042	None	28,125
Total passed through the Mississippi Emergency Management Agency			154,668
Total Federal Emergency Management Agency			154,668
Total Expenditures of Federal Awards			\$ 1,038,009

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Tippah County under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tippah County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Tippah County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

Tippah County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

* Denotes major federal award program

Tippah County
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2020

Operating Expenditures, Cash Basis:

Salaries	\$	375,119
Refuse and waste fees		57,758
Expendable Commodities:		
Gasoline and petroleum		46,420
Repair parts		21,959
Supplies		2,651
Capital outlay		27,634
Debt retirement		55,799
Interest expense		1,340

Solid Waste Cash Basis Operating Expenditures		<u>588,680</u>
------------------------------------------------------	--	----------------

Full Cost Expenses:

Depreciation on equipment		44,795
Net effect of other accrued expenses		7,108

Solid Waste Full Cost Operating Expenses		<u>51,903</u>
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Solid Waste Full Cost Operating Expenses	\$	<u><u>640,583</u></u>
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OTHER INFORMATION

Tippah County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2020
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
Glen Michael	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
Melinda Crum	Chancery Clerk Deputy	Travelers	50,000
Sandra Benefield	Circuit Clerk Deputy	Travelers	50,000
Lisa Moore	Circuit Clerk Deputy	Travelers	50,000
Dottie Gadd	Circuit Clerk Deputy	Travelers	50,000
David Mathis	Constable	Travelers	50,000
Keith Bullock	Constable	Travelers	50,000
Whitney Briscoe	Inventory Control Clerk	Travelers	75,000
Larry Jackson	Road Manager	Travelers	50,000
Clarence Meeks	Justice Court Judge	Travelers	50,000
Benny Jackson	Justice Court Judge	Travelers	50,000
David Gaillard	Sheriff	Travelers	100,000
Howard Knight	Jail Administrator	Travelers	50,000
Billy Johnson	Jail Administrator	Travelers	50,000

(Continued)

Tippah County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2020
UNAUDITED

Name	Position	Company	Bond
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
Will Hall	Tax Assessor Deputy	Travelers	10,000
Jenny Wilbanks	Tax Assessor Deputy	Travelers	10,000
Angie Cobb	Tax Assessor Deputy	Travelers	10,000
Melissa Roberson	Tax Collector Deputy	Travelers	50,000
Jenny Wilbanks	Tax Collector Deputy	Travelers	50,000
Angie Cobb	Tax Collector Deputy	Travelers	50,000
Cassandra Jackson	Tax Collector Deputy	RLI	50,000
Kesha Robbins	Tax Collector Deputy	Travelers	50,000
Madlyn Kilzer	Tax Collector Deputy	Travelers	50,000

Discretely Presented Component Unit - Tippah County Health Services

Dr. Patrick Chapman	CEO	Travelers	100,000
Stephanie McAlister	CFO	Travelers	100,000
Robert Cagle	Trustee	Travelers	100,000
Roger Childs	Trustee	Travelers	100,000
Ray Crawford	Trustee	Travelers	100,000
David Hubbard	Trustee	Travelers	100,000
Lana Richardson	Trustee	Travelers	100,000
Vicki Skinner	Trustee	Travelers	100,000
Greg Ward	Trustee	Travelers	100,000

SPECIAL REPORTS

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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, 2020, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 21, 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 control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 Questioned Costs as 2020-001, 2020-002, and 2020-003, 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2020-004 to be a significant deficiency.

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 a certain matter which we have reported to the management of Tippah County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 21, 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 Questioned Costs. 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
September 21, 2023

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Tippah County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Tippah County, Mississippi's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Tippah County, Mississippi's major federal programs for the year ended September 30, 2020. Tippah County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tippah County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tippah County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tippah County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Tippah County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.


Report on Internal Control Over Compliance

Management of Tippah County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tippah County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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
September 21, 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, 2020. 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 Supervisors 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 corrected this beginning with the 2022-2023 fiscal year after we were notified of the issue.

Repeat Finding: Yes.

Inventory Control Clerk:

Finding 2: The County should ensure that all inventory additions and deletions 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 a round of approved deletions were not recorded in the County's inventory system. The County also failed to account for construction-in-process on five (5) state-aid and emergency road and bridge infrastructure projects.

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 all inventory changes are made as necessary, and 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 Department has developed a plan to make sure that all changes to inventory are made as required and has set the plan in motion. We have made corrections to our historical records for all and will continue to improve our recordkeeping for construction-in-progress moving forward.

Repeat Finding: Yes.

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 provision, 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 will correct this for the 2023-2024 fiscal year.

Repeat Finding: Yes.

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, 2020.

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
September 21, 2023

Tippah County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2020

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>
7/16/2020	Roof Repairs	\$ 8,830	Bennett Roofing	\$ 8,500	Selected bidder was able to complete repairs earlier.

**Tippah County
Schedule of Emergency Purchases
For the Year Ended September 30, 2020**

Schedule 2

Our tests did not identify any emergency purchases.

Tippah County
Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2020

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
1/17/2020	Tank Car	\$ 10,200	The Railroad Yard
2/3/2020	Tank Car	9,533	The Railroad Yard
2/14/2020	Tank Car	13,533	The Railroad Yard
5/4/2020	Tank Car	7,995	The Railroad Yard
5/15/2020	Tank Car	9,958	The Railroad Yard

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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, 2020, 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 September 21, 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 an immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Payroll Clerk

Finding 1: 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 2020. 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: I was not aware that these needed to be filed each year for pre-existing hires. We will do this as required in the future.

Repeat Finding: Yes.

Tippah County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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 cursive script that reads "J. E. Vance + Company". The signature is written in black ink and is positioned above the typed name and date.

Tupelo, Mississippi
September 21, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TIPPAH COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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
Hospital Maintenance 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

Federal Awards:

4. Internal control over major federal programs:

- | | |
|--------------------------------------------|---------------|
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |

5. Type of auditor's report issued on compliance with major federal programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

7. Identification of major federal programs:

- | |
|----------------------------------------------|
| a. CFDA #21.019 Coronavirus Relief Fund |
| b. CFDA #23.002 Appalachian Area Development |

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. Auditee qualified as a low-risk auditee? No

10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? No

Section 2: Financial Statement Findings

Chancery Clerk

Material Weakness

2020-001 Lack of proper segregation of duties over the payroll function.

Repeat Finding: Yes 2019-002

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

2020-002 Lack of proper segregation of duties in the Sheriff's office.

Repeat Finding: Yes 2019-003

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

2020-003 Finding – The County should ensure that all inventory additions and deletions are accurately recorded in its accounting system.

Repeat Finding – Yes 2019-004

Criteria

An effective system of internal controls should include adequate subsidiary records documenting additions and deletions to its inventory.

Condition

As a result of procedures performed, we noted that a round of approved deletions were not recorded in the County's inventory system. The County also failed to account for construction-in-process on five (5) state-aid and emergency road and bridge infrastructure projects.

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 the inventory control system.

Effect

The failure to implement a proper inventory control system resulted in the reporting of inaccurate amounts on the capital asset reports which increases the possibility of the loss or misappropriation of 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 Clerk should implement procedures to ensure that all inventory changes are made as necessary, and progress on all state aid road and bridge projects which meet the capitalization criteria are recorded for inclusion in capital asset records.

Board of Supervisors

Significant Deficiency

2020-004 – The County should implement a formal information security policy.

Repeat Finding – Yes 2019-006

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.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

Tippah County Board of Supervisors

Mike Graves, Third District
Chad Newby, Fifth District
Jimmy Gunn, First District

101 East Spring Street
RIPLEY, MISSISSIPPI 38663
(662) 837-3655

Glen Michael, Fourth District
Greg Harrell, Second District
Sean Akins, Attorney

Mike Long, Clerk
Melinda Crum, County Administrator

AUDITEE'S CORRECTIVE ACTION PLAN For the Year Ended September 30, 2020

As required by Section 2 CFR 200.511(a) of the Uniform Guidance, Tippah County, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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2020-001	<p>Name of Contact Person Responsible for Corrective Action</p> <p>Melinda Crum, County Administrator, 662-837-1053 Mike Long, Chancery Clerk, 662-837-7374 Shana Lowry, Comptroller and Chancery Clerk Elect, 662-837-7374</p> <p>Corrective Action Planned:</p> <p>Due to the size of the County and our staff, it is difficult to adequately segregate duties. However, we will look into training more of our existing staff to perform some of these functions.</p> <p>Anticipated Completion Date: March 31, 2024</p>
2020-002	<p>Name of Contact Person Responsible for Corrective Action</p> <p>Karl Gaillard, Sheriff, 662-837-9336</p> <p>Corrective Action Planned:</p> <p>Due to the size of the County and our staff, it is difficult to adequately segregate duties. However, we will look into training more of our existing staff to perform some of these functions.</p> <p>Anticipated Completion Date: March 31, 2024</p>
2020-003	<p>Name of Contact Person Responsible for Corrective Action</p> <p>Jenny Wilbanks, Inventory Control Clerk, 662-837-9410</p> <p>Corrective Action Planned:</p> <p>We have implemented the suggested corrections and will continue to do so in the future.</p>

2020-004

Name of Contact Person Responsible for Corrective Action

Melinda Crum, County Administrator, 662-837-1053

Corrective Action Planned:

We are looking into various policy adoptions and changes with our IT administrator.

Anticipated Completion Date:

March 31, 2024