

OKTIBBEHA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

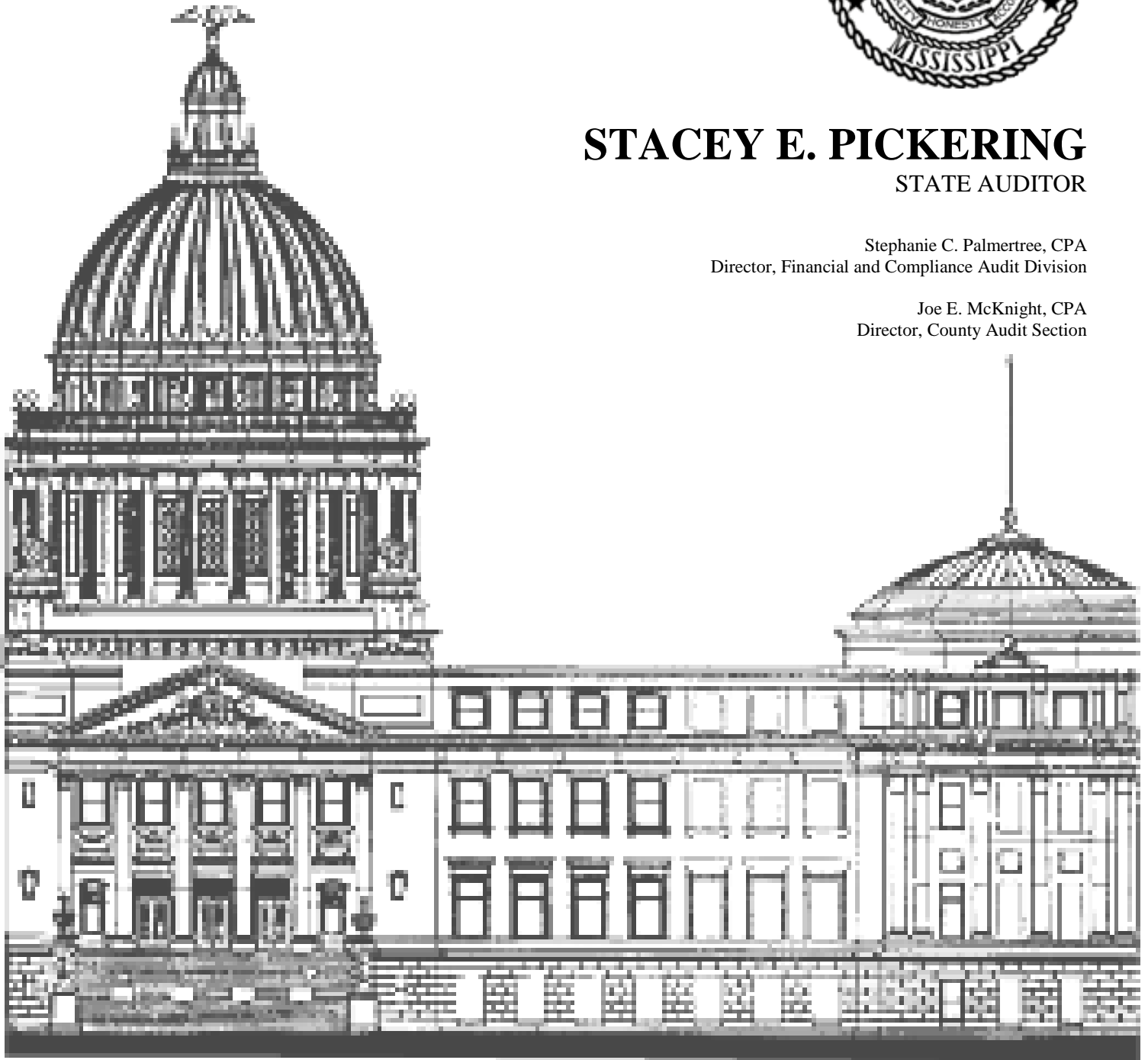


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 18, 2018

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Oktibbeha County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Oktibbeha County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Oktibbeha County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering
State Auditor

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oktibbeha County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the County’s legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County’s primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit would have been presented as \$113,226,791, \$21,951,730, \$91,275,061, \$73,652,812 and \$73,798,759.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Oktibbeha County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

Management did not maintain adequate subsidiary records documenting the accounts receivable of solid waste user fees or the aging of such accounts receivables. Due to the nature of the County’s records, we were unable to satisfy ourselves as to the fair presentation of accounts receivable, net, reported in the aggregate remaining fund information at \$291,029, as of September 30, 2016. Also, because of the nature of the accounts receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the aggregate remaining fund information.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the net realizable value of solid waste accounts receivable reported in the Other Governmental Funds as described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to previously presented fairly, in all material respects, the financial position of the aggregate remaining fund information of Oktibbeha County, Mississippi, as of September 30, 2016, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Oktibbeha County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of Funding Progress – Other Postemployment Benefits, the Schedule of the County’s Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Supplementary and Other Information

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 April 18, 2018 on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Oktibbeha County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018

OKTIBBEHA COUNTY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016 UNAUDITED

INTRODUCTION

The discussion and analysis of Oktibbeha County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2016. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year has been presented as required.

Oktibbeha County is located in northeastern Mississippi. The population, according to the 2010 census is 47,671. The local economic base is mainly Manufacturing, Research/Technology, and Mississippi State University.

FINANCIAL HIGHLIGHTS

Oktibbeha County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Oktibbeha County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net position increased \$2,131,037 that represents an increase of 8.70% from the prior fiscal year. The County's ending cash balance increased by \$1,500,245 from the prior fiscal year.

The County had \$24,789,839 in total revenues. Property tax revenues account for \$16,310,431 or 65.79% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$3,586,420 or 14.47% of total revenues.

The County had \$22,658,802 in total expenses, which represents an increase of \$2,888,745 or 14.61% increase from the prior fiscal year. Expenses in the amount of \$5,226,943 were offset by charges for services, grants or outside contributions. General revenues of \$19,562,896 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$12,560,737 in revenues and \$12,660,127 in expenditures. The General Fund's fund balance increased by \$363,531, which included an excess of expenses over revenues of \$99,390 plus the increase from the net effect of other financing sources and uses of \$462,921, which included long-term capital debt issued of \$556,487, sale of capital assets of \$1,434 and the transfers out to other governmental funds of \$95,000.

Among major funds, the Countywide Road Maintenance Fund had \$2,366,639 in revenues and \$2,387,071 in expenditures. The Countywide Road Maintenance Fund's fund balance increased by \$456,827, which included an excess of expenses over revenues of \$20,432 plus the increase from the net effect of other financing sources and uses of \$477,259, which included long-term capital debt issued of \$402,850, proceeds from the sale of capital assets of \$15,624 and compensation for loss of capital assets of \$58,785.

Among major funds, the Countywide Bridge and Culvert Fund had \$2,475,200 in revenue and \$2,110,662 in expenditures. The Countywide Bridge and Culvert Fund's fund balance had an increase of \$305,648 from the prior year which included excess revenues over expenses of \$364,538 plus the decrease from the net effect of other financing sources and uses of \$58,890 representing transfers out to other government funds.

Capital assets, net of accumulated depreciation, increased by \$2,643,515.

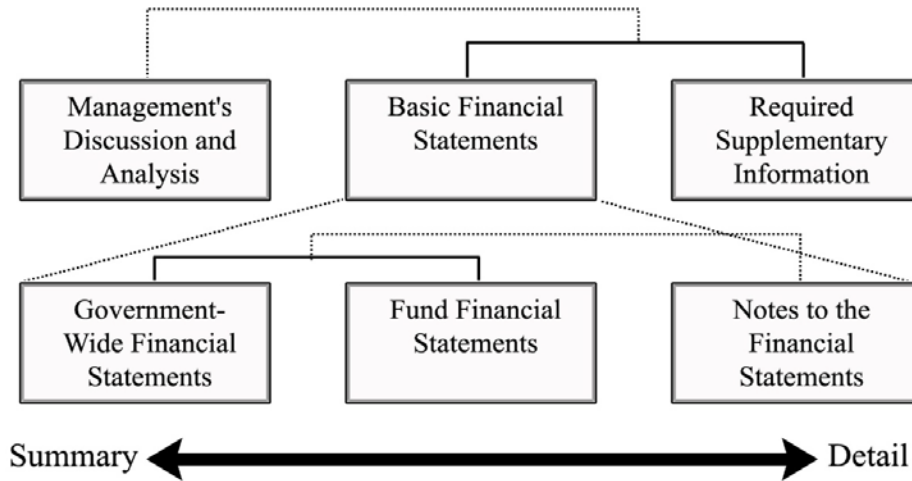
Long-term debt decreased by \$218,472.

OKTIBBEHA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements.



The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

OKTIBBEHA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
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Figure 2 — Major Features of the County's Government-Wide and Fund Financial Statements

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

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

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

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

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016 UNAUDITED

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). However, the County had no business-type activities. The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

The County maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 25 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26 through 45 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules, Schedule of the County's Proportionate Share of the Net Pension Liability, and Schedule of County Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund (if applicable) as required by the Governmental Accounting Standards Board. This required supplementary information can be found on pages 47 through 51 of this report.

OKTIBBEHA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position —Net position may serve over time as a useful indicator of government's financial position. In the case of Oktibbeha County, assets exceeded liabilities and deferred outflows and deferred inflows of resources by \$26,638,936 as of September 30, 2016.

By far, the largest portion of the County's net position 182.05% reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2016 as compared to September 30, 2015.

	Governmental Activities 2016	Governmental Activities 2015
	<u>2016</u>	<u>2015</u>
Current assets	\$ 34,772,881	31,898,761
Capital assets, net	<u>50,212,593</u>	<u>47,569,078</u>
Total assets	<u>84,985,474</u>	<u>79,467,839</u>
Deferred outflow of resources	<u>3,703,745</u>	<u>2,661,679</u>
Current liabilities	3,032,377	2,163,647
Long-term liabilities	<u>44,277,333</u>	<u>41,955,473</u>
Total liabilities	<u>47,309,710</u>	<u>44,119,120</u>
Deferred inflows of resources	<u>14,740,573</u>	<u>13,502,499</u>
Net position:		
Net investment in capital assets	48,496,353	46,399,341
Restricted	7,250,043	6,927,770
Unrestricted	<u>(29,107,460)</u>	<u>(28,819,212)</u>
Total net position	\$ <u>26,638,936</u>	<u>24,507,899</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- \$1,750,410 completed road and bridge construction projects and \$1,916,468 increase in road and bridge construction in progress projects had a significant impact on the Statement of Net Position for the period ending September 2016.

Changes in Net Position — Oktibbeha County's total revenues for the fiscal year ending September 30, 2016 were \$24,789,839. The total cost for all services provided were \$22,658,802. Net position increased by \$2,131,037 from the prior fiscal year.

OKTIBBEHA COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

The following table represents a summary of the change in the County's net position for the fiscal year ended September 30, 2016 as compared to September 30, 2015:

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,770,806	2,804,490
Operating grants & contributions	1,236,510	1,219,229
Capital grants & contributions	1,219,627	391,969
General revenues:		
Property taxes	16,310,431	15,593,197
Road & bridge privilege taxes	448,974	435,132
Grants & contributions not restricted to to specific programs	1,130,283	1,274,945
Unrestricted Gifts & Donations	218,320	194,273
Unrestricted interest income	84,362	38,804
Miscellaneous	<u>1,370,526</u>	<u>1,327,924</u>
Total revenues	<u>24,789,839</u>	<u>23,279,963</u>
Expenses		
General government	5,762,085	4,744,612
Public safety	5,095,437	4,967,922
Public works	5,241,494	4,246,943
Health and welfare	1,696,692	1,669,031
Culture and recreation	192,726	414,596
Education	307,403	77,542
Conservation of natural resources	103,889	121,081
Economic development & assistance	701,795	779,326
Interest on long-term debt	1,007,885	974,626
Pension expense	<u>2,549,396</u>	<u>1,774,378</u>
Total expenses	<u>22,658,802</u>	<u>19,770,057</u>
Change in net position	2,131,037	3,509,906
Prior period adjustment	<u>0</u>	<u>(11,808,294)</u>
Total change in net position	<u>\$ 2,131,037</u>	<u>(8,298,388)</u>

Governmental Activities - The following table presents the cost of the major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development and Assistance, Interest on Long Term Debt and Pension Expense.

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016 UNAUDITED

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

	<u>Total Cost</u>	<u>Net Cost</u>
General government	\$ 5,762,085	\$ 4,638,281
Public safety	5,095,437	3,501,903
Public works	5,241,494	2,910,690
Health and welfare	1,696,692	1,669,614
Culture & recreation	192,726	192,726
Education	307,403	307,403
Conservation of natural resources	103,889	103,889
Economic development & assistance	701,795	550,072
Interest on long term debt	1,007,885	1,007,885
Pension expense	2,549,396	2,549,396

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — At the close of the fiscal year, Oktibbeha County's governmental funds reported a combined fund balance of \$15,675,326, an increase of \$757,189. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

Excess of expenses over revenues of \$277,991 plus the increase of the net effect of other financing sources and uses of \$1,035,180 from the issuance of long-term debt, insurance loss recoveries, and the sale of out dated equipment account for the increase in fund balances.

The General Fund is the principal operating fund of the County, and did have an increase in the year-end fund balance over the prior year of \$363,531.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Oktibbeha County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

Budgeted revenues from state and federal sources were amended to account for grants awarded.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2016, Oktibbeha County's total gross capital assets were \$111,367,067. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$4,197,512, which included an increase of \$1,554,892 in mobile equipment, an increase of \$587,805 in lease-purchases of equipment, an increase of \$138,347 in furniture and equipment and an increase of \$1,750,410 of additional bridge and road projects and an increase of \$166,058 construction in process of road and bridges.

Total accumulated depreciation as of September 30, 2016 was \$61,154,474 including \$1,783,374 of depreciation expense for the current year. The balance in total net capital assets was \$50,212,593 at year-end.

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2016 UNAUDITED

Additional information on Oktibbeha County's capital assets is in note 5 on page 34 of this report.

Debt Administration — At September 30, 2016, Oktibbeha County had \$26,389,607 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt, \$1,294,594 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt as of September 30, 2016 was equal to 6.57% of the latest property assessments.

Additional information on Oktibbeha County's long-term debt can be found in note 10 on page 41 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

With Mississippi State University located in Oktibbeha County, the City of Starkville and the County continue to reap the benefits of the staff and now over 21,000 students living in the community almost year round. This has a positive impact on the local economy. Apartment complexes continue to be built to keep up with the demand for off-campus student housing. Condominium complexes are being built and sold to MSU alumni returning to Starkville to live and/or to attend MSU sporting events. The Claiborne at Adelaide, an upscale assisted living facility, opened in Starkville in 2016. Academy Sporting Goods and Parker-McGill Chrysler, Dodge, Jeep and Ram car dealership recently opened in Starkville, and Wal-Mart Market-Place is scheduled to open early next year.

Through the partnership with the Golden Triangle Economic Development Link, Oktibbeha County and the City of Starkville are in the process of purchasing land for the development of a new industrial park site. The Link is a one of a kind venture and potentially the wave of the future in economic development strategy.

With the County's partnership in the Link and MSU's continued student growth, the future looks very bright for Oktibbeha County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact Emily Garrard, Oktibbeha County Administrator at P.O. Box 80285, Starkville, Mississippi 39759.

OKTIBBEHA COUNTY

FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 17,741,080
Cash with fiscal agent	7
Property tax receivable	14,633,316
Accounts receivable (net of allowance for uncollectibles of \$2,360,551)	291,029
Fines receivable (net of allowance for uncollectibles of \$6,359,701)	1,450,933
Intergovernmental receivables	535,276
Other receivables	121,240
Capital assets:	
Land and construction in progress	4,158,394
Other capital assets, net	46,054,199
Total Assets	<u>84,985,474</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,703,745
Total Deferred Outflows of Resources	<u>3,703,745</u>
LIABILITIES	
Claims payable	1,822,742
Intergovernmental payables	469,703
Accrued interest payable	310,100
Unearned revenue	76,857
Amounts held in custody for others	177,664
Other payables	8,286
Claims and judgments payable	167,025
Long-term liabilities	
Other postemployment benefits payable	171,166
Net pension liability	17,716,560
Due within one year:	
Capital debt	517,360
Non-capital debt	777,234
Due in more than one year:	
Capital debt	1,198,880
Non-capital debt	23,896,133
Total Liabilities	<u>47,309,710</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	107,257
Deferred revenues - property taxes	14,633,316
Total deferred inflows of resources	<u>14,740,573</u>
NET POSITION	
Net investment in capital assets	48,496,353
Restricted for:	
Expendable:	
General government	528,611
Public safety	781,503
Public works	2,570,631
Health and welfare	1,271,580
Debt service	2,097,718
Unrestricted	(29,107,460)
Total Net Position	<u>\$ 26,638,936</u>

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

OKTIBBEHA COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,762,085	1,098,508	25,296		(4,638,281)
Public safety	5,095,437	742,380	789,323	61,831	(3,501,903)
Public works	5,241,494	929,918	243,090	1,157,796	(2,910,690)
Health and welfare	1,696,692		27,078		(1,669,614)
Culture and recreation	192,726				(192,726)
Education	307,403				(307,403)
Conservation of natural resources	103,889				(103,889)
Economic development and assistance	701,795		151,723		(550,072)
Interest on long-term debt	1,007,885				(1,007,885)
Pension expense	2,549,396				(2,549,396)
Total Governmental Activities	<u>22,658,802</u>	<u>2,770,806</u>	<u>1,236,510</u>	<u>1,219,627</u>	<u>(17,431,859)</u>
General revenues:					
Property taxes				\$ 16,310,431	
Road & bridge privilege taxes				448,974	
Grants and contributions not restricted to specific programs				1,130,283	
Unrestricted gifts and donations				218,320	
Unrestricted interest income				84,362	
Miscellaneous				1,370,526	
Total General Revenues				<u>19,562,896</u>	
Changes in Net Position				<u>2,131,037</u>	
Net Position - Beginning of year				<u>24,507,899</u>	
Net Position - Ending				<u>\$ 26,638,936</u>	

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

OKTIBBEHA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2016

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund		
ASSETS					
Cash	\$ 10,076,948	890,664	1,287,686	5,485,782	17,741,080
Cash with fiscal agent				7	7
Property tax receivable	8,200,326	1,570,895	2,313,500	2,548,595	14,633,316
Accounts receivable (net of allowance for uncollectibles of \$2,360,551)				291,029	291,029
Fines receivable (net of allowance for uncollectibles of \$6,359,701)	1,450,933				1,450,933
Intergovernmental receivables	334,869	55,533		144,874	535,276
Other receivables	8,660	378		112,202	121,240
Due from other funds		56,765	27,174	91,020	174,959
Total Assets	<u>\$ 20,071,736</u>	<u>2,574,235</u>	<u>3,628,360</u>	<u>8,673,509</u>	<u>34,947,840</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 1,061,373	135,078	165,302	460,989	1,822,742
Intergovernmental payables	443,848	25,855			469,703
Due to other funds	116,069		58,890		174,959
Unearned revenue	40,000			36,857	76,857
Amounts held in custody for others	177,664				177,664
Other payables	8,286				8,286
Claims and judgments payable	167,025				167,025
Total Liabilities	<u>\$ 2,014,265</u>	<u>160,933</u>	<u>224,192</u>	<u>497,846</u>	<u>2,897,236</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	8,200,326	1,570,895	2,313,500	2,548,595	14,633,316
Unavailable revenue - fines	1,450,933				1,450,933
Unavailable revenue - accounts receivable				291,029	291,029
Total deferred inflows of resources	<u>\$ 9,651,259</u>	<u>1,570,895</u>	<u>2,313,500</u>	<u>2,839,624</u>	<u>16,375,278</u>
Fund balances:					
Restricted for:					
General government				528,611	528,611
Public safety				781,503	781,503
Public works		842,407	1,090,668	346,527	2,279,602
Health and welfare				1,271,580	1,271,580
Debt service				2,407,818	2,407,818
Unassigned	8,406,212				8,406,212
Total Fund Balances	<u>\$ 8,406,212</u>	<u>842,407</u>	<u>1,090,668</u>	<u>5,336,039</u>	<u>15,675,326</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,071,736</u>	<u>2,574,235</u>	<u>3,628,360</u>	<u>8,673,509</u>	<u>34,947,840</u>

OKTIBBEHA COUNTY

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,675,326
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 \$61,154,474.	50,212,593
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	1,450,933
Accounts receivable	291,029
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(26,389,607)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(171,166)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,716,560)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(310,100)
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	3,703,745
Deferred inflows of resources related to pensions	<u>(107,257)</u>
Total Net Position - Governmental Activities	\$ <u><u>26,638,936</u></u>

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

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund		
REVENUES					
Property taxes	\$ 10,013,642	1,259,908	2,463,967	2,572,914	16,310,431
Road and bridge privilege taxes		448,974			448,974
Licenses, commissions and other revenue	367,129	471	633	32,360	400,593
Fines and forfeitures	619,432			5,018	624,450
Intergovernmental revenues	1,128,362	643,284	4,493	1,810,281	3,586,420
Charges for services	265,316			1,406,430	1,671,746
Interest income	53,160	2,519	6,107	22,576	84,362
Miscellaneous revenues	113,696	11,483		1,194,988	1,320,167
Total Revenues	<u>12,560,737</u>	<u>2,366,639</u>	<u>2,475,200</u>	<u>7,044,567</u>	<u>24,447,143</u>
EXPENDITURES					
Current:					
General government	5,662,502			322,187	5,984,689
Public safety	5,221,383			1,657,844	6,879,227
Public works	89,519	2,348,754	1,955,431	2,338,759	6,732,463
Health and welfare	453,540			1,268,607	1,722,147
Culture and recreation	178,075			14,651	192,726
Education	267,157				267,157
Conservation of natural resources	117,796				117,796
Economic development and assistance	550,072			151,723	701,795
Debt service:					
Principal	118,265	36,277	151,507	865,000	1,171,049
Interest	1,818	2,040	3,724	948,503	956,085
Total Expenditures	<u>12,660,127</u>	<u>2,387,071</u>	<u>2,110,662</u>	<u>7,567,274</u>	<u>24,725,134</u>
Excess of Revenues over (under) Expenditures	<u>(99,390)</u>	<u>(20,432)</u>	<u>364,538</u>	<u>(522,707)</u>	<u>(277,991)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	556,487	402,850			959,337
Proceeds from sale of capital assets	1,434	15,624			17,058
Compensation for loss of capital assets		58,785			58,785
Transfers in				153,890	153,890
Transfers out	(95,000)		(58,890)		(153,890)
Total Other Financing Sources and Uses	<u>462,921</u>	<u>477,259</u>	<u>(58,890)</u>	<u>153,890</u>	<u>1,035,180</u>
Net Changes in Fund Balances	<u>363,531</u>	<u>456,827</u>	<u>305,648</u>	<u>(368,817)</u>	<u>757,189</u>
Fund Balances - Beginning of year	<u>8,042,681</u>	<u>385,580</u>	<u>785,020</u>	<u>5,704,856</u>	<u>14,918,137</u>
Fund Balances - Ending	<u>\$ 8,406,212</u>	<u>842,407</u>	<u>1,090,668</u>	<u>5,336,039</u>	<u>15,675,326</u>

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

OKTIBBEHA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 757,189
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 \$4,234,053 and donated assets of \$218,320 exceeded depreciation of \$1,783,374 in the current period.	2,668,999
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$50,359 and the proceeds from the sale of capital assets of \$17,058 and compensation for loss of capital assets of \$58,785 in the current period.	(25,484)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	93,603
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(19,586)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,171,049 exceeded debt proceeds of \$959,337.	211,712
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:	
Decrease in compensated absences liability	3,129
Increase in accrued interest payable	(51,800)
Amortization of bond premium	3,631
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	(2,549,396)
Recording of contributions made during the year	<u>1,039,040</u>
Change in Net Position of Governmental Activities	<u>\$ 2,131,037</u>

OKTIBBEHA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 271,986
Other receivables	<u>274</u>
Total Assets	<u>\$ 272,260</u>
LIABILITIES	
Amounts held in custody for others	\$ 51,574
Other liabilities	71,772
Intergovernmental payables	<u>148,914</u>
Total Liabilities	<u>\$ 272,260</u>

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

OKTIBBEHA COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Oktibbeha 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 Oktibbeha County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Oktibbeha County Hospital

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. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

OKTIBBEHA COUNTY

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

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. 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.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The County reports the following major Governmental Funds:

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

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

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

OKTIBBEHA COUNTY

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

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.

D. Account Classifications.

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. 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.

F. Receivables.

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

G. 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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, 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:

OKTIBBEHA COUNTY

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Deferred Outflows/Inflows of Resources:

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

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 9 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 – accounts receivable – 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 proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

J. 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.

OKTIBBEHA COUNTY

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

K. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned 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:

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.

OKTIBBEHA COUNTY

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

Fund Balance Flow Assumption:

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

M. 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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. 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.

O. 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 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.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$18,013,066, and the bank balance was \$18,344,904. 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 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).

OKTIBBEHA COUNTY

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 56,765
Countywide Bridge and Culvert Fund	General Fund	27,174
Other Governmental Funds	General Fund	32,130
Other Governmental Funds	Countywide Bridge and Culvert Fund	58,890
Total		\$ 174,959

The receivables represent the tax revenue collected in September 2016, but not settled until October 2016. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 95,000
Other Governmental Funds	Countywide Bridge and Culvert Fund	58,890
Total		\$ 153,890

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

OKTIBBEHA COUNTY

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

(4) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 217,317
USDA Oktibbeha County Lake grant	110,930
Motor vehicle fuel tax	50,022
Emergency management performance grant	40,126
Chancery Clerk reimbursements	29,181
Reimbursement for state aid road	12,284
City of Starkville - reimbursement for housing prisoners	11,340
Gas severance tax	10,570
MDOC - reimbursement for housing prisoners	9,900
Election support fund	8,418
Motor vehicle licenses	7,770
Alcohol open container grant	6,140
Starkville Electric reimbursement	2,629
State and community highway safety grant	2,178
Reimbursement, welfare	1,572
Other	14,899
Total Governmental Activities	\$ 535,276

OKTIBBEHA COUNTY

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

(5) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments [*]	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,016,113				1,016,113
Construction in progress	2,976,223	1,916,468		(1,750,410)	3,142,281
Total non-depreciable capital assets	3,992,336	1,916,468	-	(1,750,410)	4,158,394
<u>Depreciable capital assets:</u>					
Infrastructure	83,982,138			1,750,410	85,732,548
Buildings	8,227,827				8,227,827
Mobile equipment	8,164,558	1,438,221	254,861	371,532	9,719,450
Furniture and equipment	1,344,131	138,347			1,482,478
Leased property under capital leases	1,458,565	959,337		(371,532)	2,046,370
Total depreciable capital assets	103,177,219	2,535,905	254,861	1,750,410	107,208,673
<u>Less accumulated depreciated for:</u>					
Infrastructure	48,421,642	765,064			49,186,706
Buildings	2,934,565	141,373			3,075,938
Mobile equipment	6,331,687	496,342	229,377	200,627	6,799,279
Furniture and equipment	1,196,222	39,884			1,236,106
Leased property under capital leases	716,361	340,711		(200,627)	856,445
Total accumulated depreciation	59,600,477	1,783,374	229,377	-	61,154,474
Total depreciable capital assets, net	43,576,742	752,531	25,484	1,750,410	46,054,199
Governmental activities capital assets, net	\$ 47,569,078	2,668,999	25,484	-	50,212,593

*Adjustments were made to transfer construction in progress of roads and bridges completed during the year to infrastructure and to transfer leased mobile equipment under capital leases that were paid off during the fiscal year. Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 120,818
Public safety	471,203
Public works	1,151,107
Education	40,246
Total governmental activities depreciation expense	\$ 1,783,374

OKTIBBEHA COUNTY

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

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
County Road - A W Williams Road	\$ 103,384	September 2017
County Road - Brown Road	167,846	September 2017
County Road - Summer Tree Road	180,227	September 2018
County Road - St. Mark Road	337,500	September 2019
County Road - Pat Station Road	495,000	September 2019
State Aid Road - Dotson Bridge	59,670	September 2017
State Aid Road - McHann Road Bridge	201,453	September 2017
State Aid Road - Longview Road Bridge	1,161,561	September 2017
State Aid Road - Douglastown Road	274,023	September 2017
State Aid Road - Longview Road	3,865,931	Unknown

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2014 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Oktibbeha County pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention for the County, to the extent that actual claims submitted exceed the predetermined premium. The County has purchased coinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2016, the amount of these liabilities was \$167,025. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2014 - 2015	\$ -	1,278,989	1,237,425	41,564
2015 - 2016	\$ 41,564	1,804,455	1,678,994	167,025

OKTIBBEHA COUNTY

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

(7) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 2,046,370
Less: Accumulated depreciation	(856,445)
Leased Property Under Capital Leases	\$ 1,189,925

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2017	\$ 385,963	12,471
2018	240,670	12,102
2019	241,039	7,727
2020	222,977	3,304
Total	\$ 1,090,649	35,604

(8) Other Postemployment Benefits.

Plan Description

The Oktibbeha County Board of Supervisors administers the County’s health and dental insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County’s health insurance plan may be amended by the Oktibbeha County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health and dental insurance benefit coverage through the County’s health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan.

Funding Policy

Employees’ premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health and dental insurance premiums for the County’s health and dental insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2016, retiree premiums range from \$338.25 to \$983.52 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County’s Health and Dental Insurance Plan’s Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of September 30, 2015. The plan presently has an actuarial valuation performed bi-annually in order to be in compliance with GASB Statement 45.

OKTIBBEHA COUNTY

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal years 2015 and 2016:

Annual required contribution	\$	103,069
Interest on prior year net OPEB obligation		5,345
Adjustment to annual required contribution		(7,727)
Annual OPEB cost		<u>100,687</u>
Contributions made		<u>(63,143)</u>
Increase in net OPEB obligation		37,544
Net OPEB obligation - October 1, 2014		<u>133,622</u>
Net OPEB obligation - September 30, 2016	\$	<u><u>171,166</u></u>

The following table provides the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 104,503	35.20%	\$ 67,709
2014	103,295	36.20%	133,622
2015	100,687	62.70%	171,166
2016	100,687	62.70%	171,166

Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

Actuarial Valuation Date		10/1/2014
Actuarial Value of Plan Assets	\$	-
Actuarial Accrued Liability (AAL) Entry Age Normal	\$	999,020
Unfunded AAL (UAAL)	\$	999,020
Funded Ratio		0.00%
Annual Covered Payroll	\$	*N/A
UAAL as a Percentage of Annual Covered Payroll		*N/A

*Actuarial Accrued Liability is determined under the project unit cost method which benefits are not tied to payroll amounts.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI

OKTIBBEHA COUNTY

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

following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	October 1, 2014
Actuarial cost method	Project Unit Credit Actuarial Cost Method
Amortization method	Level Dollar, Closed
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return*	4.00%
Projected salary increases**	N/A
Healthcare cost trend rate*	6.60%
Ultimate trend rate	4.30%
Year of ultimate trend rate	2090
*Includes price inflation at	2.30%
**Includes wage inflation at	N/A

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Oktibbeha 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

OKTIBBEHA COUNTY

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

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, 2016, 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, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$1,039,040, \$972,956 and \$936,085, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the County reported a liability of \$17,716,560 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.099183 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.001 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$2,549,396. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 439,955	-
Net difference between projected and actual earnings on pension plan investments	2,065,956	-
Changes of assumptions	826,725	47,079
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	98,630	60,178
County contributions subsequent to the measurement date	272,479	-
Total	\$ 3,703,745	107,257

\$272,479 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

OKTIBBEHA COUNTY

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

Year ending September 30:

2017		\$	1,242,156
2018			1,093,324
2019			638,533
2020			349,996
 Total		 \$	 3,324,009

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00 %	5.20 %
International Equity	19.00 %	5.00 %
Emerging Markets Equity	8.00 %	5.45 %
Fixed Income	20.00 %	0.25 %
Real Assets	10.00 %	4.00 %
Private Equity	8.00 %	6.15 %
Cash	1.00 %	(0.50) %
Total	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 (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OKTIBBEHA COUNTY

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

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:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 22,716,603	17,716,560	13,568,146

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

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2009 Oktibbeha County Hospital	\$ 18,495,000 *	3.00-4.125%	11/2034
2010 Oktibbeha County Hospital	5,670,000 **	2.00-4.125%	09/2035
2011 Refunding bonds road & bridge construction	<u>620,000</u>	2.00-3.25%	03/2021
Total General Obligation Bonds	<u>\$ 24,785,000</u>		
B. Capital Leases:			
(8) 2014 Western Star trucks	\$ 85,146	1.55%	07/2017
(2) 2006 International 4300 dump trucks	15,644	2.24%	09/2017
2011 & 2012 Backhoes	51,502	1.95%	10/2017
(20) Dodge Chargers/1 Dodge Ram	556,487	1.87%	01/2020
(2) 2017 Western Star 10 wheelers	221,365	1.71%	06/2020
Paving machine	<u>160,505</u>	1.87%	07/2020
Total Capital Leases	<u>\$ 1,090,649</u>		

*These bonds are secured by the full faith and credit and taxing power of the County as well as additional net revenues from the Oktibbeha County Hospital. However, any assets acquired or improvements made with the proceeds of these bonds are not included in Oktibbeha County's financial statements. Oktibbeha County Hospital contributed \$1,182,864 to the County during fiscal year 2016 towards reducing outstanding debt.

** These bonds are secured by the full faith and credit and taxing power of the County. However, any assets acquired or improvements made with the proceeds of these bonds are not included in Oktibbeha County's financial statements.

OKTIBBEHA COUNTY

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

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2017	\$ 905,000	897,419
2018	940,000	866,276
2019	985,000	833,133
2020	1,025,000	797,770
2021	1,070,000	760,420
2022 - 2026	5,540,000	3,292,670
2027 - 2031	7,140,000	2,205,144
2032 - 2036	7,180,000	640,353
Total	\$ 24,785,000	10,293,185

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt was equal to 6.57% of the latest property assessments.

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

	Balance			Balance Sept. 30, 2016	Amount due within one year
	Oct. 1, 2015	Additions	Reductions		
Governmental Activities:					
Compensated absences	\$ 471,296	-	3,129	468,167	-
General obligation bonds	25,650,000		865,000	24,785,000	905,000
Add:					
Premiums	49,422		3,631	45,791	3,631
Capital leases	408,560	959,337	277,248	1,090,649	385,963
Other loans	28,801	-	28,801	-	-
Total	\$ 26,608,079	959,337	1,177,809	26,389,607	1,294,594

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Countywide Road Maintenance Fund, Countywide Bridge Fund, and 911 Emergency Fund.

(11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

OKTIBBEHA COUNTY

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

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.

General Obligation Bonds Series 2010 – On September 30, 2010, the County issued \$6,500,000 in General Obligation Bonds to fund construction projects for the renovation of Oktibbeha County Hospital. The County has approximately \$1,271,572 of bond proceeds in the Oktibbeha County Hospital Construction Fund at September 30, 2016. The County will use the remaining bond proceeds to repay the debt.

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the Oktibbeha County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the County has pledged the avails of a five mill levy in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2016, is \$9,865,000.

(12) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2016</u>
Hospital revenue bonds	\$ <u>3,050,000</u>

(13) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position (deficit) amount of (\$29,107,460) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$272,479 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, 2016. The \$3,431,266 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next 4 years. The \$107,257 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 4 years.

(14) Related Organizations.

The Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Oktibbeha County Economic Development Authority, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County did not contribute any funds to this organization.

(15) Joint Ventures.

The County participates in the following joint ventures:

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Oktibbeha County Library. The joint venture is governed by ten members, five appointed by each government. By contractual agreement, the County's appropriation to the joint venture was

OKTIBBEHA COUNTY

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

\$177,900 in the fiscal year 2016. Complete financial statements for the Oktibbeha County Library can be obtained for 326 University Drive, Starkville, MS 39759.

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 61-5-39, Miss. Code Ann. (1972), to operate the George M. Bryan Field (airport). The joint venture is governed by seven members, three appointed by each government and one appointed by Mississippi State University. The County contributed \$31,928 to the joint venture in the fiscal year 2016.

Oktibbeha County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee and Webster, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville, and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Oktibbeha County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Drawer DN, Mississippi State, MS 39762.

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Oktibbeha County Board of Supervisors appoints two of the twelve members of the college board of trustees. The County contributed \$699,546 for maintenance and support of the college in fiscal year 2016.

Golden Triangle Planning Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints four of the 28 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County contributed \$50,000 for support of the district in fiscal year 2016.

Golden Triangle Regional Airport Authority operates in a district composed of Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville, and West Point. The Oktibbeha County Board of Supervisors appoints one of the five members of the board of commissioners. The County provided no financial support for the authority in fiscal year 2016.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the seven members of the board of commissioners. The County contributed \$45,500 for support of the agency in fiscal year 2016.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These fourteen members are not appointed by the County Board of Supervisors. The counties generally provide no financial support to the organization.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

OKTIBBEHA COUNTY

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

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Oktibbeha County evaluated the activity of the County through April 18, 2018, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue</u>	<u>Date</u>	<u>Interest Rate</u>	<u>Issue</u>	<u>Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/21/2016		2.05%	\$	433,344	Capital lease	Ad valorem tax
05/18/2017		2.40%		14,500,000	General obligation bonds	Ad valorem tax
10/01/2017		3.51%		7,000,000	General obligation bonds	Ad valorem tax

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 9,591,687	9,996,138	9,996,138	
Licenses, commissions and other revenue	417,400	360,320	360,320	
Fines and forfeitures	485,000	618,671	618,671	
Intergovernmental revenues	1,177,950	1,249,759	1,249,759	
Charges for services	180,000	260,126	260,126	
Interest income	25,000	49,561	49,561	
Miscellaneous revenues	697,306	84,177	84,177	
Total Revenues	<u>12,574,343</u>	<u>12,618,752</u>	<u>12,618,752</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	6,205,460	5,434,613	5,434,613	
Public safety	4,342,260	4,279,963	4,279,963	
Public works	132,000	92,139	92,139	
Health and welfare	465,850	454,162	454,162	
Culture and recreation	182,900	177,900	177,900	
Education	367,285	341,793	341,793	
Conservation of natural resources	142,210	112,369	112,369	
Economic development and assistance	448,938	471,138	471,138	
Debt service:				
Principal	157,220	117,795	117,795	
Interest		2,288	2,288	
Total Expenditures	<u>12,444,123</u>	<u>11,484,160</u>	<u>11,484,160</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>130,220</u>	<u>1,134,592</u>	<u>1,134,592</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		200,000	200,000	
Transfers out		(295,000)	(295,000)	
Other financing sources	200,000	8,111	8,111	
Other financing uses	(1,330,220)			
Total Other Financing Sources and Uses	<u>(1,130,220)</u>	<u>(86,889)</u>	<u>(86,889)</u>	<u>0</u>
Net Change in Fund Balance	(1,000,000)	1,047,703	1,047,703	
Fund Balances - Beginning	<u>1,000,000</u>	<u>8,312,967</u>	<u>8,312,967</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>9,360,670</u>	<u>9,360,670</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,728,440	1,829,641	1,829,641	
Licenses, commissions and other revenue	436,000	447,669	447,669	
Intergovernmental revenues	591,000	653,991	653,991	
Interest income	1,000	2,305	2,305	
Miscellaneous revenues	7,500	11,791	11,791	
Total Revenues	<u>2,763,940</u>	<u>2,945,397</u>	<u>2,945,397</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	3,182,520	2,501,421	2,501,421	
Debt service:				
Principal	15,850	36,278	36,278	
Interest		2,040	2,040	
Total Expenditures	<u>3,198,370</u>	<u>2,539,739</u>	<u>2,539,739</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(434,430)</u>	<u>405,658</u>	<u>405,658</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	<u>135,000</u>	<u>74,875</u>	<u>74,875</u>	
Total Other Financing Sources and Uses	<u>135,000</u>	<u>74,875</u>	<u>74,875</u>	<u>0</u>
Net Change in Fund Balance	(299,430)	480,533	480,533	
Fund Balances - Beginning	<u>299,430</u>	<u>409,824</u>	<u>409,824</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>890,357</u>	<u>890,357</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,324,220	2,461,695	2,461,695	
Licenses, commissions and other revenue	1,450	633	633	
Intergovernmental revenues	4,500	4,493	4,493	
Interest income	1,500	5,934	5,934	
Total Revenues	<u>2,331,670</u>	<u>2,472,755</u>	<u>2,472,755</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,736,100	1,906,265	1,906,265	
Debt service:				
Principal	155,200	151,562	151,562	
Interest		3,670	3,670	
Total Expenditures	<u>2,891,300</u>	<u>2,061,497</u>	<u>2,061,497</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(559,630)</u>	<u>411,258</u>	<u>411,258</u>	<u>0</u>
Net Change in Fund Balance	(559,630)	411,258	411,258	
Fund Balances - Beginning	<u>559,630</u>	<u>875,915</u>	<u>875,915</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,287,173</u>	<u>1,287,173</u>	<u>0</u>

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

OKTIBBEHA COUNTY
 Schedule of Funding Progress – Other Postemployment Benefits
 September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (ACR) (c)	AAL as a Percentage of Annual Covered payroll ((b-a) / c)
10/1/2012	\$ -	\$ 922,387	\$ 922,387	0.00%	\$ *N/A	*N/A
10/1/2014	-	999,020	999,020	0.00%	*N/A	*N/A

*Actuarial Accrued Liability is determined under the projected unit cost credit method in which benefits are not tied to payroll amounts.

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

	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.099183%	0.098177%
County's proportionate share of the net pension liability (asset)	\$ 17,716,560	15,176,228
County's covered-employee payroll	\$ 6,344,972	6,133,549
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

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

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,039,040	972,191
Contributions in relation to the contractually required contribution	<u>1,039,040</u>	<u>972,956</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>(765)</u>
County's covered-employee payroll	\$ 6,597,077	6,172,641
Contributions as a percentage of covered-employee payroll	15.75%	15.76%

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

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

OKTIBBEHA COUNTY

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

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ 1,047,703	480,533	411,258
Increase (Decrease)			
Net adjustments for revenue accruals	291,795	(176,374)	2,445
Net adjustments for expenditure accruals	(975,967)	152,668	(108,055)
GAAP Basis	\$ 363,531	456,827	305,648

OKTIBBEHA COUNTY

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

UNAUDITED

Pension Schedules

A. Changes of assumptions

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market 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.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 valuation). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

OKTIBBEHA COUNTY

OTHER INFORMATION

OKTIBBEHA COUNTY

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

Name	Position	Company	Bond
John P. Montgomery	Supervisor District 1	Traveler's Casualty and Surety Company of America	\$100,000
Orlando Trainer	Supervisor District 2	Traveler's Casualty and Surety Company of America	\$100,000
Marvel Howard	Supervisor District 3	Traveler's Casualty and Surety Company of America	\$100,000
Bricklee Miller	Supervisor District 4	Traveler's Casualty and Surety Company of America	\$100,000
Joe Louis Williams	Supervisor District 5	Traveler's Casualty and Surety Company of America	\$100,000
Emily Garrard	County Administrator	Western Surety	\$100,000
Delois Tripplet	Assistant Comptroller	Western Surety	\$50,000
Monica Banks	Chancery Clerk	Traveler's Casualty and Surety Company of America	\$100,000
Deanna Allen	Purchase Clerk	Western Surety	\$75,000
Emily Garrard	Assistant Purchase Clerk	Western Surety	\$50,000
Deanna Dantzler	Assistant Purchase Clerk	Western Surety	\$50,000
Tom Malone	Receiving Clerk	Western Surety	\$75,000
Darrell Gene Fulgham	Assistant Receiving Clerk	Western Surety	\$50,000
Michelle Tutton	Inventory Control Clerk	Western Surety	\$75,000
Victor Kent Collins	Road Manager	Western Surety	\$50,000
James Lindsey	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Curtis Randle	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Shank Phelps	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Edwin Glenn Hamilton	Circuit Clerk	Traveler's Casualty and Surety Company of America	\$100,000
Sheryl Elmore	Deputy Circuit Clerk	Western Surety	\$50,000
Melody Monts	Deputy Circuit Clerk	Western Surety	\$50,000
Tina Mullins	Deputy Circuit Clerk	Western Surety	\$50,000
Schreese Henry Carter	Deputy Circuit Clerk	Western Surety	\$50,000
Stephen C. Gladney	Sheriff	Traveler's Casualty and Surety Company of America	\$100,000
Tony Boykin	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
Larnzy Carpenter	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
Charles Martin Haug	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
Nora Goliday	Justice Court Clerk	Western Surety	\$50,000
Georgia Alexander	Deputy Justice Court Clerk	Western Surety	\$50,000
Bonnie Devereaux	Deputy Justice Court Clerk	Western Surety	\$50,000
Gail Roberts	Deputy Justice Court Clerk	Western Surety	\$50,000
Gay Lynn Hampton	Deputy Justice Court Clerk	Western Surety	\$50,000
Tawanda Ware	Deputy Justice Court Clerk	Western Surety	\$50,000
Allen Gordon Morgan	Tax Assessor-Collector	Traveler's Casualty and Surety Company of America	\$100,000
Barbara Cubon	Deputy Tax Assessor	Western Surety	\$50,000

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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
Oktibbeha County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oktibbeha County, Mississippi (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 18, 2018. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the aggregate remaining fund information because the County did not maintain adequate subsidiary records documenting the accounts receivable of the solid waste user fees or the aging of the accounts receivable as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oktibbeha 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 Oktibbeha County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-002 and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

We also noted certain matters which we have reported to the management of Oktibbeha County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 18, 2018, included within this document.

Oktibbeha County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**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
Oktibbeha County, Mississippi

We have examined Oktibbeha 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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Oktibbeha 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 such 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 Oktibbeha 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 an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

1. Inventory Control Clerk should file inventory report by October 15.

Repeat Finding Yes

Criteria Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate, with copies forwarded to the Office of the State Auditor no later than October 15th of each year.

Condition	As reported in the prior six years' audit reports, the inventory reports were not filed with the Office of the State Auditor by October 15th as required. The inventory reports were filed with the Office of the State Auditor on November 5, 2016.
Cause	Unknown
Effect	By not filing the annual reports with the proper persons, the County is not in compliance with applicable statutes.
Recommendation	The Inventory Control Clerk should file the inventory reports with the Board of Supervisors and copies should be forwarded to the Office of the State Auditor by October 15th of each year, as required by law.
Inventory Control Clerk's Response	We will do our best to get the inventory reports filed with the Office of the State Auditor by October 15th of each year.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

Oktibbeha 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 for use in evaluating Oktibbeha 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.



JOE E. MCKNIGHT, CPA
 Director, County Audit Section

April 18, 2018

OKTIBBEHA COUNTY
Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2016

Schedule 1

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

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

Schedule 2

Our tests did not identify any emergency purchases.

OKTIBBEHA COUNTY

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2016

Schedule 3

Our tests did not identify any purchases made noncompetively from a sole source.

OKTIBBEHA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

In planning and performing our audit of the financial statements of Oktibbeha County, Mississippi for the year ended September 30, 2016, we considered Oktibbeha 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 Oktibbeha 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 April 18, 2018, on the financial statements of Oktibbeha County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The Board of Supervisors should not pay invoices without the proper purchasing documents.

Repeat Finding No

Criteria Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law.

Condition During the year, the Board of Supervisors approved payment of two invoices for which purchasing documents were not issued due to an oversight of the department making the purchase.

Cause Unknown

Effect Failure to make purchases in the manner provided by law could cause the official to be personally liable for the full amount of the expenditure.

Recommendation The Board of Supervisors should establish corrective policy and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. The Board of Supervisors should carefully review all claims presented to them for approval and should not approve payment for any purchases which are not made in the manner provided by law.

Board of Supervisors' Response Oktibbeha County will follow the recommendation of the audit department.

Chancery Clerk.

2. The Chancery Clerk should settle excess fees to the County.

Repeat Finding Yes

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition As reported in the prior four years' audit reports, the Chancery Clerk did not pay the fees received in excess of \$90,000 for the 2012 calendar year to the County's General Fund by April 15, 2013, as required by law. The excess fees for the 2012 calendar year were \$35,541. In December 2014, the Chancery Clerk remitted \$10,000 to the County. However, the Chancery Clerk has not remitted the balance of \$25,541 to the County as of the date of this audit report.

In addition, as reported in the prior two years' audit reports, the Chancery Clerk did not pay the fees received in excess of \$90,000 for the 2014 calendar year to the County's General Fund by April 15, 2015, as required by law. The excess fees for the 2014 calendar year were \$10,862. The Chancery Clerk has not remitted these fees to the County as of the date of this audit report.

Further, the Chancery Clerk did not pay the fees received in excess of \$90,000 for the 2016 calendar year to the County's General Fund by April 15, 2017, as required by law. The excess fees for the 2016 calendar year were \$14,707. The Chancery Clerk has not remitted these fees to the County as of the date of this audit report.

Cause Unknown

Effect Failure to settle the excess fees results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds and lost interest on these excess funds.

Recommendation The Chancery Clerk should remit the \$25,541 from 2012, \$10,862 from 2014, and the \$14,707 from 2016 to the General Fund immediately. In the future, the Chancery Clerk should settle fees received in excess of \$90,000 by April 15th for the preceding year.

Auditor's Note: We were unable to obtain a response due to the death of the Chancery Clerk.

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

3. The Chancery Clerk deducted unallowable and undocumented expenses on the annual financial report.

Repeat Finding Yes

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both

ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition	The Chancery Clerk claimed \$1,325 in expenses in 2016 for which there was insufficient documentation or was not an allowable business expense. Further, the Chancery Clerk owes additional amounts of \$5,986 from 2015, \$9,421 from 2014, \$1,147 from 2013, \$9,237 from 2012 and \$2,937 from 2011.
Cause	Unknown
Effect	Failure to settle excess fees by the required date results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds due to lost interest on these excess fees.
Recommendation	The Chancery Clerk should settle the additional amount of \$1,325 in excess fees for the 2016 calendar year to the General Fund. The Chancery Clerk should also settle the additional amounts of \$5,986, \$9,421, \$1,147, \$9,237 and \$2,937 from 2015, 2014, 2013, 2012 and 2011, respectively.
Auditor's Note:	We were unable to obtain a response due to the death of the Chancery Clerk.

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

4. The Chancery Clerk should properly report revenue.

Repeat Finding	Yes
Criteria	Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.
Condition	We noted revenues of \$417, which are subject to the cap, were not reported on the 2016 annual fee report. The Chancery Clerk also owes additional amounts of \$8,544 from 2015 and \$5,073 from 2014.
Cause	Unknown
Effect	Failure to report all income could result in the loss of public funds. These errors could result in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds.
Recommendation	The Chancery Clerk should settle the amount of \$417 in excess fees for the 2016 calendar year to the General Fund. The Chancery Clerk should also settle the additional amounts of \$8,544 and \$5,073 from 2015 and 2014, respectively.

Auditor's Note: We were unable to obtain a response due to the death of the Chancery Clerk.

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

5. The Chancery Clerk was overpaid for processing homestead applications.

Repeat Finding	No
Criteria	Section 27-33-37(m), Miss. Code Ann. (1972), specifies the amounts to be paid to the Chancery Clerk for processing homestead applications.
Condition	The Chancery Clerk was overpaid \$420 for processing homestead applications.

Cause Unknown

Effect Failure to comply with the law results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds and lost interest on these excess funds.

Recommendation The Chancery Clerk should remit the \$420 to the General Fund immediately.

Auditor's Note: We were unable to obtain a response due to the death of the Chancery Clerk.

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

6. The Chancery Clerk should keep and preserve a current, complete and correct record of all proceedings of the Board of Supervisors.

Repeat Finding Yes

Criteria Section 19-3-27, Miss Code Ann (1972), requires the clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings.

Condition As of December 11, 2016 the board minutes for meetings after April 4, 2016 are not recorded in the minute book. Several actions taken by the Board of Supervisors as recorded in the board minutes did not include the contracts and agreements approved or other items noted as "attached" in the board orders. The board minutes do not contain a board order to appoint the Assistant Purchase Clerk.

Cause Unknown

Effect Failure to record the minutes could result in unlawful acts as there is no record as to what the board ordered.

Recommendation The Chancery Clerk should keep a current, complete and correct record of all board proceedings.

Auditor's Note: We were unable to obtain a response due to the death of the Chancery Clerk.

7. The audit synopsis should be published.

Repeat Finding Yes

Criteria Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.

Condition The Chancery Clerk has not published a synopsis of the 2015 annual report.

Cause Unknown

Effect If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at cost to the county.

Recommendation The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor.

Chancery Clerk's Response

Auditor's Note: We were unable to obtain a response due to the death of the Chancery Clerk.

Circuit Clerk.

8. The Circuit Clerk deducted unallowable and undocumented expenses on the annual financial report.

Repeat Finding Yes

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition As stated in the prior four years' audit report, the Circuit Clerk claimed expenses for which there was insufficient documentation or was not an allowable business expense. The amount of these expenses for 2016 totaled \$1,237.

Cause Unknown

Effect Failure to settle these additional excess fees could result in the loss of public funds.

Recommendation The Circuit Clerk's annual financial report should be revised to reflect corrections to the line items that were incorrect, and the additional \$1,237 due to the County for unallowable and undocumented expenses should be paid to the General Fund.

Circuit Clerk's Response The Circuit Clerk chose not to respond.

9. Circuit Clerk should file the annual financial report in a timely manner.

Repeat Finding No

Criteria Section 9-1-45 (1), Miss. Code Ann. (1972), requires each Circuit Clerk to file a true and accurate annual report not later than April 15 for the preceding year.

Condition The Circuit Clerk did not file the annual financial report for 2016.

Cause Unknown

Effect Failure to report annual financial report in a timely manner is a violation of state law and could result in the loss of public funds.

Recommendation The Circuit Clerk should file the annual financial report for the preceding year no later than April 15, as required by law.

Circuit Clerk's Response The Circuit Clerk chose not to respond.

10. Controls over cash receipts in the Circuit Clerk's office should be strengthened.

Repeat Finding No

Criteria An effective system of internal control should include making daily deposits, daily collections agreeing with deposits, all fees being deposited into the fee account, and properly reconciling bank statements to cash journals.

Condition	During testwork, we noted the following: <ul style="list-style-type: none"> • Deposits are not being made daily. • Daily collections do not agree with deposits. • Clerk's fees were not deposited into the fee account. • Bank statements were not properly reconciled to cash journals.
Cause	Unknown
Effect	Failure to keep accurate records and make accurate deposits could result in the misappropriation of public funds.
Recommendation	The Circuit Clerk should implement a system of internal controls to ensure that all receipts are properly deposited on a daily basis and bank statements are reconciled to cash journals.
Circuit Clerk's Response	The Circuit Clerk chose not to respond.

Tax Assessor-Collector.

11. The Tax Assessor-Collector should ensure that employees of the County are not purchasers at the land sale.

Repeat Finding	Yes
Criteria	Section 25-4-105(3)(b), Miss. Code Ann. (1972), states that no public servant shall be a purchaser, direct or indirect, at any sale made by him in his official capacity of by the governmental entity of which he is an officer or employee, except in respect of the sale of goods or services when provided as public utilities or offered to the general public on a uniform price schedule.
Condition	As reported in prior year's audit report, an election commissioner purchased parcels of the land at the land sale.
Cause	Unknown
Effect	These purchases may be in violation of the ethics law.
Recommendation	The Tax Assessor-Collector should ensure that this practice is discontinued.
Tax Assessor-Collector's Response	This has been taken care of.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exceptions and dispositions are as follows:

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #2 described in this report.

Amount of Exception:

\$51,110

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #3 described in this report.

Amount of Exception:

\$30,053

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #4 described in this report.

Amount of Exception:

\$14,034

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

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

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	Adverse
General Fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
Countywide Bridge and Culvert Fund	Unmodified
Aggregate remaining fund information	Qualified

2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? None reported

3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001.	<u>Component unit should be included in County's financial statements.</u>
Repeat Finding	Yes; 2015-001
Criteria	Generally accepted accounting principles require the financial data of the County's component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.
Condition	As reported in the prior eight years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit.
Cause	Unknown
Effect	The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.
Recommendation	The Board of Supervisors should provide the audited financial data for its discretely presented component unit for inclusion in the County's financial statements.
Board of Supervisors' Response	The hospital's financial statements are provided to the County and are available to the public upon request.

OKTIBBEHA COUNTY

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

Material Weakness
Material Non-compliance

2016-002.	<u>Controls over compliance with bond covenants should be strengthened</u>
Repeat Finding	Yes; 2015-002
Criteria	The County entered into a general obligation bond agreement on September 30, 2010, for the renovation of Oktibbeha County Hospital and the construction of parking facilities in the amount of \$6,500,000. In the bond covenant there is a requirement for a due diligence test and for an expenditure test. The due diligence test states, "The County reasonably expects that the renovation and construction of the Construction Project will proceed with due diligence to completion by September 29, 2013." The expenditure test states, "It is expected that all of the net sale proceeds of the Bonds will be fully expended on the Project prior to September 29, 2013."
Condition	As reported in the prior three years' audit reports, \$1,271,572 remained in the Oktibbeha County Hospital Construction Fund and had not been expended for hospital construction projects as of September 30, 2016. Therefore, the County did not materially comply with the requirements of the bond covenant.
Cause	Unknown
Effect	The County did not materially comply with the requirements of the bond covenant.
Recommendation	The County should seek legal guidance from the County's attorney and bond counsel as to the appropriate action the County should take at this time related to the remaining bond proceeds on hand to ensure compliance with the terms of the bond agreement. Internal controls should also be put in place to ensure that compliance with future bond covenants will be made.
Board of Supervisors' Response	As directed by Region's Trust Department officials, the remaining construction dollars are on deposit in the County's 2010 Bond Fund for the payments of the debt service requirements per the 2010 bond resolution documents. The bond attorney agreed this is acceptable.

Material Weakness

2016-003.	<u>The Board of Supervisors should ensure effective controls are maintained over solid waste billings, collections, and accounts receivable records.</u>
Repeat Finding	Yes; 2015-004
Criteria	An effective system of internal control over solid waste billings, collections, and accounts receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total accounts receivable balance due to the County at the close of the fiscal year that are booked as a receivable at year end.
Condition	We noted the following problems with the solid waste reports: <ul style="list-style-type: none"> • October 2016 billings were included in the accounts receivable balance at year end. • Numerous adjustments were reported on the solid waste user fee reports. Charges for court fees and other fees were co-mingled with adjustments to user fees. • Aging of accounts receivable reports were inconsistent with solid waste user fee reports.

OKTIBBEHA COUNTY

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

Cause	Unknown
Effect	Failure to maintain and preserve adequate subsidiary records of total accounts receivable balance at year end could result in erroneous amounts being reported in the financial statements. Therefore, the Independent Auditor's Report on the aggregate remaining fund information includes a qualified opinion because we were unable to satisfy ourselves as to the fair presentation of the solid waste accounts receivable in the Other Governmental Funds.
Recommendation	The Board of Supervisors should ensure that control procedures are in place to allow for the preparation of a detailed aged accounts receivable schedule for solid waste fees to properly report the accounts receivable due to the County at net realizable value in the financial statements
Board of Supervisors' Response	We will follow the recommendation of the State Audit Department.