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OKTIBBEHA COUNTY
Audited Financial Statements
For the Year Ended September 30, 2017

OKTIBBEHA COUNTY
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OKTIBBEHA COUNTY

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

County Administrator and 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, 2017, and the related notes to 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 units would have been presented as \$110,589,020, \$22,532,787, \$88,056,233, \$70,459,302 and \$75,691,004.

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, 2017, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of September 30, 2017, 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 25, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oktibbeha County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oktibbeha County, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
April 25, 2019

Watkins Ward and Stafford, PLLC

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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 \$2,138,196, net of a prior period adjustment of (\$88,744) which represents an increase of 8.03% from the prior fiscal year. The County's ending cash balance increased by \$16,236,553 from the prior fiscal year.

The County had \$27,749,973 in total revenues. Property tax revenues account for \$17,901,845 or 64.51% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$4,307,976 or 15.52% of total revenues.

The County had \$25,523,033 in total expenses, which represents an increase of \$2,864,231 or 12.64% increase from the prior fiscal year. Expenses in the amount of \$6,915,301 were offset by charges for services, grants or outside contributions. General revenues of \$20,834,672 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$13,357,997 in revenues and \$12,623,553 in expenditures. The General Fund's fund balance increased by \$1,019,237, which includes the excess revenues over expenses of \$734,444 plus the increase from the net effect of other financing sources and uses of \$236,404 plus a prior period adjustment of \$48,389. The other financial sources and uses includes the proceeds of long-term capital debt of \$433,344, the proceeds from the sale of capital assets \$71,900, the compensation for loss of capital assets of \$11,160 and the transfers out to other government funds of \$280,000.

Among major funds, the Countywide Road Maintenance Fund had \$2,874,366 in revenues and \$3,063,002 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased by \$134,625 which includes the excess of expenses over revenues of \$188,636 plus the increase from the net effect of other financing sources and uses of \$54,011 which represents the proceeds from the sale of capital assets.

Among major funds, the Countywide Bridge and Culvert Fund had \$2,924,518 in revenue and \$1,953,172 in expenditures. The Countywide Bridge and Culvert Fund's fund balance had an increase of \$849,348 from the prior year which includes the excess of revenues over expenses of \$971,346 and a decrease from the net effect of other financing sources and uses of \$121,998 which represents a transfer out to other government funds.

Among major funds, the Countywide Road Construction Fund had \$32,632 in revenues and \$960,503 in expenditures. The Countywide Road Construction Fund's fund balance had an increase of \$13,123,029 which includes the excess of expenses over revenues of \$927,871 plus the increase from the net effect of other financing sources and uses which includes the proceeds of long-term capital debt of \$14,500,000 net of a transfer out to other governmental funds of \$449,100.

Capital assets, net of accumulated depreciation, increased by \$1,158,269.

Long-term debt increased by \$13,545,996.

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

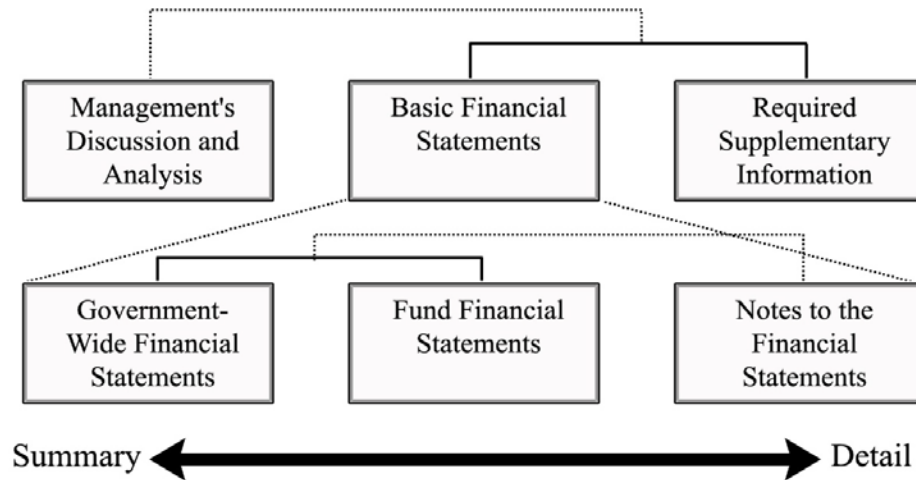


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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.

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.

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 16 and 17 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 19 and 21, 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 18 and 20 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 22 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 23 through 45 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 47 through 49 of this report.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,777,132 as of September 30, 2017.

By far, the largest portion of the County's net position 122.72% 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, 2017 as compared to September 30, 2016.

	Governmental Activities 2017	Governmental Activities 2016
Current assets	\$ 55,861,181	34,772,881
Capital assets, net	<u>51,370,862</u>	<u>50,212,593</u>
Total assets	<u>107,232,043</u>	<u>84,985,474</u>
Deferred outflow of resources	<u>1,337,483</u>	<u>3,703,745</u>
Current liabilities	3,418,042	3,032,377
Long-term liabilities	<u>56,971,685</u>	<u>44,277,333</u>
Total liabilities	<u>60,389,727</u>	<u>47,309,710</u>
Deferred inflows of resources	<u>19,402,667</u>	<u>14,740,573</u>
Net position:		
Net investment in capital assets	35,314,799	48,496,353
Restricted	21,915,074	7,250,043
Unrestricted	<u>(28,452,741)</u>	<u>(29,107,460)</u>
Total net position	<u>\$ 28,777,132</u>	<u>26,638,936</u>

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

- \$14,500,000 long-term debt issued for road infrastructure improvements and the completed road and bridge construction projects of \$2,027,244 had a significant impact on the Statement of Net Position for the period ending September 30, 2017.

Changes in Net Position — Oktibbeha County's total revenues for the fiscal year ending September 30, 2017 were \$27,749,973. The total cost for all services provided were \$25,523,033. The total change in net position of \$2,138,196 included a current period increase of \$2,226,940 net of a prior period adjustment of (\$88,744).

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,514,764	2,770,806
Operating grants & contributions	2,253,792	1,236,510
Capital grants & contributions	1,146,745	1,219,627
General revenues:		
Property taxes	17,901,845	16,310,431
Road & bridge privilege taxes	454,447	448,974
Grants & contributions not restricted to to specific programs	907,439	1,130,283
Unrestricted Gifts & Donations	18,502	218,320
Unrestricted interest income	156,457	84,362
Miscellaneous	<u>1,395,982</u>	<u>1,370,526</u>
Total revenues	<u>27,749,973</u>	<u>24,789,839</u>
Expenses		
General government	6,197,142	5,762,085
Public safety	5,290,717	5,095,437
Public works	7,290,342	5,241,494
Health and welfare	1,698,713	1,696,692
Culture and recreation	194,229	192,726
Education	366,501	307,403
Conservation of natural resources	142,303	103,889
Economic development & assistance	759,299	701,795
Interest on long-term debt	1,052,428	1,007,885
Pension expense	<u>2,531,359</u>	<u>2,549,396</u>
Total expenses	<u>25,523,033</u>	<u>22,658,802</u>
Change in net position	2,226,940	2,131,037
Prior period adjustment	<u>(88,744)</u>	<u>0</u>
Total change in net position	<u>\$ 2,138,196</u>	<u>2,131,037</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.

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.

	Total Cost	Net Cost
General government	\$ 6,197,142	\$ 4,421,546
Public safety	5,290,717	3,651,904
Public works	7,290,342	4,328,082
Health and welfare	1,698,713	1,617,028
Culture & recreation	194,229	194,229
Education	366,501	366,501
Conservation of natural resources	142,303	142,303
Economic development & assistance	759,299	302,352
Interest on long term debt	1,052,428	1,052,428
Pension expense	2,531,359	2,531,359

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — Oktibbeha County's governmental funds reported a combined fund balance of \$31,434,755 a current period net increase of \$15,759,429 which includes a prior period adjustment of (\$36,753). 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 revenues over expenses \$725,192; and the net effect of other financing sources of \$15,070,990 from the issuance of long-term debt and the sale of out dated equipment..

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 \$1,019,237 which includes a \$48,389 prior period adjustment.

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 special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2017, Oktibbeha County's total gross capital assets were \$114,022,492. 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 \$2,655,425, which included an increase of \$240,328 in mobile equipment, a decrease of \$534,896 in lease- purchases of equipment, an increase of \$97,304 in furniture and equipment and an increase of \$2,027,244 of additional bridge and road projects and an increase of \$825,445 construction in process of road and bridges.

Total accumulated depreciation as of September 30, 2017 was \$62,651,630 which includes \$1,852,006 of depreciation expense for the current year. The balance in total net capital assets was \$51,370,862 at year-end.

Additional information on Oktibbeha County's capital assets is in note 6 on page 32 of this report.

Debt Administration — At September 30, 2017, Oktibbeha County had \$39,935,603 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt, \$1,904,032 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, 2017 was equal to 9.75% of the latest property assessments.

Additional information on Oktibbeha County's long-term debt can be found in note 11 on page 40 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 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. Academy Sporting Goods and Parker-McGill Chrysler, Dodge, Jeep and Ram car dealership and Wal-Mart Market-Place opened in 2017. New retail shops and restaurants will open in 2018 in the Cotton Mill District and along University Drive.

Through the partnership with the Golden Triangle Economic Development Link, Oktibbeha County and the City of Starkville have purchased 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
Statement of Net Position
September 30, 2017

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 33,977,633
Cash with fiscal agent	66
Property tax receivable	19,226,850
Accounts receivable (net of allowance for uncollectibles of \$2,381,208)	239,037
Fines receivable (net of allowance for uncollectibles of \$7,126,273)	1,971,820
Intergovernmental receivables	330,444
Other receivables	115,331
Capital assets:	
Land and construction in progress	4,983,839
Other capital assets, net	46,387,023
Total Assets	<u>107,232,043</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,337,483
Total Deferred Outflows of Resources	<u>1,337,483</u>
LIABILITIES	
Claims payable	2,049,553
Intergovernmental payables	494,628
Accrued interest payable	429,323
Unearned revenue	37,741
Amounts held in custody for others	100,283
Other payables	86,006
Claims and judgments payable	220,508
Long-term liabilities	
Other postemployment benefits payable	243,628
Net pension liability	16,792,454
Due within one year:	
Capital debt	1,086,798
Non-capital debt	817,234
Due in more than one year:	
Capital debt	14,969,265
Non-capital debt	23,062,306
Total Liabilities	<u>60,389,727</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	175,817
Deferred revenues - property taxes	19,226,850
Total Deferred Inflows of Resources	<u>19,402,667</u>
NET POSITION	
Net investment in capital assets	35,314,799
Restricted for:	
Expendable:	
General government	576,688
Public safety	982,958
Public works	16,435,538
Health and welfare	1,294,474
Economic development and assistance	28,149
Debt service	2,597,267
Unrestricted	(28,452,741)
Total Net Position	<u>\$ 28,777,132</u>

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY
Statement of Activities
For the Year Ended September 30, 2017

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	\$ 6,197,142	1,760,842	14,754	-	(4,421,546)
Public safety	5,290,717	711,093	887,720	40,000	(3,651,904)
Public works	7,290,342	1,042,829	812,686	1,106,745	(4,328,082)
Health and welfare	1,698,713	-	81,685	-	(1,617,028)
Culture and recreation	194,229	-	-	-	(194,229)
Education	366,501	-	-	-	(366,501)
Conservation of natural resources	142,303	-	-	-	(142,303)
Economic development and assistance	759,299	-	456,947	-	(302,352)
Interest on long-term debt	1,052,428	-	-	-	(1,052,428)
Pension expense	2,531,359	-	-	-	(2,531,359)
Total Governmental Activities	<u>25,523,033</u>	<u>3,514,764</u>	<u>2,253,792</u>	<u>1,146,745</u>	<u>(18,607,732)</u>
General revenues:					
Property taxes				\$ 17,901,845	
Road & bridge privilege taxes				454,447	
Grants and contributions not restricted to specific programs				907,439	
Unrestricted gifts and donations				18,502	
Unrestricted interest income				156,457	
Miscellaneous				1,395,982	
Total General Revenues, Contributions, Special Item, Extraordinary Item and Transfers				<u>20,834,672</u>	
Changes in Net Position				<u>2,226,940</u>	
Net Position - Beginning, as previously reported				26,638,936	
Prior period adjustment				(88,744)	
Net Position - Beginning, as restated				<u>26,550,192</u>	
Net Position - Ending				<u>\$ 28,777,132</u>	

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds				Other	Total
	General	Countywide	Countywide	Countywide	Governmental	Governmental
	Fund	Road Maintenance	Bridge and Culvert	Road and Bridge	Funds	Funds
		Fund	Fund	Construction Fund		
ASSETS						
Cash	\$ 10,894,767	739,345	2,068,310	13,817,375	6,457,836	33,977,633
Cash with fiscal agent	-	-	-	-	66	66
Property tax receivable	10,332,300	2,146,080	2,360,690	-	4,387,780	19,226,850
Accounts receivable (net of allowance for uncollectibles of \$2,381,208)	-	-	-	-	239,037	239,037
Fines receivable (net of allowance for uncollectibles of \$7,126,273)	1,971,820	-	-	-	-	1,971,820
Intergovernmental receivables	245,429	59,067	-	-	25,948	330,444
Other receivables	4,550	-	-	-	110,781	115,331
Due from other funds	-	56,804	30,071	-	36,845	123,720
Total Assets	\$ <u>23,448,866</u>	<u>3,001,296</u>	<u>4,459,071</u>	<u>13,817,375</u>	<u>11,258,293</u>	<u>55,984,901</u>
LIABILITIES						
Liabilities:						
Claims payable	\$ 721,894	119,692	158,365	694,346	355,256	2,049,553
Intergovernmental payables	466,886	27,742	-	-	-	494,628
Due to other funds	123,720	-	-	-	-	123,720
Unearned revenue	-	-	-	-	37,741	37,741
Amounts held in custody for others	100,283	-	-	-	-	100,283
Other payables	86,006	-	-	-	-	86,006
Claims and judgments payable	220,508	-	-	-	-	220,508
Total Liabilities	\$ <u>1,719,297</u>	<u>147,434</u>	<u>158,365</u>	<u>694,346</u>	<u>392,997</u>	<u>3,112,439</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	10,332,300	2,146,080	2,360,690	-	4,387,780	19,226,850
Unavailable revenue - accounts receivable	-	-	-	-	239,037	239,037
Unavailable revenue - fines	1,971,820	-	-	-	-	1,971,820
Total Deferred Inflows of Resources	\$ <u>12,304,120</u>	<u>2,146,080</u>	<u>2,360,690</u>	<u>-</u>	<u>4,626,817</u>	<u>21,437,707</u>
Fund balances:						
Restricted for:						
General government	-	-	-	-	576,688	576,688
Public safety	-	-	-	-	982,958	982,958
Public works	-	707,782	1,940,016	13,123,029	425,674	16,196,501
Health and welfare	-	-	-	-	1,294,474	1,294,474
Economic development and assistance	-	-	-	-	28,149	28,149
Debt service	-	-	-	-	3,026,590	3,026,590
Unassigned	9,425,449	-	-	-	(96,054)	9,329,395
Total Fund Balances	\$ <u>9,425,449</u>	<u>707,782</u>	<u>1,940,016</u>	<u>13,123,029</u>	<u>6,238,479</u>	<u>31,434,755</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>23,448,866</u>	<u>3,001,296</u>	<u>4,459,071</u>	<u>13,817,375</u>	<u>11,258,293</u>	<u>55,984,901</u>

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY**Exhibit 3-1****Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 31,434,755
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 \$62,651,630.	51,370,862
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	1,971,820
Accounts receivable	239,037
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(39,935,603)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(243,628)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(16,792,454)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(429,323)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,337,483
Deferred inflows of resources related to pensions	<u>(175,817)</u>
Total Net Position - Governmental Activities	\$ <u><u>28,777,132</u></u>

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	Countywide Road and Bridge Construction Fund		
REVENUES						
Property taxes	\$ 10,395,264	1,360,664	2,906,422	-	3,239,495	17,901,845
Road and bridge privilege taxes	4,685	454,447	-	-	-	459,132
Licenses, commissions and other revenue	543,521	379	558	-	32,946	577,404
Fines and forfeitures	660,668	-	-	-	42,379	703,047
Intergovernmental revenues	1,376,957	969,282	5,681	-	1,919,693	4,271,613
Charges for services	229,535	-	-	-	1,473,304	1,702,839
Interest income	74,975	2,939	11,857	32,632	34,055	156,458
Miscellaneous revenues	72,392	86,655	-	-	1,238,056	1,397,103
Total Revenues	13,357,997	2,874,366	2,924,518	32,632	7,979,928	27,169,441
EXPENDITURES						
Current:						
General government	6,004,467	-	-	-	350,646	6,355,113
Public safety	4,453,774	-	-	-	1,015,161	5,468,935
Public works	89,695	2,942,760	1,819,338	960,503	3,315,259	9,127,555
Health and welfare	485,054	-	-	-	1,234,848	1,719,902
Culture and recreation	180,417	-	-	-	13,812	194,229
Education	270,447	-	-	-	-	270,447
Conservation of natural resources	142,303	-	-	-	-	142,303
Economic development and assistance	769,383	-	-	-	96,054	865,437
Debt service:						
Principal	215,413	114,063	132,647	-	905,000	1,367,123
Interest	12,600	6,179	1,187	-	897,403	917,369
Bond issue costs	-	-	-	-	15,836	15,836
Total Expenditures	12,623,553	3,063,002	1,953,172	960,503	7,844,019	26,444,249
Excess of Revenues over (under) Expenditures	734,444	(188,636)	971,346	(927,871)	135,909	725,192
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	433,344	-	-	14,500,000	-	14,933,344
Proceeds from sale of capital assets	71,900	54,011	-	-	-	125,911
Compensation for loss of capital assets	11,160	-	-	-	575	11,735
Transfers in	-	-	-	-	851,098	851,098
Transfers out	(280,000)	-	(121,998)	(449,100)	-	(851,098)
Total Other Financing Sources and Uses	236,404	54,011	(121,998)	14,050,900	851,673	15,070,990
Net Changes in Fund Balances	970,848	(134,625)	849,348	13,123,029	987,582	15,796,182
Fund Balances - Beginning, as previously reported	8,406,212	842,407	1,090,668	-	5,336,039	15,675,326
Prior period adjustment(s)	48,389	-	-	-	(85,142)	(36,753)
Fund Balances - Beginning, as restated	8,454,601	842,407	1,090,668	-	5,250,897	15,638,573
Fund Balances - Ending	\$ 9,425,449	707,782	1,940,016	13,123,029	6,238,479	31,434,755

The accompanying notes to financial statements are an integral part of these statements.

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, 2017**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 15,796,182
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 \$3,078,641 exceeded depreciation of \$1,852,006 in the current period.	1,226,635
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 \$57,545 and the proceeds from the sale of \$125,911 in the current period.	(68,366)
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.	520,886
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$14,933,344 exceeded debt repayments of \$1,367,123.	(13,566,221)
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	16,593
Increase in accrued interest payable	(119,223)
Amortization of bond premium	3,632
Change in other post employment benefits	(72,462)
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	(2,531,359)
Recording of contributions made during the year	1,020,643
Change in Net Position of Governmental Activities	\$ <u>2,226,940</u>

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 5

		Agency Funds
ASSETS		
Cash and investments	\$	129,960
Total Assets	\$	<u>129,960</u>
LIABILITIES		
Other liabilities	\$	37,268
Intergovernmental payables		92,692
Total Liabilities	\$	<u>129,960</u>

The accompanying notes to financial statements are an integral part of these statements.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(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 a significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of 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. 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 services, 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 FINANCIAL STATEMENTS

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.

Countywide Road and Bridge Construction Fund- This fund is used to account for the proceeds of the General Obligation Bonds issued during the fiscal year that are restricted for road and bridge construction.

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 specific 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.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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 and other assets.

FIDUCIARY FUND TYPE

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

D. Account Classifications

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

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 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 estimates 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.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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 10 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 10 for additional details.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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.

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:

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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.

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 collectability 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. 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.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustment.

A summary of the significant net position/fund balance adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
Prior year ending fund balance in the constable clearing fund was excluded from net position of the county	\$ 48,389
Prior year error in reporting solid waste accounts receivable and revenue	(137,133)
	<hr/>
Total prior period adjustment	\$ <u><u>(88,744)</u></u>

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

<u>Explanation</u>	<u>Amount</u>
Prior year ending fund balance in the constable clearing fund was excluded from net position of the county	\$ 48,389
Prior year error in reporting solid waste accounts receivable and revenue	(85,142)
	<hr/>
Total prior period adjustment	\$ <u><u>(36,753)</u></u>

(3) Deposits and Investments.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$34,107,659, (\$33,977,699 in the governmental funds and \$129,960 in the fiduciary funds) and the bank balance was \$34,386,340. 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).

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.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 56,804
Countywide Bridge and Culvert Fund	General Fund	30,071
Other Governmental Funds	General Fund	<u>36,845</u>
Total		<u>\$ 123,720</u>

The receivables represent the tax revenue collected in September 2017, but not settled until October 2017. 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	\$ 280,000
Other Governmental Funds	Countywide Bridge and Culvert Fund	121,998
Other Governmental Funds	Countywide Road and Bridge Construction Fund	<u>449,100</u>
Total		<u>\$ 851,098</u>

The principal purpose of the 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 FINANCIAL STATEMENTS

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 192,652
Motor vehicle fuel tax	52,548
Chancery clerk reimbursements	7,813
Alcohol open container grant	7,563
MDOC - reimbursement for housing prisoners	7,283
City of Starkville/MSU - Locksley/Blackjack reimbursement	2,585
Motor vehicle licenses	6,519
Big truck loss reimbursement	6,253
Department of public safety seatbelt grant	2,461
Sheriff's department reimbursement	7,757
Circuit clerk reimbursements	5,586
Gas severance tax	22,320
Other	<u>9,104</u>
Total Governmental Activities	\$ <u><u>330,444</u></u>

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 1, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,016,113	-	-	-	1,016,113
Construction in progress	3,142,281	2,852,689	-	(2,027,244)	3,967,726
Total non-depreciable capital assets	4,158,394	2,852,689	-	(2,027,244)	4,983,839
<u>Depreciable capital assets:</u>					
Infrastructure	85,732,548	-	-	2,027,244	87,759,792
Buildings	8,227,827	-	-	-	8,227,827
Mobile equipment	9,719,450	83,540	378,108	534,896	9,959,778
Furniture and equipment	1,482,478	142,412	45,108	-	1,579,782
Leased property under capital leases	2,046,370	-	-	(534,896)	1,511,474
Total depreciable capital assets	107,208,673	225,952	423,216	2,027,244	109,038,653
<u>Less accumulated depreciation for:</u>					
Infrastructure	49,186,706	836,017	-	-	50,022,723
Buildings	3,075,938	141,374	-	-	3,217,312
Mobile equipment	6,799,279	564,991	314,253	599,417	7,649,434
Furniture and equipment	1,236,106	65,197	40,597	-	1,260,706
Leased property under capital leases	856,445	244,427	-	(599,417)	501,455
Total accumulated depreciation	61,154,474	1,852,006	354,850	-	62,651,630
Total depreciable capital assets, net	46,054,199	(1,626,054)	68,366	2,027,244	46,387,023
Governmental activities capital assets, net	\$ 50,212,593	1,226,635	68,366	-	51,370,862

* 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	\$ 174,158
Public safety	455,789
Public works	1,222,059
Total governmental activities depreciation expense	\$ 1,852,006

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
County Road - A W Williams Road	\$ 330,000	September 2018
County Road - Brown Road	550,000	September 2018
County Road - Pat Station Road	840,000	Unknown
State Aid Road - Artesia Road	89,545	September 2018
State Aid Road - Longview Road	3,865,931	Unknown
State Aid Road - Crawford Bridge	18,725	September 2018
State Aid Road - Dotson Bridge	59,670	September 2018
State Aid Road - McHann Bridge	201,453	September 2018
State Aid Road - Longview Road Bridge	1,161,651	September 2018
State Aid Road - Old Hwy 12/New Light Road	61,992	September 2018
State Aid Road - Douglastown Road	274,023	September 2018
State Aid Road - New Light Road	27,212	September 2018
Saferoom	1,824,500	December 2018

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2017, to January 1, 2018. 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, 2017, the amount of these liabilities was \$220,508. An analysis of claims activities is presented below:

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2015 - 2016	\$ 41,564	1,804,455	(1,678,994)	167,025
2016 - 2017	\$ 167,025	2,417,517	(2,364,034)	220,508

(8) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,511,474
Less: Accumulated depreciation	<u>501,455</u>
Leased Property Under Capital Leases	<u>\$ 1,010,019</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
	<u>Principal</u> <u>Interest</u>
2018	\$ 325,401 18,631
2019	327,523 11,703
2020	311,251 6,290
2021	90,101 1,159
2022	<u>7,594</u> <u>13</u>
Total	<u>\$ 1,061,870</u> <u>37,796</u>

(9) Other Postemployment Benefits.

Plan Description

The Oktibbeha Board of Supervisors administers the County's health 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 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. Effective October 1, 2012, the County implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for the Plan.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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 insurance premiums for the County's health 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, 2017, retiree premiums range from \$336.60 to \$979.00 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of September 30, 2017. The plan presently has an actuarial valuation performed bi-annually in order to be in compliance with GASB Statement 45.

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 current ARC of \$243,628 is 4 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2017:

Annual required contribution	\$ 243,628
Interest on prior year net OPEB obligation	6,847
Adjustment to annual required contribution	<u>(9,903)</u>
Annual OPEB cost	240,572
Contributions made	<u>(188,098)</u>
Increase in net OPEB obligation	52,474
Net OPEB obligation - Beginning of year	<u>171,166</u>
Net OPEB obligation - End of year	<u><u>\$ 223,640</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 2017:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
2017	240,572	78.20%	223,640

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

Funding Status and Funding Progress

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

Actuarial Valuation Date		10/1/2016
Actuarial Value of Plan Assets	\$	-
Actuarial Accrued Liability (AAL) Entry Age Normal	\$	2,619,451
Unfunded AAL (UAAL)	\$	2,619,451
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 projected unit cost method which is 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 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, 2016
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*	5.30%
Ultimate trend rate	4.20%
Year of ultimate trend rate	2096
*Includes price inflation at	2.30%
**Includes wage inflation at	N/A

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(10) 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 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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$1,013,248, \$1,039,040 and \$972,956, 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, 2017, the County reported a liability of \$16,792,454 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was .101017 percent, which was based on a measurement date of June 30, 2017. This was an increase of .001834 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

For the year ended September 30, 2017, the County recognized pension expense of \$2,531,359. At September 30, 2017, 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	\$ 236,240	122,530
Net difference between projected and actual earnings on pension plan investments	196,493	-
Changes of assumptions	363,220	28,096
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	276,446	25,191
County contributions subsequent to the measurement date	265,084	-
Total	\$ 1,337,483	175,817

\$265,084 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2018	\$ 816,300
2019	361,509
2020	43,142
2021	(324,369)
Total	\$ 896,582

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	<u>1.00</u>	-
Total	<u><u>100.00 %</u></u>	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 22,024,424	16,792,454	12,448,782

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

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(11) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2009 Oktibbeha County Hospital	\$ 17,910,000	* 3.00-4.125%	11/2034
2010 Oktibbeha County Hospital	5,480,000	** 2.00-4.125%	09/2035
2011 Refunding Bonds Road & Bridge construction	490,000	2.00-3.25%	03/2021
2017 Road and Bridge Construction Bond	<u>14,500,000</u>	2.40%	05/2032
Total General Obligation Bonds	\$ <u>38,380,000</u>		
B. Capital Leases:			
2011 & 2012 Backhoes	\$ 4,000	1.95%	10/2017
(20) Dodge Chargers/1 Dodge Ram	417,236	1.87%	01/2020
(2) 2017 Western Star 10 wheelers	163,714	1.71%	06/2020
Paving machine	119,736	1.87%	07/2020
EMA Equipment	<u>357,184</u>	2.05%	03/2021
Total Capital Leases	\$ <u>1,061,870</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 2017 towards reducing the 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 FINANCIAL STATEMENTS

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,575,000	1,197,843
2019	1,740,000	1,165,892
2020	1,795,000	1,112,411
2021	1,860,000	1,056,580
2022	1,905,000	1,003,452
2023 - 2027	10,630,000	4,156,723
2028 - 2032	13,355,000	2,355,356
2033 - 2037	<u>5,520,000</u>	<u>374,034</u>
Total	<u>\$ 38,380,000</u>	<u>12,422,291</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 9.75% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Sept. 30, 2017</u>	<u>within one</u>
Governmental Activities:						<u>year</u>
Compensated absences	\$ 468,167	-	-	(16,593)	451,574	-
General obligation bonds	24,785,000	14,500,000	905,000	-	38,380,000	1,575,000
Add:						
Premiums	45,791	-	3,632	-	42,159	3,631
Capital leases	<u>1,090,649</u>	<u>433,344</u>	<u>462,123</u>	<u>-</u>	<u>1,061,870</u>	<u>325,401</u>
Total	<u>\$ 26,389,607</u>	<u>14,933,344</u>	<u>1,370,755</u>	<u>(16,593)</u>	<u>39,935,603</u>	<u>1,904,032</u>

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.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(12) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2017:

<u>Fund</u>	<u>Deficit Amount</u>
Industrial Park Constuction Fund	\$ (96,054)

(13) Contingencies.

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

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 \$1,278,712 of bond proceeds in the Oktibbeha County Hospital Construction Fund at September 30, 2017. 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, 2017, is \$9,105,000.

(14) 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 September 30, 2017</u>
Hospital Revenue Bonds	\$ <u>2,510,000</u>

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(15) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position(deficit) amount of \$(28,452,741) 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 \$265,084 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, 2018. The \$1,072,399 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 3 years. The \$175,817 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 4 years.

(16) 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.

(17) 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 agreement, the County's appropriation to the joint venture was \$180,000 in the fiscal year 2017. 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 2017.

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.

(18) 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 \$729,627 for maintenance and support of the college in fiscal year 2017.

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 2017.

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

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 2017.

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 2017.

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 members 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.

(19) Tax Abatements.

The Oktibbeha County Board of Supervisors enters into property tax abatement agreements with local businesses under Miss, Code Ann. Sec 17-21-5(1). Under the code, the county has the authority in their discretion to exempt from any or all county ad valorem taxes, excluding ad valorem taxes for school districts, for a period of not more than seven years for the purpose of attracting or retaining businesses within their jurisdiction. A detailed listing of the property tax abatement agreements the county has entered into for the fiscal year ended September 30, 2017 is listed in the table below:

<u>Name</u>	<u>Assessed Value</u>	<u>Abatement</u>
<u>Real Property</u>		
Cellular South Real Estate, Inc.	\$ 1,831,013	98,344
The Clairborne at Adelaide, LLC	1,507,920	80,990
<u>Personal Property</u>		
C Spire Advanced Data Solutions LLC	3,316,763	178,143
The Clairborne at Adelaide, LLC	77,612	4,169
Flexsteel Industries, Inc.	94,272	5,063
Total	\$ 6,827,580	366,709

OKTIBBEHA COUNTY
NOTES TO FINANCIAL STATEMENTS

(20) 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 25, 2019, and determined the following subsequent events have occurred which would require disclosure in the notes to financial statements.

- The Board of Supervisors accepted the lowest and best bid from Kimes & Stone on State Aid Road Project SAP -53(19)S in the amount of \$939,447 on November 14, 2017.
- The Board of Supervisors approved bid for purchase of an excavator by Thompson Machinery in the amount of \$190,191 on December 4, 2017.
- The Board of Supervisors awarded bid to Kimes & Stone for Fate Douglas Road Repairs in the amount of \$342,025 on April 16, 2018.
- The Board of Supervisors awarded bid to Kimes & Stone for District Four road improvements in the amount of \$610,993 on May 7, 2018.
- The Board of Supervisors awarded bid to SITEMASTERS for John White Road Improvements in the amount of \$468,130 on May 7, 2018.
- The Board of Supervisors awarded bid to SITEMASTERS for road improvements to District 5 roads in the amount of \$422,186 on June 4, 2018..
- The Board of Supervisors awarded bid to SITEMASTERS for road improvements to Chapel Hill road in the amount of \$650,763 on June 4, 2018.
- The Board of Supervisors awarded bid to Kimes & Stone for road improvements to University Estate, Biggs & Montgomery Hills roads in the amount of \$781,703 on June 4, 2018.
- The Board of Supervisors adopted a resolution directing the issuance of Mississippi General Obligation Refunding Bonds not to exceed \$10,000,000 to defease all of a portion of the \$21,000,000 Mississippi Development Bank Special Obligation Bonds dated October 14, 2009 to obtain a more favorable interest rate.
- The Board of Supervisors approved the purchase of a new fire pumper from Rosenbauer for the Sturgis Fire Department in the amount of \$309,979 on October 1, 2018.
- The Board of Supervisors approved the purchase of new landroll software from Alliance Renewal Technologies, Inc. in the amount of \$120,140 on February 4, 2019.
- The County entered into a financing agreement on October 30, 2018 with Hancock Bank to purchase (2) John Deere 60G Mini Excavators at a total cost of \$143,080. This loan will accrue interest at a 3.50% annual rate of interest.
- The County entered into a financing agreement on March 18, 2019 with Hancock Bank to purchase (2) John Deere 60G Mini Excavators at a total cost of \$143,080. This loan will accrue interest at a 3.69% annual rate of interest.

OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 10,013,717	10,394,749	10,394,749	-
Road and bridge privilege taxes	-	-	5,178	5,178
Licenses, commissions and other revenue	443,000	541,477	536,299	(5,178)
Fines and forfeitures	515,000	647,746	647,746	-
Intergovernmental revenues	1,112,350	1,444,693	1,444,693	-
Charges for services	215,000	243,492	243,492	-
Interest income	30,000	76,590	76,590	-
Miscellaneous revenues	62,500	79,676	79,676	-
Total Revenues	<u>12,391,567</u>	<u>13,428,423</u>	<u>13,428,423</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	6,479,810	5,847,999	5,847,999	-
Public safety	4,580,650	4,454,313	4,454,313	-
Public works	132,000	91,964	91,964	-
Health and welfare	467,980	484,710	484,710	-
Culture and recreation	185,000	180,000	180,000	-
Education	365,785	339,528	339,528	-
Conservation of natural resources	142,810	144,444	144,444	-
Economic development and assistance	464,500	774,315	774,315	-
Debt service:				
Principal	254,450	215,411	215,411	-
Interest	-	12,602	12,602	-
Total Expenditures	<u>13,072,985</u>	<u>12,545,286</u>	<u>12,545,286</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(681,418)</u>	<u>883,137</u>	<u>883,137</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	71,900	71,900	-
Compensation for loss of capital assets	-	15,654	15,654	-
Transfers out	-	(280,000)	(280,000)	-
Other financing sources	250,000	-	-	-
Other financing uses	(1,708,900)	-	-	-
Total Other Financing Sources and Uses	<u>(1,458,900)</u>	<u>(192,446)</u>	<u>(192,446)</u>	<u>-</u>
Net Change in Fund Balance	(2,140,318)	690,691	690,691	-
Fund Balances - Beginning	<u>2,140,318</u>	<u>9,410,085</u>	<u>9,410,085</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>10,100,776</u>	<u>10,100,776</u>	<u>-</u>

The notes to 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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,879,450	1,974,667	1,974,667	-
Road and bridge privilege taxes	450,000	454,634	454,634	-
Licenses, commissions and other revenue	400	378	378	-
Intergovernmental revenues	597,500	974,497	974,497	-
Interest income	1,000	3,111	3,111	-
Miscellaneous revenues	7,500	86,656	86,656	-
Total Revenues	<u>2,935,850</u>	<u>3,493,943</u>	<u>3,493,943</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	3,257,800	3,578,859	3,578,859	-
Debt service:				
Principal	120,250	114,063	114,063	-
Interest	-	6,179	6,179	-
Total Expenditures	<u>3,378,050</u>	<u>3,699,101</u>	<u>3,699,101</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(442,200)</u>	<u>(205,158)</u>	<u>(205,158)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	54,011	54,011	-
Total Other Financing Sources and Uses	<u>-</u>	<u>54,011</u>	<u>54,011</u>	<u>-</u>
Net Change in Fund Balance	(442,200)	(151,147)	(151,147)	-
Fund Balances - Beginning	<u>442,200</u>	<u>890,356</u>	<u>890,356</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>739,209</u>	<u>739,209</u>	<u>-</u>

The notes to 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, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,767,916	2,903,527	2,903,527	-
Licenses, commissions and other revenue	500	556	556	-
Intergovernmental revenues	4,500	5,681	5,681	-
Interest income	2,000	11,175	11,175	-
Total Revenues	<u>2,774,916</u>	<u>2,920,939</u>	<u>2,920,939</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	3,064,000	1,826,274	1,826,274	-
Debt service:	135,350			
Principal		132,647	132,647	-
Interest		1,187	1,187	-
Total Expenditures	<u>3,199,350</u>	<u>1,960,108</u>	<u>1,960,108</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(424,434)</u>	<u>960,831</u>	<u>960,831</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(180,888)	(180,888)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(180,888)</u>	<u>(180,888)</u>	<u>-</u>
Net Change in Fund Balance	(424,434)	779,943	779,943	-
Fund Balances - Beginning	<u>424,434</u>	<u>1,287,174</u>	<u>1,287,174</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>2,067,117</u>	<u>2,067,117</u>	<u>-</u>

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

OKTIBBEHA COUNTY
Schedule of Funding Progress - Other Post Employment Benefits
September 30, 2017

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)	Unfunded 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
10/1/2016	-	2,619,451	2,619,451	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.

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

OKTIBBEHA COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

		2017	2016	2015
County's proportion of the net pension liability (asset)		0.101017%	0.099183%	0.098177%
County's proportionate share of the net pension liability (asset)	\$	16,792,454	17,716,560	15,176,228
County's covered payroll	\$	6,433,315	6,344,972	6,133,549
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		261.02%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability		61.49%	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 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

The notes to 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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,013,248	1,039,040	972,191
Contributions in relation to the contractually required contribution	<u>1,013,248</u>	<u>1,039,040</u>	<u>972,956</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>(765)</u>
County's covered payroll	\$ 6,433,321	6597077	6,172,641
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

OKTIBBEHA COUNTY
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

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:

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Countywide Bridge and Culvert Fund</u>
Budget (Cash Basis)	\$ 690,691	(151,147)	779,943
Increase (Decrease)			
Net adjustments for revenue accruals	358,424	(619,577)	3,579
Net adjustments for expenditures accruals	(78,267)	636,099	65,826
GAAP Basis	\$ <u>970,848</u>	<u>(134,625)</u>	<u>849,348</u>

OKTIBBEHA COUNTY
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

Pension Schedules

A. Changes of assumptions.

2015

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

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

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

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

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

2016

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

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with scale BB to 2022.

Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

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.

OKTIBBEHA COUNTY
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

C. Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization method	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment Expense, including inflation

OKTIBBEHA COUNTY

OTHER INFORMATION

OKTIBBEHA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

Name	Position	Company	Bond
John 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
Marvell 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 Williams	Supervisor District 5	Traveler's Casualty and Surety Company of America	\$100,000
Emily Garrard	County Administrator	Western Surety	\$100,000
Delois Triplett	Assistant Comptroller	Western Surety	\$ 50,000
Sharon Livingston	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 Denise Collier	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	Former Road Manager	Western Surety	\$ 50,000
Fred Hal Baggett	Road Manager	Western Surety	\$ 50,000
Mitzi Phelps	Constable	Western Surety	\$ 50,000
James E Lindsey	Constable	Traveler's Casualty and Surety Company of America	\$ 50,000
Shank Phelps	Former Constable	Traveler's Casualty and Surety Company of America	\$ 50,000
Curtis Randle	Constable	Traveler's Casualty and Surety Company of America	\$ 50,000
Glen Hamilton	Former Circuit Clerk	Traveler's Casualty and Surety Company of America	\$100,000
Angie McGinnis	Circuit Clerk	Western Surety	\$100,000
Sheryl Elmore	Deputy Circuit Clerk	Western Surety	\$ 50,000
Tina Renee Mullins	Deputy Circuit Clerk	Western Surety	\$ 50,000
Schreese Henry Carter	Deputy Circuit Clerk	Western Surety	\$ 50,000
Melody Monts	Deputy Circuit Clerk	Western Surety	\$ 50,000
Stephen C Gladney	Sheriff	Traveler's Casualty and Surety Company of America	\$100,000
William A Boykin	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
Larnzy L Carpenter	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$ 50,000
Nora Goliday	Justice Court Clerk	Western Surety	\$ 50,000
Tawanda Ware	Deputy 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
Lynn Hampton	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
Julia (Hankins) Nowell	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
Patricia Kornegay	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
Deborah Carrithers	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
Patsy Henderson	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
Keri Lynn Stricklin	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
Sarah W Flake	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000
JoHeen Walker	Deputy Tax Assessor	Traveler's Casualty and Surety Company of America	\$ 50,000

OKTIBBEHA COUNTY

SPECIAL REPORTS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
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Susan M. Lummus, CPA	

**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***

County Administrator and Members of the Board of Supervisors
Oktoberbeha 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 Oktoberbeha County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2019. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oktoberbeha 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 Oktoberbeha 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and-Responses as 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oktoberbeha 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-002.

We also noted certain matters which we have reported to the management of Oktibbeha County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 25, 2019, 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
April 25, 2019

Watkins Ward and Stafford, PLLC



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

County Administrator and 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, 2017. 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.

In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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.

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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
April 25, 2019

Watkins Ward and Stafford, PLLC

OKTIBBEHA COUNTY

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2017

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, 2017

Schedule 2

Our tests did not identify any emergency purchases.

OKTIBBEHA COUNTY

Schedule 3

**Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2017**

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



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

County Administrator and 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, 2017, 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 25, 2019, 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Circuit Clerk.

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

Repeat Finding: Yes

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 former Circuit Clerk did not file the annual financial report for 2017.

Cause Unknown. The former circuit clerk resigned from office during the fiscal year

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 former Circuit Clerk chose not to respond.

Circuit Clerk.

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

Repeat Finding: Yes

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:

- 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-The former circuit clerk resigned from office during the fiscal year.

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 former Circuit Clerk chose not to respond.

Chancery Clerk.

3. The Chancery Clerk should certify levy of county taxes.

Repeat Finding: No

Criteria: Section 27-39-319, Miss. Code Ann. (1972), states that when the board of supervisors shall have made the levy of county taxes by resolution, the clerk of the board shall thereupon immediately certify the same to the State Auditor and tax collector of the county. When a resolution levying ad valorem taxes has been adopted by the board of supervisors, the clerk of the board of supervisors shall certify immediately a copy of such resolution to the State Tax Commission. The clerk shall have the resolution of the board of supervisors printed within two (2) weeks after it is entered on the minutes of the board of supervisors, and he shall furnish any taxpayer upon request with a copy thereof. If a newspaper is published within such county, then such resolution shall be published in its entirety, at least one (1) time, within ten (10) days after its adoption. If no newspaper is published within such county, then a copy of such resolution, in its entirety, shall be posted by such clerk in at least three (3) public places in such county, within ten (10) days after its adoption. The clerk shall be liable on their bond for any damages sustained by his failure to comply with the requirements of this section.

Condition: Upon review of the minutes of the board meetings there was no evidence that the former clerk ever properly certified the 2016-2017 ad valorem tax levy in the minutes of the Board of Supervisors meetings.

Cause: Condition occurred due to death of former Chancery Clerk on September 30, 2017. During the change in elected officials the official tax levy certification was never recorded in the minutes of the Board of Supervisors' meetings.

Effect: Failure to properly certify the ad valorem tax levy is a violation of state law.

Recommendation: The Chancery Clerk should ensure that the ad valorem tax levy is properly certified and spread upon the Board of Supervisors minutes.

Chancery Clerk's Response: We will ensure that the ad valorem tax levy is properly certified and spread upon the Board of Supervisors minutes.

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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
April 25, 2019

Watkins Ward and Stafford, PLLC

OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OKTIBBEHA COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2017

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' 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
Countywide Road and Bridge Construction Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified?	None Reported

3. Noncompliance material to financial statements noted?	Yes
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Section II: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. Component unit should be included in County's financial statements.

Repeat Finding Yes; 2016-001

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 nine 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.

Board of Supervisors.

Material Weakness

Material Non-compliance

2017-002. Controls over compliance with bond covenants should be strengthened

Repeat Finding Yes; 2016-002

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 four years' audit reports, \$1,278,712 remained in the Oktibbeha County Hospital Construction Fund and had not been expended for hospital construction projects as of September 30, 2017. 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.