

PRELIMINARY OFFICIAL STATEMENT
Dated July 19, 2018

ONE NEW ISSUE/BOOK-ENTRY-ONLY

RATING: S&P Insured Rating: “AA”
Underlying Rating: “A+”
(See “RATING” herein)

In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions and assuming the accuracy of certain representations and continuous compliance with certain covenants described herein, interest on the Series 2018A Bonds (defined below) is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2018A Bonds, and such interest is not a specific preference item for purposes of the federal alternative minimum tax except that, for tax years beginning before January 1, 2018, such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the federal alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that under and pursuant to the Act (as hereinafter defined), the Series 2018A Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi. See “TAX MATTERS” herein for a description of certain other federal tax consequences of ownership of the Series 2018A Bonds.

\$9,855,000*

OKTIBBEHA COUNTY, MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2018A

Dated: Date of Delivery

Due: November 1 as shown on the inside front cover

Interest on the \$9,855,000* Oktibbeha County, Mississippi General Obligation Refunding Bonds, Series 2018A (the “Series 2018A Bonds”) will be payable on May 1 and November 1 of each year, commencing November 1, 2018. The Board of Supervisors of Oktibbeha County, Mississippi (the “County”) has designated Regions Bank, Little Rock, Arkansas, to serve as paying agent, transfer agent and registrar of the Series 2018A Bonds (in such capacity, the “Paying Agent”). The Series 2018A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof and registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2018A Bonds under a book-entry-only system, as described herein. So long as the Series 2018A Bonds are held in book-entry form, Beneficial Owners (as hereafter defined) of Series 2018A Bonds will not receive physical delivery of bond certificates.

The principal of, and interest on, the Series 2018A Bonds will be payable by the Paying Agent to DTC, which will in turn remit such principal and interest to its Direct Participants (as hereafter defined) and Indirect Participants (as hereafter defined), which will in turn remit such principal, and interest to the Beneficial Owners of the Series 2018A Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date. See “DESCRIPTION OF THE SERIES 2018A BONDS – Book-Entry-Only System” herein.

The Series 2018A Bonds are general obligations of the County for which the full faith, credit and resources of the County are pledged and additionally secured by the net revenues of the Oktibbeha County Hospital d/b/a OCH Regional Medical Center.

The Series 2018A Bonds are subject to optional redemption prior to maturity, as provided herein, and may be subject to mandatory sinking fund redemption, as provided herein.

The Series 2018A Bonds have been designated by the County as “qualified tax exempt obligations” for purposes of Section 265(b)(3)(c) of the Internal Revenue Code of 1986, as amended from time to time.

The scheduled payment of principal of and interest on the Series 2018A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2018A Bonds by Assured Guaranty Municipal Corp. See “Bond Insurance.”



The Series 2018A Bonds are offered subject to the final approving opinion of Butler Snow LLP, Gulfport, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the County by its counsel, Rob Robertson, Starkville, Mississippi. Government Consultants, Inc., Madison, Mississippi, serves as the Independent Registered Municipal Advisor to the County in connection with the sale and issuance of the Series 2018A Bonds. It is expected that the Series 2018A Bonds will be available for delivery in definitive form on or about August 29, 2018.*

Raymond James

Dated: _____, 2018

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is deemed final by the issuer of these securities within the meaning of Rule 15(c)(2)-12 of the Securities Exchange Act of 1934 for the purposes of such rule.

\$9,855,000*
OKTIBBEHA COUNTY, MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2018A

| MATURITY SCHEDULE* | | | | |
|-------------------------------------|------------------------------|--------------------------|--------------|--------------------------|
| Year* (November 1) | Principal Amount* | Interest Rate | Yield | CUSIP¹ |
| 2018 | \$ 110,000 | __% | __% | 679301__ |
| 2024 | 875,000 | __% | __% | 679301__ |
| 2025 | 925,000 | __% | __% | 679301__ |
| 2026 | 970,000 | __% | __% | 679301__ |
| 2027 | 1,010,000 | __% | __% | 679301__ |
| 2028 | 1,070,000 | __% | __% | 679301__ |
| 2029 | 1,125,000 | __% | __% | 679301__ |
| 2030 | 1,195,000 | __% | __% | 679301__ |
| 2031 | 1,255,000 | __% | __% | 679301__ |
| 2032 | 1,320,000 | __% | __% | 679301__ |

* Preliminary, subject to change.

¹ The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Series 2018A Bonds only. The County and the Underwriter shown on the cover hereof do not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Series 2018A Bonds as a result of various subsequent actions, including but not limited to a refunding in whole or in part of the Series 2018A Bonds.

OKTIBBEHA COUNTY, MISSISSIPPI

BOARD OF SUPERVISORS

John P. Montgomery, *District 1*

Orlando L. Trainer, *District 2*

Marvell Howard, *District 3*

Bricklee Miller, *District 4*

Joe L. Williams, *District 5*

CHANCERY CLERK

Sharon Livingston

COUNTY ADMINISTRATOR

Emily Garrard

COUNSEL TO COUNTY

Rob Robertson

Starkville, Mississippi

FINANCIAL ADVISOR TO COUNTY

Government Consultants, Inc.

Madison, Mississippi

BOND COUNSEL

Butler Snow LLP

Gulfport, Mississippi

OFFICIAL STATEMENT

THE OFFERING

\$9,855,000*
OKTIBBEHA COUNTY, MISSISSIPPI
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2018A

| | |
|-------------------------------|---|
| The Issuer | Oktibbeha County, Mississippi (the "County"). |
| Issue and Date | \$9,855,000* Oktibbeha County, Mississippi General Obligation Refunding Bonds, Series 2018A, dated the date of their delivery (the "Series 2018A Bonds"). |
| Authority | Sections 31-27-1 <i>et seq.</i> , Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"). |
| Use of Proceeds | The Series 2018A Bonds are being issued under the Act for the purpose of (a) currently refunding and defeasing a portion of the Mississippi Development Bank Special Obligation Bonds, Series 2009 (Oktibbeha County, Mississippi General Obligation bond Project), dated October 14, 2009 and the corresponding County's outstanding \$21,000,000 (original principal amount) General Obligation Bonds, Series 2009, dated October 14, 2009, and (b) paying the costs incident to the sale and issuance of the Series 2018A Bonds, as authorized by the Act (see "PLAN OF REFUNDING," herein). |
| Amounts and Maturities | The Series 2018A Bonds will mature on November 1 in the years and amounts as set forth on the inside cover page hereof. |
| Interest Payment Dates | May 1 and November 1 of each year, commencing November 1, 2018. |
| Redemption Provisions | The Series 2018A Bonds will be subject to optional redemption prior to their stated dates of maturity, and may be subject to mandatory sinking fund redemption (see "DESCRIPTION OF THE SERIES 2018A BONDS - Redemption Provisions," herein). |
| Security for Payment | Pursuant to the Act, the Series 2018A Bonds shall be general obligations of the County and shall be secured by a pledge of the full faith, credit and resources of the County and additionally secured by the net revenues of the Oktibbeha County Hospital d/b/a OCH Regional Medical Center (see "DESCRIPTION OF THE SERIES 2018A BONDS - Security", herein). |
| Tax Exemption | In the opinion of Bond Counsel, assuming compliance by the County with certain tax covenants, interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum tax except that, for tax years beginning before January 1, 2018, such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the federal alternative minimum taxable income of corporations. See "TAX EXEMPTION" herein for a description of certain other federal tax consequences of ownership of the Series 2018A Bonds. Bond Counsel is further of the opinion that under and pursuant to the Act, the Series 2018A Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi. |

The above information is qualified in its entirety by the detailed information concerning the Series 2018A Bonds, the County and the financial information appearing elsewhere in this Official Statement, including the Appendices.

* Preliminary, subject to change.

NO DEALER, BROKER, SALES REPRESENTATIVE OR OTHER PERSON HAS BEEN AUTHORIZED BY OKTIBBEHA COUNTY, MISSISSIPPI (THE "COUNTY") TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2018A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE COUNTY, DTC AND FROM OTHER SOURCES WHICH ARE BELIEVED RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY THE UNDERWRITER SHOWN ON THE COVER HEREOF OR THE COUNTY. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE SERIES 2018A BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE SINCE THE DATE HEREOF IN THE MATTERS WHICH ARE MATERIAL TO THE FULL AND PUNCTUAL PAYMENT OF DEBT SERVICE ON THE SERIES 2018A BONDS.

UPON ISSUANCE, THE SERIES 2018A BONDS WILL NOT BE REGISTERED BY THE COUNTY UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY, OTHER THAN THE COUNTY (TO THE EXTENT DESCRIBED HEREIN), WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE SERIES 2018A BONDS FOR SALE.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

ASSURED GUARANTY MUNICIPAL CORP. (THE "BOND INSURER") MAKES NO REPRESENTATION REGARDING THE SERIES 2018A BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2018A BONDS. IN ADDITION, THE BOND INSURER HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HERIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING THE BOND INSURER SUPPLIED BY THE BOND INSURER AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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OFFICIAL STATEMENT

\$9,855,000*

OKTIBBEHA COUNTY, MISSISSIPPI GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover pages and the Appendices hereto, is to set forth certain information concerning Oktibbeha County, Mississippi (the "County") and the County's \$9,855,000* General Obligation Refunding Bonds, Series 2018A (the "Series 2018A Bonds").

Reference is made to the Act (as hereafter defined), the Resolution (as hereafter defined) and any and all modifications and amendments thereof for a description of the nature and extent of the security of the Series 2018A Bonds, the pledge of tax revenues for the payment of the principal of and interest on the Series 2018A Bonds, the nature and extent of said pledge and the terms and conditions under which the Series 2018A Bonds are issued.

DESCRIPTION OF THE SERIES 2018A BONDS

The Series 2018A Bonds are being issued pursuant to the provisions of Sections 31-27-1 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time (the "Act"), and a resolution adopted by the Board of Supervisors (the "Board of Supervisors") of the County on June 18, 2018 (the "Resolution"). The Series 2018A Bonds are being issued for the purpose of (a) currently refunding and defeasing a portion of the \$21,000,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2009 (Oktibbeha County, Mississippi General Obligation bond Project), dated October 14, 2009 and the corresponding County's outstanding \$21,000,000 (original principal amount) General Obligation Bonds, Series 2009, dated October 14, 2009 (collectively, the "2009 Bonds") and (b) paying the costs incident to the sale and issuance of the Series 2018A Bonds, as authorized by the Act (see "PLAN OF REFUNDING," herein).

The County intends to issue its General Obligation Refunding Bonds, Series 2018B (the "Series 2018B Bonds") in order to currently refund a portion of the remaining 2009 Bonds, not currently refunded by the Series 2018A Bonds.

The Series 2018A Bonds will be general obligations of the County and the full faith, credit and resources of the County are pledged to secure the payment of the principal of and interest on the Series 2018A Bonds. Additionally, the payment of principal and interest on the Series 2018A Bonds is additionally secured by the net revenues of the Hospital, which such pledge is subordinate to the Hospital's net revenue pledge on the County's (i) \$8,600,000 (original aggregate principal amount) Limited Tax and Hospital Revenue Refunding Bonds, Series 2013, dated May 30, 2013 and (ii) \$3,515,000 Limited Tax and Hospital Revenue Refunding Bonds, Series 2014, dated January 22, 2014 (see "DESCRIPTION OF THE SERIES 2018A BONDS - Security" herein).

The Series 2018A Bonds will be dated the date of their delivery, and will be issued as fully registered bonds in denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof, bearing interest at the rates per annum set forth on the inside cover page hereof, payable on May 1 and November 1 of each year, commencing on November 1, 2018. The County has designated Regions Bank, Little Rock, Arkansas, to serve as paying agent, transfer agent and registrar of the Series 2018A Bonds (in such capacity, the "Paying Agent"). Interest will be payable by check or draft of the Paying Agent made payable to the registered owners of the Series 2018A Bonds named in, and mailed to the addresses appearing on, the registration records of the County kept and maintained by the Paying Agent as of the close of business on the date which shall be the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each interest payment date.

* Preliminary, subject to change.

The Series 2018A Bonds will mature on November 1 in the years and in the amounts set forth on the inside cover page hereof.

The Series 2018A Bonds will initially be held in a book-entry-only system administered by The Depository Trust Company, New York, New York (“DTC”). Principal of and interest on the Series 2018A Bonds held in book-entry form shall be payable as described herein under the heading “DESCRIPTION OF THE SERIES 2018A BONDS - Book-Entry-Only System.”

As long as the Series 2018A Bonds are held in a book-entry-only system, the principal of and interest on, the Series 2018A Bonds will be payable by the Paying Agent to DTC, which will in turn remit such principal and interest to its Direct Participants and Indirect Participants, as described herein, which will in turn remit such principal and interest to the Beneficial Owners, as described herein, of the Series 2018A Bonds. If the date for payment is not a business day, then the payment shall be made on the next succeeding business day with the same force and effect as if made on the payment date.

Redemption Provisions

Optional Redemption. The Series 2018A Bonds maturing on and after November 1, 2029, will be subject to redemption prior to their respective maturities, at the option of the County, on and after November 1, 2028, either in whole or in part on any date, as selected by the County among maturities, and by lot within each maturity, at the principal amount thereof, together with accrued interest to the date fixed for redemption and without premium.

Mandatory Sinking Fund Redemption. The Series 2018A Bonds maturing November 1, 20___, are subject to mandatory sinking fund redemption, in part, by lot, on November 1, in each of the years set forth below, at one hundred percent (100%) of the principal amount so redeemed or paid, plus accrued interest as set forth below:

\$ _____
Term Bond Maturing November 1, 20__

| Year | Principal Amount |
|-------------|-------------------------|
|-------------|-------------------------|

*

* Final Maturity

Notice. Notice of such call for redemption shall be mailed, postage prepaid, not less than 30 days prior to the redemption date, to all registered owners of the Series 2018A Bonds to be redeemed at their addresses on the registration records of the County maintained by the Paying Agent.

Ownership

The County, the Paying Agent, and any other person may treat the person in whose name any Series 2018A Bond is registered as the absolute owner of such Series 2018A Bond for the purpose of making payment of the principal thereof and premium, if any, thereon, and for the further purpose of making payment of the interest thereon, and for all other purposes, whether or not such Series 2018A Bond is overdue. Neither the County nor the Paying Agent shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Series 2018A Bond in accordance with the Resolution shall be valid and effective and shall discharge the liability of the County and the Paying Agent for such Series 2018A Bond to the extent of the sums paid.

Registration

For so long as DTC acts as securities depository for the Series 2018A Bonds, the registration and transfer of ownership interests in Series 2018A Bonds shall be accomplished by book entries made by DTC and the Direct

Participants and, where appropriate, the Indirect Participants, as described herein under the heading “DESCRIPTION OF THE SERIES 2018A BONDS - Book-Entry-Only System.”

Book-Entry-Only System

The County has determined that it will be beneficial to have the Series 2018A Bonds held by a central depository system and to have transfers of the Series 2018A Bonds affected by book-entry on the records of DTC as such central depository system. Unless and until the book-entry-only system has been discontinued, the Series 2018A Bonds will be available only in book-entry form in principal amounts of \$5,000 or any integral multiple thereof. DTC will initially act as securities depository for the Series 2018A Bonds. The Series 2018A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One fully-registered Series 2018A Bond will be issued for each maturity of the Series 2018A Bonds, and will be deposited with or as otherwise directed by DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York banking law, a “banking organization” within the meaning of the New York banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2018A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018A Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2018A Bonds, except in the event that use of the book-entry system for the Series 2018A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018A Bonds may wish to take certain steps to augment the transmission to them of

notices of significant events with respect to the Series 2018A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2018A Bond documents. For example, Beneficial Owners of Series 2018A Bonds may wish to ascertain that the nominee holding the Series 2018A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2018A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2018A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the County or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2018A Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2018A Bonds in definitive form will be printed and delivered.

THE COUNTY AND THE UNDERWRITER (AS DEFINED HEREIN) CANNOT AND DO NOT GIVE ANY ASSURANCE THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2018A BONDS (a) PAYMENTS OF PRINCIPAL OR INTEREST ON THE SERIES 2018A BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2018A BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2018A BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

THE COUNTY AND THE UNDERWRITER WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (a) THE SERIES 2018A BONDS; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF AND INTEREST ON THE SERIES 2018A BONDS; (d) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTIONS TO BE GIVEN TO HOLDERS OF THE SERIES 2018A BONDS; OR (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE SERIES 2018A BONDS.

Security

The Series 2018A Bonds will be general obligations of the County. Pursuant to the terms of the Resolution, the full faith, credit and resources of the County are irrevocably pledged to secure the payment of the principal of and interest on the Series 2018A Bonds, which are payable out of and secured by the avails of a direct and continuing ad valorem tax to be levied annually without limitation as to rate or amount upon all taxable property within the geographical limits of the County. The County, when necessary, will levy annually a special tax upon all taxable property within the geographical limits of the County adequate and sufficient to provide for the payment of principal of and interest on the Series 2018A Bonds as the same falls due.

Additionally, the payment of principal and interest on the Series 2018A Bonds is additionally secured by the net revenues of the Hospital, which such pledge is subordinate to the Hospital's net revenue pledge on the County's (i) \$8,600,000 (original aggregate principal amount) Limited Tax and Hospital Revenue Refunding Bonds, Series 2013, dated May 30, 2013 and (ii) \$3,515,000 Limited Tax and Hospital Revenue Refunding Bonds, Series 2014, dated January 22, 2014. The County's tax levy for any year shall be abated pro tanto to the extent the County on or prior to September 1 of that year has transferred monies to the 2018 Bond Fund for the Series 2018A Bonds, deposited monies received from the Hospital to the 2018 Bond Fund, or has made other provisions for funds to be applied toward the payment of the principal of and interest on the Series 2018A Bonds due during the ensuing fiscal year of the County, in accordance with the provisions of the Bond Resolution.

The qualified electors of the State of Mississippi (the "State") voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 (the "Constitution") to add the following new Section 172A (the "Amendment").

SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the underlying obligation of the County to pay the principal of and interest on the Series 2018A Bonds as they mature and become due nor does the Amendment affect the County's obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect a holder's remedies in the event of a payment default, the Amendment potentially prevents a holder from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Series 2018A Bonds in a court of the State. It is not certain whether the Amendment would affect the right of a federal court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to bondholders in the event of a payment default with respect to the Series 2018A Bonds.

Bankruptcy

The County is a "Municipality" as that term is defined in Title 11 of the United States Code (the "Bankruptcy Code"). Section 109(c) of the Bankruptcy Code prescribes the conditions and circumstances under which a Municipality may file a petition for relief under the Bankruptcy Code. As a debtor, a Municipality may only file for relief pursuant to Chapter 9 of the Bankruptcy Code ("Chapter 9"). Pursuant to Section 303(a) of the Bankruptcy Code, no creditor or judgment holder of a Municipality may file a Chapter 9 petition on behalf of a Municipality.

Pursuant to Section 109(c)(2) of the Bankruptcy Code, before a Municipality may file a petition under Chapter 9 of the Bankruptcy Code, a Municipality must be specifically authorized by (a) state law or (b) a governmental officer or organization empowered to authorize such a filing. Accordingly, before a Municipality in the State may file for Chapter 9 protection, it must have specific authority granted to it. Currently, there is no State statute that prescribes, authorizes or otherwise contains authorization for any Municipality to file for Chapter 9 protection, or delegates such authority to a governmental officer or organization. As such, in order for a Municipality of the State, including the County, to file for Chapter 9 relief, the Municipality must obtain specific authority from the State Legislature.

The State Legislature is comprised of the Senate and the House of Representatives. The Senate is composed of 52 members, and the House of Representatives consists of 122 members. Each member of each

chamber is elected to a four-year term. In the State, the Legislature convenes annually on the first Tuesday after the first Monday each January. Regular sessions of the State Legislature last 90 days in all years of an administration except for the first session after a new governor has been elected, when a 125-day session is held.

In order to obtain specific authority from the State Legislature to file for relief pursuant to Chapter 9, a Municipality would have to request both houses of the State Legislature during the annual session of the State Legislature or a special session of the State Legislature called for such purposes to approve a bill authorizing the Municipality to file for relief pursuant to Chapter 9 and such bill would have to be signed into law by the Governor of the State. There is no appeal process or any other proceeding under current State law that the Municipality may pursue if such requested specific authority is not granted by the State Legislature.

PLAN OF REFUNDING*

The Series 2018A Bonds are being issued under and pursuant to the Act and the Resolution for the purpose of (a) currently refunding and defeasing the 2009 Bonds described below (collectively, the “Refunded Bonds”), and (b) paying certain costs incident to the sale and issuance of the Series 2018A Bonds.

***\$21,000,000 (original principal amount) Mississippi Development Bank Special Obligation Bonds, Series 2009 (Oktibbeha County, Mississippi General Obligation Bonds Project) Series 2009, dated October 14, 2009
2009 Trustee: Regions Bank***

| Maturity Date* | Interest Rate | Principal Amount* | Redemption Date | Redemption Price |
|-----------------------|----------------------|--------------------------|------------------------|-------------------------|
| November 1, 2024 | 3.375% | \$ 885,000 | November 1, 2018 | 100% |
| November 1, 2025 | 3.500 | 935,000 | November 1, 2018 | 100 |
| November 1, 2026 | 3.500 | 985,000 | November 1, 2018 | 100 |
| November 1, 2027 | 3.600 | 1,035,000 | November 1, 2018 | 100 |
| November 1, 2028 | 3.625 | 1,095,000 | November 1, 2018 | 100 |
| November 1, 2029 | 3.750 | 1,150,000 | November 1, 2018 | 100 |
| November 1, 2030 | 4.000 | 1,215,000 | November 1, 2018 | 100 |
| November 1, 2031 | 4.000 | 1,280,000 | November 1, 2018 | 100 |
| November 1, 2032 | 4.000 | 1,345,000 | November 1, 2018 | 100 |
| Total: | | \$9,925,000 | | |

In order to effect the current refunding and defeasance of the Refunded Bonds in accordance with the Resolution, a portion of the proceeds of the Series 2018A Bonds will be deposited in an irrevocable trust fund (the “Escrow Account”) to be created pursuant to an Escrow Trust Agreement to be dated as of the date of delivery thereof (the “Escrow Agreement”) by and between the County and Regions Bank, Birmingham, Alabama, as escrow agent thereunder (in such capacity, the “Escrow Agent”). The Escrow Agent shall invest moneys on deposit in the Escrow Account in United States Treasury Securities – State and Local Government Series (the “Investment Securities”). The calculation of the adequacy of the maturing principal and interest payments from the Investment Securities to pay the principal of and interest on the Refunded Bonds when due will be verified by The Arbitrage Group, Inc. (see “VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS,” herein). Neither the principal of nor the interest on the Investment Securities will be available for payment of the Series 2018A Bonds. A portion of the proceeds of the Series 2018A Bonds will be deposited in an irrevocable trust fund (the “Cost of Issuance Account”) to be created pursuant to the Escrow Agreement and will be used by the Escrow Agent, for and on behalf of the County, to pay the costs incident to the sale and issuance of the Series 2018A Bonds.

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* Preliminary, subject to change

EXPECTED APPLICATION OF THE PROCEEDS OF THE SERIES 2018A BONDS

The following is a summary of the expected sources and uses of the Series 2018A Bonds:

SOURCES OF FUNDS

| | |
|---|----------|
| Par Amount of Series 2018A Bonds | \$ _____ |
| Less/Plus Net Original Issue Discount/Premium | _____ |
| Total Sources of Funds | \$ _____ |

USES OF FUNDS

| | |
|--|----------|
| For deposit to the Escrow Account | \$ _____ |
| For deposit to the Cost of Issuance Account ¹ | _____ |
| For Underwriter's Discount | _____ |
| Total Uses of Funds | \$ _____ |

**ANNUAL DEBT SERVICE REQUIREMENTS
ON THE SERIES 2018A BONDS**

| Fiscal Year Ending September 30 | Principal | Interest | Total |
|--|------------------|-----------------|--------------|
| 2019 | \$ | \$ | \$ |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| TOTAL | | | |

THE COUNTY

General Description

The County was organized in 1833 and is located in the northeastern prairie soil area of the State. The County seat is Starkville, Mississippi. The County is located approximately 125 miles northeast of Jackson, Mississippi, 165 miles southeast of Memphis, Tennessee and 286 miles northeast of New Orleans, Louisiana.

¹ Costs of Issuance include, but are not limited to, legal fees and expenses, bond insurance premium, financial advisory fees and expenses and rating agency fees.

Population

The population of the County has been recorded as follows:

| 1990 | 2000 | 2010 | 2017 Estimate |
|--------|--------|--------|---------------|
| 38,484 | 42,902 | 47,671 | 49,799 |

SOURCE: Census Data at website: www.census.gov; U.S. Census Bureau, Population Division, Release Date March 2018; website information July 2018.

Government

The County is governed by a five member Board of Supervisors, each of whom is elected from a separate district or “beat,” to concurrent four-year terms. Current members of the Board of Supervisors are:

| Name and Title | Occupation | Beginning of Current Term | End of Current Term |
|----------------------|-----------------------|---------------------------|---------------------|
| John Montgomery, Jr. | District 1 Supervisor | 2016 | 2020 |
| Orlando Trainer | District 2 Supervisor | 2016 | 2020 |
| Marvel Howard | District 3 Supervisor | 2016 | 2020 |
| Bricklee Miller | District 4 Supervisor | 2016 | 2020 |
| Joe Williams | District 5 Supervisor | 2016 | 2020 |

The Board of Supervisors prepares the budget, levies such taxes on County property as may be needed to meet the budget, authorizes bond issues and regulates construction and maintenance of County roads, bridges and buildings.

Educational Facilities

The Starkville/Oktibbeha County Consolidated School District (the “District”) serves the entire area of the County.

The District operates eight (8) schools, and three (3) education centers, and employs approximately 800 people. Enrollment for the District for the current year and the four prior years are as follows:

| Scholastic Year | County District Enrollment |
|-----------------|----------------------------|
| 2017-18 | 5,117 |
| 2016-17 | 5,175 |
| 2015-16 | 5,152 |
| 2014-15 | 810 |
| 2013-14 | 856 ² |

SOURCE: Oktibbeha County School District and Office of Research and Statistics, Mississippi Department of Education's website: <http://orshome.mde.k12.ms.us/maars/>; information available as of July 2018.

² Pursuant to Regular Session Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013 the Oktibbeha County School District and the Starkville School District were consolidated and formed the Starkville-Oktibbeha Consolidated School District. The prior enrollment figures reflect enrollment data for only the Oktibbeha County School District.

Per Capita Income

The following represents per capita income annually from 2011 to 2016 for the County and for non-metropolitan portions of the State and the United States of America:

| Year | County | Mississippi | United States | County as % of U.S. |
|------|----------|-------------|---------------|---------------------|
| 2016 | \$31,408 | \$35,484 | \$49,246 | 64% |
| 2015 | 30,484 | 34,757 | 48,451 | 63 |
| 2014 | 29,838 | 34,213 | 46,494 | 64 |
| 2013 | 29,033 | 33,327 | 44,493 | 65 |
| 2012 | 28,861 | 32,920 | 44,282 | 65 |

SOURCE: Bureau of Economic Analysis, *Regional Economic Accounts – Per Capita Personal Income*, at www.bea.gov, 2012-2016, data updated as of November 2017; July 2018.

Retail Sales

| State Fiscal Year Ended June 30 | Amount of Sales |
|---------------------------------|-----------------|
| 2017 | \$740,610,467 |
| 2016 | 793,499,323 |
| 2015 | 719,169,505 |
| 2014 | 654,401,207 |
| 2013 | 605,567,774 |

SOURCE: Annual Reports for years shown, Mississippi Department of Revenue at www.dor.ms.gov; July, 2018.

Major Employers

The following is a partial listing of the County's major employers, their products or services and their approximate number of employees:

| Employer | Employees | Product/Service |
|--|-----------|--|
| Mississippi State University | 4,000 | Education |
| Starkville Public Schools | 800 | Education |
| Clientlogic | 625 | Information technology services |
| Oktibbeha County Hospital | 600 | Healthcare |
| Coca-Cola Bottling Co | 500 | Sales & Distribution |
| Wal-Mart | 740 | Retail |
| College Veterinary Medicine | 400 | Education |
| Flexsteel Industries Inc. | 341 | Furniture & related product manufacturer |
| Animal Health Ctr College | 300 | Veterinary services |
| Flexsteel Commercial Seating | 296 | Furniture manufacturer |
| City of Starkville | 250 | City government |
| Garan Inc. | 250 | Clothing manufacturer |
| Southwire Co. | 240 | Cable manufacturer |
| Golden Triangle Planning & Development | 200 | Senior citizens service |

SOURCE: Office of the County Chancery Clerk; July 2018.

County Unemployment Statistics

| Year | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Annual Average |
|------|------|------|------|------|-----|------|------|------|------|------|------|------|-------------------|
| 2013 | 9.9 | 8.0 | 7.4 | 6.9 | 8.2 | 10.1 | 9.5 | 8.3 | 7.3 | 7.3 | 6.6 | 7.2 | 8.0% |
| 2014 | 8.8 | 7.4 | 7.3 | 6.3 | 7.5 | 9.4 | 8.7 | 7.1 | 6.4 | 6.1 | 5.5 | 6.2 | 7.2% |
| 2015 | 7.5 | 5.9 | 5.4 | 5.1 | 6.5 | 7.9 | 7.3 | 5.9 | 5.6 | 5.4 | 5.2 | 6.2 | 6.1% |
| 2016 | 6.3 | 5.1 | 4.9 | 4.5 | 5.7 | 7.6 | 6.6 | 5.4 | 5.3 | 5.1 | 4.4 | 5.2 | 5.5% |
| 2017 | 5.9 | 3.8 | 4.2 | 3.9 | 5.3 | 7.1 | 6.5 | 5.0 | 4.3 | 4.0 | 4.0 | 4.1 | 4.8% |
| 2018 | 4.5 | 4.0 | 3.9 | 4.0 | 5.0 | | | | | | | | 4.3% ³ |

SOURCE: *Annual Labor Force Report*, Labor Market Information Department, Mississippi Employment Security Commission at www.mdes.ms.gov, July 2018.

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³ Annual Average through May 2018.

County Employment Statistics

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 ⁴ |
|--|---------------|---------------|---------------|---------------|---------------|-------------------|
| RESIDENCE BASED EMPLOYMENT | | | | | | |
| I. Civilian Labor Force | 22,170 | 22,060 | 22,600 | 23,000 | 22,880 | 22,950 |
| II. Unemployed | 1,780 | 1,590 | 1,380 | 1,260 | 1,110 | 980 |
| Rate | 8.0 | 7.2 | 6.1 | 5.5 | 4.9 | 4.3 |
| III. Employed | 20,390 | 20,470 | 21,220 | 21,740 | 21,770 | 21,740 |
| ESTABLISHMENT BASED EMPLOYMENT | | | | | | |
| I. Manufacturing | 1,420 | 1,500 | 1,620 | 1,660 | 1600 | 1630 |
| II. Non-manufacturing | 19,830 | 20,290 | 20,410 | 20,600 | 20,900 | 21,170 |
| A. Agriculture, Forestry, Fishing & Hunting | 40 | 40 | 30 | 30 | 40 | 30 |
| B. Mining | 0 | 0 | 0 | 0 | 0 | 0 |
| C. Utilities | 20 | 20 | 20 | 20 | 40 | 40 |
| D. Construction | 380 | 390 | 430 | 430 | 530 | 520 |
| E. Wholesale Trade | 350 | 420 | 410 | 400 | 420 | 420 |
| F. Retail Trade | 1,950 | 2,040 | 2,160 | 2,250 | 2,230 | 2,200 |
| G. Transportation & Warehousing | 60 | 40 | 40 | 60 | 30 | 40 |
| H. Information | 180 | 180 | 190 | 200 | 180 | 180 |
| I. Finance & Insurance | 280 | 290 | 290 | 300 | 340 | 340 |
| J. Real Estate, Rental & Leasing | 280 | 290 | 270 | 280 | 340 | 350 |
| K. Prof., Scientific & Technical Service | 430 | 430 | 450 | 450 | 460 | 490 |
| L. Management of Companies & Entertainment | 160 | 140 | 140 | 130 | 70 | 70 |
| M. Administrative Support & Waste Management | 1,160 | 1,130 | 1,060 | 1,060 | 1,110 | 1,050 |
| N. Educational Services | 160 | 160 | 170 | 170 | 160 | 160 |
| O. Health Care & Social Assistance | 1,450 | 1,530 | 1,420 | 1,430 | 1,610 | 1,680 |
| P. Arts, Entertainment & Recreation | 270 | 350 | 290 | 360 | 250 | 180 |
| Q. Accommodation & Food Service | 2,730 | 2,820 | 3,080 | 3,170 | 3,210 | 3,230 |
| R. Other Services (except Public Administration) | 230 | 250 | 240 | 240 | 270 | 280 |
| S. Government | 9,700 | 9,770 | 9,720 | 9,620 | 9,610 | 9,910 |
| Education | 7,640 | 7,740 | 7,680 | 7,560 | 7,560 | 7,860 |
| TOTAL EMPLOYMENT | 21,250 | 21,790 | 22,030 | 22,260 | 22,500 | 22,800 |

SOURCE: Mississippi Department of Employment Security: Annual Averages: Labor Force and Establishment Based Employment 2011 Forward, Labor Market Information Department at website: www.mdes.ms.gov; last revised 4/10/2018, available as of July 018.

TAX INFORMATION

Description of County Taxes

Procedure for Property Assessments. Real and personal property valuations other than motor vehicles and property owned by public utilities are determined by the County Tax Assessor. All taxable real property

⁴ Annual Average through May 2018.

situated in the County is assessed each year and taxes thereon paid for the ensuing year. Assessment rolls of such property subject to taxation are prepared by the County Tax Assessor and are delivered to the Board of Supervisors on the first Monday in July. Thereafter, the assessments are equalized by the Board of Supervisors and notice is given to the taxpayers that the Board of Supervisors will meet to hear objections to the assessments. After objections are heard, the Board of Supervisors adjusts the rolls and submits them to the Department of Revenue of the State (the "Department of Revenue"). The Department of Revenue may then accept the rolls, or, if it finds the rolls incorrect in any valuation, it may return the rolls to the Board of Supervisors for correction. The Board of Supervisors then revises the tax rolls in accordance with the recommendations of the Department of Revenue. If the Board of Supervisors has any objections to the direction of the Department of Revenue to revise the rolls, it may arrange a hearing before the Department of Revenue. Otherwise, the assessment rolls are finalized and are submitted to the County Tax Collector for collection. The assessed value of motor vehicles is determined by an assessment schedule prepared each year by the Department of Revenue. With minor exceptions, the property of public utilities is assessed each year by the Department of Revenue.

Procedure for Tax Collections. The Board of Supervisors is required each year to levy taxes upon all of the taxable property within the County to provide sufficient revenue to cover the operating expenses of the County, including the payment of the principal of and interest on its outstanding bonds. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes will bear interest at the rate of one percent per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real and personal property is subject to being sold at public sale for nonpayment of taxes.

Ad valorem taxes on personal property are payable at the same time and in the same manner as on real property. Section 27-41-15, Mississippi Code of 1972, as amended and supplemented from time to time, provides that upon failure of a taxpayer to make timely payment, the tax collector of each county is authorized to sell any personal property liable for unpaid taxes at the courthouse door of such county unless the property is too cumbersome to be removed. Five days' notice of the sale in an advertisement posted in three public places in such county, one of which must be the courthouse, is required. Interest, fees, costs and expenses of sale are recoverable in addition to the delinquent taxes. If sufficient personal property cannot be found, the tax collector may make a list of debts due such taxpayer by other persons and sell such debts and is further directed to distrain and sell sufficient other properties of such taxpayer to pay the delinquent taxes. Debts sold may be redeemed within six months from the sale in the same manner as redemption of land from tax sales.

Section 27-41-55, Mississippi Code of 1972, as amended and supplemented from time to time, provides that after the fifth day of August in each year, the tax collector for each county shall advertise and sell all land in such county on which all taxes due and in arrears have not been paid, as well as all land liable for other matured taxes. The sale is held at the door of the courthouse of such county on the last Monday of August. The owner, or any person interested in the land sold for taxes, may redeem the land at any time within two years after the date of sale by paying all taxes, costs, interest and damages due to the county's chancery clerk. A valid tax sale will mature two years after the date of sale unless the land is redeemed and title will vest in the purchaser on such date.

At the option of the tax collector, advertisement for the sale of such county lands may be made after the fifteenth day of February in each year with the sale of such lands to be held on the first Monday of April following. All provisions which relate to the tax sale held in August of each year shall apply to the tax sale if held in April.

County and municipal taxes, assessed upon land or personal property, are entitled to preference over all judgments, executions, encumbrances or liens however created.

Assessed Valuation¹

| Assessment Year | Real Property | Personal Property | Public Utility Property | Total |
|-----------------|---------------|-------------------|-------------------------|-------------|
| 2017 | 301,783,605 | 88,642,835 | 6,361,424 | 396,787,864 |
| 2016 | 287,706,357 | 85,467,739 | 6,484,477 | 379,658,573 |
| 2015 | 278,678,777 | 79,675,940 | 6,285,974 | 364,640,691 |
| 2014 | 269,992,713 | 79,335,515 | 6,302,681 | 355,630,909 |
| 2013 | 258,279,182 | 76,467,518 | 7,226,225 | 341,972,925 |

¹ The total assessed valuation is approved in September preceding the fiscal year of the County and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 2015 are collected starting in January, 2016 for the 2015-2016 fiscal year budget of the County.

SOURCE: Office of the County Chancery Clerk; February 2018.

The above assessed valuations for assessment years 2013 through 2017 are based upon the following assessment ratios:

- (a) real and personal property (excluding single-family, owner-occupied residential real property and motor vehicles, respectively), 15% of true value;
- (b) single-family, owner-occupied residential real property, 10% of true value; and
- (c) motor vehicles and public utility property, 30% of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41 pursuant to which there was proposed an amendment to Section 112 of the Mississippi Constitution of 1890 (the "1986 Amendment"). The 1986 Amendment provided, inter alia, that the assessment ratio of any one class of property shall not be more than three times the assessment ratio on any other class of property.

The 1986 Amendment set forth five classes of property and the assessment ratios which would be applicable thereto upon the adoption of the 1986 Amendment. The assessment ratios set forth in the 1986 Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as amended and supplemented from time to time, as it existed prior to the 1986 Amendment, except that the assessment ratio for single-family, owner-occupied, residential real property under the 1986 Amendment is set at 10% of true value as opposed to 15% of true value under previously existing law. The 1986 Amendment was ratified by the electorate on June 3, 1986.

The assessed valuation figures above do include property exempt from all County ad valorem taxes for a period of up to 10 years, primarily for new or expanded manufacturing facilities. Set forth below is a schedule of the assessed valuation of such exempt property which will become subject to County ad valorem tax in the next ten years.

| Exempt Property | Current Assessed Valuation | Date Exemption Ends |
|--|----------------------------|---------------------|
| Cellular South Real Estate, Inc.(Real) | 1,831,013 | 12/31/2024 |
| Claiborne at Adelaide, LLC. (Real) | 1,507,920 | 12/31/2025 |
| CSpire Adv. Data Solutions, (Pers.) | 366,763 | 12/31/2024 |
| Claiborne at Adelaide, LLC (Pers.) | 77,612 | 12/31/2025 |
| Flexsteel Industries (Pers.) | 49,049 | 12/31/2024 |
| Flexsteel Industries (Pers.) | 45,223 | 12/31/2026 |

Source: Office of the County Administrator, July 2018.

Reappraisal of Property and Limitations on Ad Valorem Levies

Senate Bill No. 2672, General Laws of Mississippi, Regular Session 1980, codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972, as amended and supplemented from time to time (the “Reappraisal Act”), provides that all real and personal property in the State shall be appraised at true value and assessed in proportion to true value. To insure that property taxes did not increase dramatically as counties completed reappraisal, the Reappraisal Act provided for the limit on increase in tax revenues discussed below.

The Reappraisal Act limits ad valorem tax levies by the County to a rate which will result in an increase in total receipts of not greater than 10% over the previous year's receipts, excluding revenue from ad valorem taxes on any newly constructed properties, any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year. This limitation does not apply to levies for the payment of the principal of and the interest on general obligation bonds issued by the County or to certain other specified levies. The limitation may be increased only if the proposed increase is approved by a majority of those voting in an election held on such question.

On August 20, 1980, the Mississippi Supreme Court rendered its decision in *Department of Revenue v. Fondren*, 387 So.2d 712, affirming the decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, wherein the Department of Revenue was enjoined from accepting and approving assessment rolls from any county in the State for the tax year 1983 unless the Department of Revenue equalized the assessment rolls of all of the counties. Due to the intervening passage of the Reappraisal Act, the Supreme Court reversed that part of the lower court's decree ordering the assessment of property at true value (although it must still be appraised at true value), holding instead that assessed value may be expressed as a percentage of true value. Pursuant to the Supreme Court modification of the lower court's decree, on November 15, 1980, the Department of Revenue filed a master plan to assist counties in determining true value. The County completed its most recent reappraisal in 2014.

Homestead Exemption

The Mississippi Homestead Exemption Law of 1946 reduces the local tax burden on homes qualifying by law and substitutes revenues from other sources of taxation on the State level as a reimbursement to the local taxing units for such tax loss. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption.

Those homeowners who qualify for homestead exemption and (a) have reached the age of 65 years on or before January 1 of the year for which the exemption is claimed, or (b) are service-connected and totally disabled veterans who (i) were honorably discharged from military service, (ii) are classified as disabled under the Federal Social Security Act, Railroad Retirement Act, or any other federal act approved by the State Department of Revenue, (iii) are totally disabled under the provisions of a retirement plan that is considered to be qualified under the United States Internal Revenue Code, which qualification is determined by the State Department of Revenue, or (iv) are totally disabled as determined by the State Department of Revenue pursuant to its rules and regulations, are exempt from any and all ad valorem taxes on qualifying homesteads not in excess of \$7,500 of assessed value thereof.

Subject to the limitations hereafter described, the tax loss resulting to local taxing units from properly qualified homestead exemptions is reimbursed by the State Department of Revenue. Reimbursements are limited to, in the case of exempted county taxes, to \$50.00 for county taxes exempted and \$100.00 for school taxes exempted per qualified homestead exemption applicant. In the case of tax losses suffered by a municipality as a result of those qualified applicants who have reached 65 years of age or meet the disability requirements found in subsection (2) of Section 27-33-67, Mississippi Code of 1972, as amended and supplemented from time to time, the reimbursement shall equal the full amount of the actual exemption allowed, not to exceed \$200.00 per qualified homestead applicant. Provided, however, no taxing unit may be reimbursed an amount in excess of 106% of the total net reimbursement made to such taxing unit in the next preceding year, nor may any taxing unit be reimbursed less than the total net reimbursement made to such taxing unit in the next preceding year.

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|-----------------------------------|---------|---------|---------|---------|---------|
| GENERAL PURPOSES: | 28.65 | 28.65 | 28.65 | 28.65 | 28.65 |
| EMCC SUPPORT | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| EMCC ENLARGEMENT | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| SPECIAL ESCROW/REAPPRAISAL | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| REAPPRAISAL | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| COUNTYWIDE ROAD | 6.00 | 5.50 | 5.28 | 5.12 | 4.95 |
| COUNTYWIDE BRIDGE | 6.60 | 8.10 | 7.10 | 7.10 | 7.10 |
| 2017 COUNTY BONDS | 5.15 | -- | -- | -- | -- |
| OKTIBBEHA COUNTY HOSPITAL | 0.55 | 0.58 | 0.61 | 0.62 | 0.65 |
| VOLUNTEER FIRE | 2.66 | 2.42 | 2.42 | 2.42 | 2.42 |
| MILLSAPS VO-TECH | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| SCHOOL NOTE | 2.05 | 1.84 | 2.50 | 2.92 | 2.95 |
| SCHOOL BONDS | 7.95 | -- | -- | -- | -- |
| SCHOOL MAINTENANCE | 53.98 | 55.00 | 55.00 | 55.00 | 54.06 |
| OCH 2009 BOND | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| OCH 2010 BOND | 1.10 | 1.15 | 1.19 | 1.25 | 1.25 |
| OKT. COUNTY HOSP. PLEDGED LEVY | 3.30 | 3.46 | 3.61 | 3.70 | 3.84 |

Ad Valorem Tax Collections

| Fiscal Year September 30 | Amount Budgeted | Amount Collected | Difference Over/Under |
|-----------------------------|-----------------|------------------|-----------------------|
| 2017 | \$18,253,820 | \$18,509,795 | \$255,975 |
| 2016 | 16,570,043 | 17,026,903 | 456,860 |
| 2015 | 16,151,960 | 16,248,858 | 96,898 |
| 2014 | 15,527,535 | 15,474,381 | (53,154) |
| 2013 | 15,020,178 | 15,048,919 | 28,741 |

SOURCE: Office of the County Tax Collector; July 2018.

Ten Largest Taxpayers

The ten largest taxpayers in the County for fiscal year 2017 are as follows:

| Taxpayer | Assessed Value | Taxes Collected |
|---------------------------------|-----------------------|------------------------|
| Breckenridge Group | \$5,319,642 | \$311,678 |
| The Links at Starkville | 4,460,295 | 261,329 |
| IREC Miss St Prevev, LLC | 4,108,408 | 240,712 |
| 21 Apartments, LLC | 2,977,083 | 174,427 |
| The Pointe at MSU II, LLC | 2,854,770 | 167,261 |
| Haven Campus Communities | 2,128,454 | 119,044 |
| Wal-Mart | 1,953,330 | 109,250 |
| College Station Apartments, LLC | 1,705,602 | 95,394 |
| Southwire | 1,583,562 | 88,569 |
| Stark Crossing, LLC | <u>1,501,734</u> | <u>83,992</u> |
| Total | \$28,592,880 | \$1,651,656 |

SOURCE: Office of the County Tax Collector, July, 2018.

DEBT INFORMATION

County Debt Limitations

Statutory Debt Limitations. The County is subject to a general statutory debt limitation under which no county in the State may incur general obligation bonded indebtedness in an amount which will exceed 15% of the assessed value of all taxable property within such county according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of this 15% limitation, there may be deducted all bonds or other evidences of indebtedness heretofore or hereafter issued for the construction of hospitals, ports or other capital improvements payable primarily from the net revenues to be generated from such hospitals, ports or other capital improvements in cases where such revenue is pledged to the retirement of the indebtedness, together with the full faith and credit of such county. However, in no case may a county incur indebtedness which, when added to all of its outstanding indebtedness, both bonded and floating, exceeds 20% of the assessed value of the taxable property within such county.

The total general obligation indebtedness of a county, both bonded and floating (including bonds excepted from the 15% debt limit above), may not exceed 20% of the assessed value of all taxable property within such county. However, bonds issued for school purposes and industrial development bonds issued under the State's Balance Agriculture with Industry Program are specifically excluded from both the 15% debt limitation and the 20% debt limitation (but are subject to statutory limits applicable to bonds of each type, respectively). Bonds issued for washed-out or collapsed bridges apply only against the 20% debt limitation.

IN ADDITION, UNDER HOUSE BILL 1727, LOCAL AND PRIVATE LEGISLATION OF MISSISSIPPI, REGULAR SESSION 2010, ANY BOND DEBT ISSUED BY THE COUNTY PURSUANT TO SECTION 41-13-25 AND/OR SECTION 19-9-1 OF THE MISSISSIPPI CODE OF 1972, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME, SHALL BE SUBJECT TO THE TWENTY PERCENT (20%) LIMITATION ON INDEBTEDNESS IMPOSED BY SECTION 19-9-5 OF THE MISSISSIPPI CODE OF 1972, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME.

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Legal Debt Limit Statement¹

| | |
|--|---------------------|
| | 20% Limit |
| Authorized Debt Limit | \$79,357,572 |
| (Last Completed Assessment for Taxation \$396,787,864) | |
| Present Debt Subject to Debt Limits | <u>38,215,000</u> |
| Margin for Further Debt Under Debt Limits | <u>\$41,142,572</u> |

¹ Includes the Refunded Bonds, but does not include the Series 2018A Bonds.

SOURCE: Office of the County Comptroller; July, 2018.

Outstanding General Obligation Bonded Debt

(As of July 1, 2018)

| Issue | Date of Issue | Outstanding Principal |
|---|---------------|-----------------------|
| General Obligation Bond, Series 2009 ⁵ | 10/14/09 | \$17,295,000 |
| General Obligation Bond Project, Series 2010 ⁶ | 09/30/10 | 5,480,000 |
| General Obligation Refunding Bonds, Series 2011 | 08/31/11 | 240,000 |
| General Obligation Road and Bridge Bonds, Series 2017 | 5/18/17 | 13,865,000 |
| Taxable General Obligation Bonds, Series 2017 | 10/12/17 | 7,000,000 |
| Total | | <u>\$38,215,000</u> |

SOURCE: Office of the County Comptroller; July, 2018.

Other Outstanding Long Term Debt

(As of July 1, 2018)

| Issue | Date of Issue | Outstanding Principal |
|--|---------------|-----------------------|
| Trustmark National Bank | 10/21/16 | 322,090 |
| Bancorp South Equipment Finance | 5/16 | 139,400 |
| Bancorp South Equipment Finance | 8/2/16 | 280,748 |
| Bancorp South Equipment Finance | 7/16/16 | 102,523 |
| Limited Tax & Hospital Revenue Refunding Bonds | 5/30/13 | 8,160,000 |
| Limited Tax & Hospital Revenue Refunding Bonds | 1/22/14 | <u>170,000</u> |
| Total | | <u>\$9,174,761</u> |

SOURCE: Office of the County Comptroller; July, 2018.

⁵ This bond was purchased by the Mississippi Development Bank from the proceeds of its \$21,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2009 (Oktibbeha County, Mississippi General Obligation Bond Project), dated October 14, 2009. It is this bond that is being refunded with the proceeds of the Series 2018A Bonds.

⁶ This bond was purchased by the Mississippi Development Bank from the proceeds of its \$6,500,000 Mississippi Development Bank Special Obligation Bonds, Series 2010 (Oktibbeha County, Mississippi General Obligation Bond Project), dated September 30, 2010.

Annual Debt Service Requirements for General Obligation Indebtedness of the County⁷

| Fiscal Year Ending 9/30 | Principal | Interest | Total |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2018 | 1,945,000.00 | 1,417,124.27 | 3,362,124.27 |
| 2019 | 2,125,000.00 | 1,399,667.52 | 3,524,667.52 |
| 2020 | 2,190,000.00 | 1,332,710.02 | 3,522,710.02 |
| 2021 | 2,270,000.00 | 1,263,055.02 | 3,533,055.02 |
| 2022 | 2,325,000.00 | 1,195,577.52 | 3,520,577.52 |
| 2023 | 2,410,000.00 | 1,127,977.52 | 3,537,977.52 |
| 2024 | 2,495,000.00 | 1,056,915.02 | 3,551,915.02 |
| 2025 | 2,585,000.00 | 982,070.64 | 3,567,070.64 |
| 2026 | 2,680,000.00 | 902,865.00 | 3,582,865.00 |
| 2027 | 2,775,000.00 | 819,695.00 | 3,594,695.00 |
| 2028 | 2,985,000.00 | 732,927.50 | 3,717,927.50 |
| 2029 | 3,095,000.00 | 637,000.63 | 3,732,000.63 |
| 2030 | 3,205,000.00 | 536,536.26 | 3,741,536.26 |
| 2031 | 3,325,000.00 | 429,813.76 | 3,754,813.76 |
| 2032 | 3,450,000.00 | 317,328.76 | 3,767,328.76 |
| 2033 | 1,745,000.00 | 198,618.76 | 1,943,618.76 |
| 2034 | 1,840,000.00 | 126,431.26 | 1,966,431.26 |
| 2035 | <u>1,935,000.00</u> | <u>48,984.38</u> | <u>1,983,984.38</u> |
| TOTAL | <u>\$45,380,000.00</u> | <u>\$14,525,298.84</u> | <u>\$59,905,298.84</u> |

SOURCE: Office of the County Comptroller; July 2018.

Debt Ratios

| FY Ended September 30 | General Obligation Debt | General Obligation Debt to Assessed Value |
|----------------------------------|--------------------------------|--|
| 2017 | \$38,380,000 | 9.7% |
| 2016 | \$24,785,000 | 6.5% |
| 2015 | \$25,650,000 | 7.0% |
| 2014 | \$26,460,000 | 7.4% |
| 2013 | \$27,235,000 | 7.9% |

SOURCE: Office of the County Comptroller; July, 2018.

Current Underlying General Obligation Indebtedness

(As of July 1, 2018)

| Municipality | 2010 Population | General Obligation Bonded Debt | General Obligation Bonded Debt Per Capita |
|---------------------|------------------------|---|--|
| City of Starkville | 23,936 | \$ 8,891,000 ⁸ | \$ 971.45 |

| School Districts | Total General Obligation Bonded Debt |
|---|---|
| Starkville/Oktibbeha County School District | \$30,755,000 ⁹ |

⁷ Includes the Refunded Bonds, but does not include the Series 2018A Bonds.

⁸ Source: Audit report for FY2016

⁹ Source: Audit report for FY2017

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2018A Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2018A Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2018A Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On January 23, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At March 31, 2018:

- The policyholders’ surplus of AGM was approximately \$2,247 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,133 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,646 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2018A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

LITIGATION

The County's counsel has reviewed the status of all pending litigation. While the County is involved in numerous legal proceedings, there are no pending legal proceedings which might be expected to affect the County's ability to perform its obligations to the registered owners of the Series 2018A Bonds.

It is anticipated, regardless of the ultimate outcome of this litigation, that neither the courts nor the Board of Supervisors will act inconsistently with the County's financial ability to pay all outstanding bonded indebtedness and the interest thereon, including the Series 2018A Bonds. It is not anticipated that the ultimate outcome of any or all of the pending litigation will result in obligations exceeding the financial resources of the County, so that in all events it is reasonable to expect that the County will remain in a sufficiently viable financial position to meet all of these obligations, including, but not limited to, the Series 2018A Bonds, provided the same are issued, validated, sold and delivered. To predict with any degree of accuracy the ultimate outcome of such litigation would be conjectural.

FINANCIAL ADVISOR

The County has retained the firm of Government Consultants, Inc. as Independent Registered Municipal Advisor (the "Financial Advisor") to the County in connection with the issuance of the Series 2018A Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the County with respect to the preparation of documents, the preparation for the sale of the Series 2018A Bonds and the time of the sale, market conditions and other factors related to the sale of the Series 2018A Bonds.

Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the County's records and from other sources which are believed to be reliable, including financial records of the County and other entities, which records may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any information obtained from sources other than the County. Any summaries or excerpts of statutes, ordinances, resolutions or other documents do not purport to be complete statements of the same and reference is made to such original sources in all respects.

RATING

Standard & Poor's has assigned an insured rating of "AA" to the Series 2018A Bonds and an underlying rating of "A+". Such ratings reflects only the view of such organization, and an explanation of the significance of the rating may be obtained only from said rating agency.

There is no assurance that present or future ratings will continue for any given period of time or that the rating may not be lowered or withdrawn if in the judgment of Moody's circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the secondary market price of the Series 2018A Bonds. Such rating reflects the views of Moody's and is not a recommendation to buy, sell or hold the Series 2018A Bonds.

RECORD OF NO DEFAULT

There is no record of any default on general obligations of the County as to payment of either principal or interest or in any other material respect at any time in at least the past 25 years. No principal or interest on any obligation of the County is currently past due.

NO BOND PROCEEDS FOR CURRENT OPERATING EXPENSES

No proceeds from the sale of securities (except tax anticipation notes issued against revenues of a current fiscal year) have been used by the County for current operating expenses at any time in at least the past ten years.

PENSION PLANS

The County has no pension plan or retirement plan for employees. The County employees are members of and contribute to the Mississippi Public Employees' Retirement System ("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. The PERS Board of Trustees authority to determine contribution rates is established Section 25-11-1 et seq. of the Mississippi Code of 1972 and may be amended only by the State Legislature.

The Governmental Accounting Standards Board ("GASB") approved two (2) new standards on June 25, 2012 that will substantially improve the accounting and financial reporting of public employee pensions by state and local governments, including the State. Statement No. 67, Financial Reporting for Pension Plans, revises existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions as amended by Statement No. 71, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The Provisions in Statement 67 are effective for financial statements for period beginning after June 15, 2013. The provisions in Statement 68 and Statement 71 are effective for fiscal years beginning after June 15, 2014. PERS is compliant with Statement 67, 68 and 71.

The PERS employer contribution rate was 9.75 percent in fiscal year 2005 with an increase in fiscal year 2006 to 10.75 percent. Beginning in fiscal year 2007, the employer contribution rate increased from 10.75 percent in .55 percent increments until the target rate of 11.85% was met in fiscal year 2008. Use of the phased-in employer contribution rate increase resulted in an annual contribution deficit for fiscal year 2007. The purposes of the phased-in approach was to moderate the impact to the State of a contribution rate increase. A slight increase in the employer contribution rate was implemented in fiscal year 2010, from 11.85 percent to 12.0 percent. In fiscal year 2010, the actuary's recommended employer contribution rate was to increase from 12.0 percent to a projected 13.56 percent for fiscal year 2011. In lieu of the employer contribution rate increase, the member contribution rate was increased from 7.25 to 9.0 percent for fiscal year 2011, which produced a decrease in employer normal cost. The reduction in normal cost, coupled with favorable investment experience, resulted in a revised recommended employer contribution rate decreased from 13.56 percent to 12.93 percent, which became effective January 1, 2012. The employer contribution rate increased in fiscal year 2013 to 14.26 percent and in fiscal year 2014, the Board implemented a revised funding policy aimed at stabilizing the employer contribution rate, which was set at 15.75 percent, and established a goal for the Plan to be 80.0 percent funded by 2042. On June 26, 2018, the PERS Board of Trustees voted to increase the employer contribution rate from 15.75 to 17.40 percent, effective July 1, 2019. At June 30, 2017, PERS employers' total pension liability was 43.2 billion. The plan fiduciary net position was 26.6 billion resulting in a net pension liability of 16.6 billion. The plan fiduciary net position as a percentage of the total pension liability was 61.5 percent using measurements established by GASB Statement No. 67, Financial Reporting for Pension Plans. PERS latest publicly available financial report for 2017 is available on the PERS website located at www.pers.ms.gov.

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 rate at September 30, 2017 was 15.75% of annual covered payroll. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$1,039,040, \$972,956 and 4936,085, respectively, equal to the required contributions for each year.

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

UNDERWRITING

Raymond James & Associates, Inc., the underwriter shown on the cover page hereof (the "Underwriter"), has agreed to purchase the Series 2018A Bonds, subject to certain conditions, at a price of \$_____, representing the aggregate principal amount of the Series 2018A Bonds in the amount of \$_____, plus a net original issue premium of \$_____ and less an underwriting discount of \$_____. The obligation of the Underwriter to purchase the Series 2018A Bonds is subject to certain terms and conditions set forth in a Bond Purchase Agreement entered into between the Underwriter and the County. The Series 2018A Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices shown on the cover page of this Official Statement, and such initial offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the owners of the Series 2018A Bonds to provide certain financial information and operating data relating to the County at least once a year commencing (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, in certain cases if deemed material under federal laws. The Annual Report and notices of material events will be filed by the County with (a) the Municipal Securities Rulemaking Board (the "MSRB") through MSRB's Electronic Municipal Market Assess system at <http://emma.msrb.org> ("EMMA") in the electronic format then prescribed by the Securities and Exchange Commission (the "SEC") pursuant to SEC Rule 15c2-12(b)(5) (the "Rule"), and with (b) any public or private repository or entity designated by the State as a State repository, if any, for the purposes of the Rule. This information will be made available free to securities brokers and the general public through EMMA. For the procedures for all filings and notices due to the MSRB, instructions will be provided on the following website for MSRB: <http://emma.msrb.org>. The

specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX C to this Official Statement. All filings of the County are available on the following website for MSRB: <http://emma.msrb.org>. These covenants have been made in order to assist the Underwriter in complying with the Rule.

In each of the last five years there have been instances in which the County has failed to file certain annual financial information and other information as required by its prior continuing disclosure undertakings. Due to certain statutory requirements, the County's audited financial statement is subject to review by the State Auditor's Office before the County's audited financial statements may be released to the public. There have been times when the State Auditor's Office has not timely completed its review of the County's financials thereby delaying the County's ability to timely file its audited financial statements with EMMA. Under current State law, these delays are expected to continue. In the current continuing disclosure certificate, the County has covenanted for the benefit of the owners of the Series 2018A Bonds to provide unaudited financial information, if available, or if not available, the County's current fiscal year budget and the audited financial statements in each year within sixty (60) days of such financial statements becoming publicly available.

The County has filed notices of such failure to timely file its audited financial statements for the past five (5) years on July 28, 2014, January 22, 2015, March 17, 2015, February 16, 2016, February 9, 2017 and February 12, 2018.

The County's previous continuing disclosure undertaking requirements regarding the filing of updated financial information and operating data, including the audited financial information, or unaudited financial information, if applicable, and budgets no later than 180 days following the end of its September 30 fiscal year, is more restrictive than the annual filing requirements under the Rule. The County has revised the continuing disclosure undertaking for the Series 2018A Bonds to provide, consistent with the Rule, flexibility as to the timing of the filing requirements, in order to allow for compliance with the Rule.

The County adopted policies and procedures on November 3, 2014 (the "Policy") to ensure timely filing of its annual financial information. Pursuant to the Policy, a staff designee of the County will appoint or engage a dissemination agent to assist in carrying out its obligations under the Policy and/or the staff designee will be responsible for submitting the information required under the Policy. The County has hired a third party to file the County's required annual report.

VALIDATION

Prior to issuance, the Series 2018A Bonds will be validated before the Chancery Court of Oktibbeha County, Mississippi, as provided by Section 31-13-1 *et seq.*, Mississippi Code of 1972, as amended.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Series 2018A Bonds are subject to the approval of Butler Snow LLP, Gulfport, Mississippi ("Bond Counsel"), whose approving legal opinion will be available at the time of delivery of the Series 2018A Bonds (see APPENDIX B hereto). Certain legal matters will be passed upon for the County by its counsel, Rob Robertson, Esquire, Starkville, Mississippi.

No representation is made to the registered owners of the Series 2018A Bonds that Bond Counsel has verified the accuracy, completeness or fairness of the statements in this Official Statement and Bond Counsel assumes no responsibility to the registered owners of the Series 2018A Bonds except for the matters set forth in such legal opinion.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations supporting the conclusions (a) that the principal amounts and the interest thereon of the Investment Securities to be deposited in trust with the Escrow Agent (see "PLAN OF REFUNDING" herein) are adequate to provide for the payment when due, of the principal of and interest on the Refunded Bonds, and (b) that the Series 2018A Bonds are not "arbitrage bonds" under Section 148 of the Code will be verified by The Arbitrage Group, Inc., independent certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountants by the Underwriter.

TAX EXEMPTION

General Matters. In the opinion of Butler Snow LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2018A Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the County with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2018A Bonds. Failure to comply with such requirements could cause interest on the Series 2018A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018A Bonds. The County have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2018A Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Series 2018A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018A Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2018A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018A Bonds.

Bond Counsel is also of the opinion that, under existing State statutes, interest on the Series 2018A Bonds is exempt from State income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2018A Bonds under the laws of the State or any other state or jurisdiction.

Bank Qualified. The County has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of federally tax-exempt obligations in calendar year 2018 (excluding certain private activity and refunding bonds) and that it has designated the Series 2018A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, in the case of certain banks, thrift institutions or other financial institutions owning the Series 2018A Bonds, a deduction is allowed for 80% of that portion of such institutions' interest expense allocable to interest on the Series 2018A Bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Series 2018A Bonds or a related person to purchase or carry the Series 2018A Bonds.

Original Issue Discount. The Series 2018A Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as federally tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such Discount Bonds for a price that is higher or lower than the “adjusted issue price” of the Discount Bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2018A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Series 2018A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2018A Bonds that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2018A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Series 2018A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018A Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2018A BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2018A BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2018A BONDS.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the statements will be realized.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2018A Bonds, the security for the payment of the Series 2018A Bonds and the rights and obligations of the registered owners thereof.

The information contained in this Official Statement has been taken from sources considered reliable, but is not guaranteed. To the best of the County's knowledge, information in this Official Statement does not include any untrue statement of any material fact nor does the information omit the statement of any material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

References herein to the Act, and all other legislative acts referred to herein are only summaries, excerpts or brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof. Additional information may be obtained upon request from the office of the Board of Supervisors, 101 East Main Street, P.O. Box 80285, Starkville, MS 39759 attention: Sharon Livingston, telephone: (662) 323.5834, or from the Financial Advisor, Government Consultants, Inc., 116 Village Blvd, Madison, Mississippi 39110, telephone: (601) 982.0005.

The execution of this Official Statement has been duly authorized by the Board of Supervisors of the County.

OKTIBBEHA COUNTY, MISSISSIPPI

By _____
President of the Board of Supervisors

APPENDIX A

**FISCAL YEAR 2016 AUDITED FINANCIAL INFORMATION AND
ADOPTED BUDGETS FOR FISCAL YEARS 2017-18 and 2016-17**

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FISCAL YEAR 2016 AUDITED FINANCIAL INFORMATION

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OKTIBBEHA COUNTY, MISSISSIPPI

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

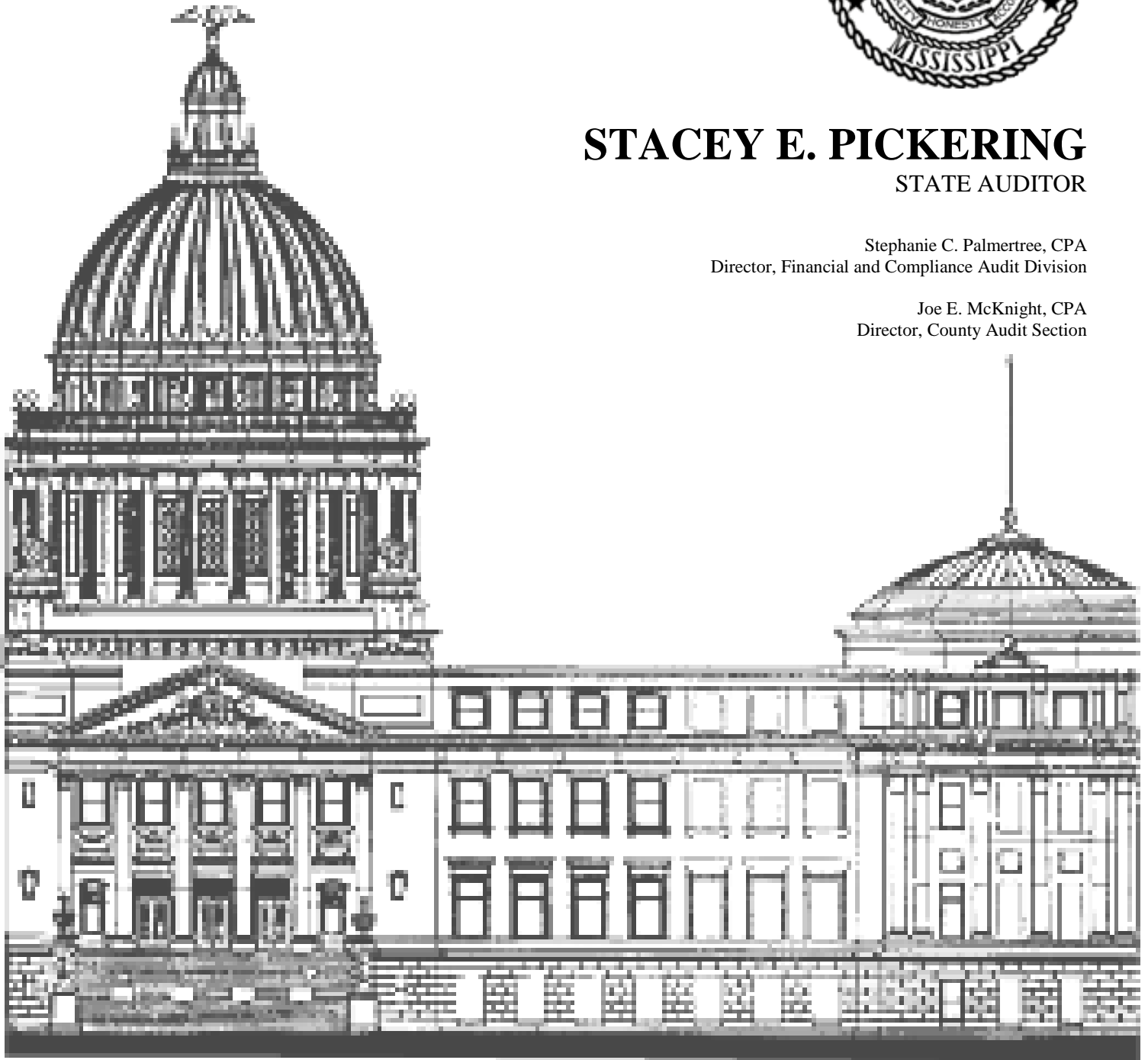


STACEY E. PICKERING

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability.*



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

April 18, 2018

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Oktibbeha County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Stacey E. Pickering
State Auditor

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oktibbeha County, Mississippi, (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

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

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

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

Qualified Opinion

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

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of Funding Progress – Other Postemployment Benefits, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018 on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oktibbeha County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018

OKTIBBEHA COUNTY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

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

INTRODUCTION

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

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

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

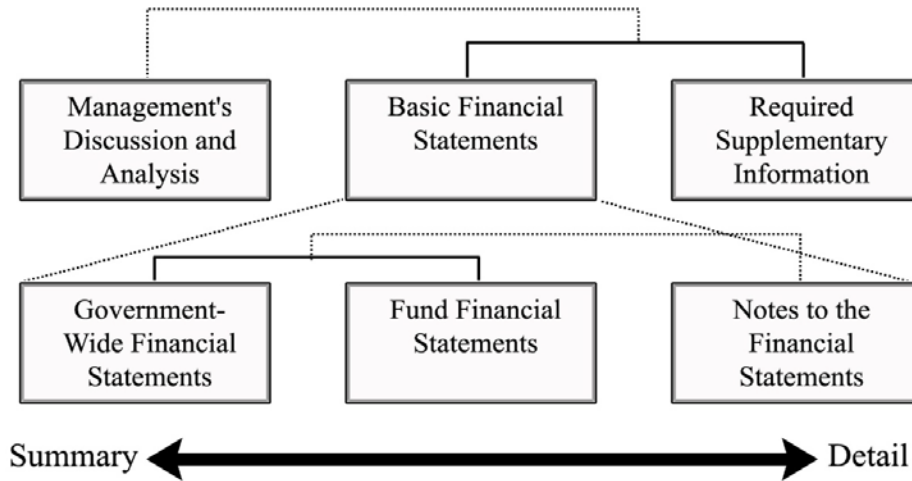
Long-term debt decreased by \$218,472.

OKTIBBEHA COUNTY

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

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

OKTIBBEHA COUNTY

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

Figure 2 — Major Features of the County's Government-Wide and Fund Financial Statements

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

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

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

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

OKTIBBEHA COUNTY

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

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

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

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

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

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

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

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

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

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

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

OKTIBBEHA COUNTY

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

OKTIBBEHA COUNTY

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

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

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

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

OKTIBBEHA COUNTY

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

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

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

OKTIBBEHA COUNTY

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

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

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

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

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

CURRENT AND FUTURE ITEMS OF IMPACT

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

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

OKTIBBEHA COUNTY

FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

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

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

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

Exhibit 2

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

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

OKTIBBEHA COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2016

Exhibit 3

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

OKTIBBEHA COUNTY

Exhibit 3-1

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

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

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

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

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

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

OKTIBBEHA COUNTY

Exhibit 4-1

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

| | <u>Amount</u> |
|---|---------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 757,189 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$4,234,053 and donated assets of \$218,320 exceeded depreciation of \$1,783,374 in the current period. | 2,668,999 |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$50,359 and the proceeds from the sale of capital assets of \$17,058 and compensation for loss of capital assets of \$58,785 in the current period. | (25,484) |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | 93,603 |
| Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | (19,586) |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,171,049 exceeded debt proceeds of \$959,337. | 211,712 |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items: | |
| Decrease in compensated absences liability | 3,129 |
| Increase in accrued interest payable | (51,800) |
| Amortization of bond premium | 3,631 |
| Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include: | |
| Recording of pension expense for the current period | (2,549,396) |
| Recording of contributions made during the year | <u>1,039,040</u> |
| Change in Net Position of Governmental Activities | <u>\$ 2,131,037</u> |

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

Exhibit 5

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

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

OKTIBBEHA COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Oktibbeha County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Oktibbeha County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

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

- Oktibbeha County Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

OKTIBBEHA COUNTY

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

OKTIBBEHA COUNTY

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

OKTIBBEHA COUNTY

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

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

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

I. Deferred Outflows/Inflows of Resources:

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – accounts receivable – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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

J. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees’ Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OKTIBBEHA COUNTY

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

K. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

OKTIBBEHA COUNTY

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

Fund Balance Flow Assumption:

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

M. Property Tax Revenues:

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$18,013,066, and the bank balance was \$18,344,904. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

OKTIBBEHA COUNTY

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

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

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

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

B. Transfers In/Out:

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

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

OKTIBBEHA COUNTY

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

(4) Intergovernmental Receivables.

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

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

OKTIBBEHA COUNTY

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

(5) Capital Assets.

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

Governmental activities:

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

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

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

OKTIBBEHA COUNTY

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

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

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

(6) Claims and Judgments.

Risk Financing.

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

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

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

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

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

OKTIBBEHA COUNTY

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

(7) Capital Leases.

As Lessee:

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

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

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

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

(8) Other Postemployment Benefits.

Plan Description

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

Funding Policy

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

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

Actuarial Valuation

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

OKTIBBEHA COUNTY

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

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

Funding Status and Funding Progress

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

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

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

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

OKTIBBEHA COUNTY

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

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

Actuarial Methods and Assumptions

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

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

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Oktibbeha County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability

OKTIBBEHA COUNTY

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

benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$1,039,040, \$972,956 and \$936,085, respectively, equal to the required contributions for each year.

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

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

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

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

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

OKTIBBEHA COUNTY

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

Year ending September 30:

| | | |
|-------|----|-------------------------|
| 2017 | \$ | 1,242,156 |
| 2018 | | 1,093,324 |
| 2019 | | 638,533 |
| 2020 | | <u>349,996</u> |
| Total | \$ | <u><u>3,324,009</u></u> |

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

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

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

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|----------------------|--|
| U.S. Broad | 34.00 % | 5.20 % |
| International Equity | 19.00 % | 5.00 % |
| Emerging Markets Equity | 8.00 % | 5.45 % |
| Fixed Income | 20.00 % | 0.25 % |
| Real Assets | 10.00 % | 4.00 % |
| Private Equity | 8.00 % | 6.15 % |
| Cash | <u>1.00 %</u> | (0.50) % |
| Total | <u>100.00 %</u> | |

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

OKTIBBEHA COUNTY

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

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

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

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

(10) Long-term Debt.

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

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

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

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

OKTIBBEHA COUNTY

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

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

Governmental Activities:

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

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

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

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

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

(11) Contingencies.

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

OKTIBBEHA COUNTY

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

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

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

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

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

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

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

(13) Effect of Deferred Amounts on Net Position

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

(14) Related Organizations.

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

(15) Joint Ventures.

The County participates in the following joint ventures:

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

OKTIBBEHA COUNTY

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

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

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

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

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

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

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

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

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

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

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

OKTIBBEHA COUNTY

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

(17) Subsequent Events.

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

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

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

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OKTIBBEHA COUNTY

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

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

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

OKTIBBEHA COUNTY

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

UNAUDITED

Pension Schedules

A. Changes of assumptions

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

B. Changes in benefit provisions

2016

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

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

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

OKTIBBEHA COUNTY

OTHER INFORMATION

OKTIBBEHA COUNTY

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

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

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

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

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

Members of the Board of Supervisors
Oktibbeha County, Mississippi

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oktibbeha County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oktibbeha County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001, 2016-002 and 2016-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

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

Oktibbeha County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018



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

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

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have examined Oktibbeha County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Oktibbeha County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Oktibbeha County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

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

Repeat Finding Yes

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

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

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

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

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

This report is intended for use in evaluating Oktibbeha County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
 Director, County Audit Section

April 18, 2018

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

Schedule 1

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

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

Schedule 2

Our tests did not identify any emergency purchases.

OKTIBBEHA COUNTY

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

Schedule 3

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

OKTIBBEHA COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

In planning and performing our audit of the financial statements of Oktibbeha County, Mississippi for the year ended September 30, 2016, we considered Oktibbeha County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Oktibbeha County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 18, 2018, on the financial statements of Oktibbeha County, Mississippi.

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

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

Board of Supervisors.

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

Repeat Finding No

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

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

Cause Unknown

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

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

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

Chancery Clerk.

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

Repeat Finding Yes

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

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

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

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

Cause Unknown

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

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

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

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

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

Repeat Finding Yes

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

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

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

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

4. The Chancery Clerk should properly report revenue.

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

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

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

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

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

| | |
|-----------------|--|
| Cause | Unknown |
| Effect | Failure to comply with the law results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds and lost interest on these excess funds. |
| Recommendation | The Chancery Clerk should remit the \$420 to the General Fund immediately. |
| Auditor's Note: | We were unable to obtain a response due to the death of the Chancery Clerk. |

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

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

| | |
|----------------|--|
| Repeat Finding | Yes |
| Criteria | Section 19-3-27, Miss Code Ann (1972), requires the clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings. |
| Condition | As of December 11, 2016 the board minutes for meetings after April 4, 2016 are not recorded in the minute book. Several actions taken by the Board of Supervisors as recorded in the board minutes did not include the contracts and agreements approved or other items noted as "attached" in the board orders. The board minutes do not contain a board order to appoint the Assistant Purchase Clerk. |

| | |
|-----------------|---|
| Cause | Unknown |
| Effect | Failure to record the minutes could result in unlawful acts as there is no record as to what the board ordered. |
| Recommendation | The Chancery Clerk should keep a current, complete and correct record of all board proceedings. |
| Auditor's Note: | We were unable to obtain a response due to the death of the Chancery Clerk. |

7. The audit synopsis should be published.

| | |
|----------------|--|
| Repeat Finding | Yes |
| Criteria | Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor. |
| Condition | The Chancery Clerk has not published a synopsis of the 2015 annual report. |

| | |
|----------------|---|
| Cause | Unknown |
| Effect | If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at cost to the county. |
| Recommendation | The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor. |

Chancery Clerk's Response

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

Circuit Clerk.

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

Repeat Finding Yes

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

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

Cause Unknown

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

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

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

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

Repeat Finding No

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

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

Cause Unknown

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

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

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

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

Repeat Finding No

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

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

Tax Assessor-Collector.

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

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

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

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #2 described in this report.

Amount of Exception:

\$51,110

Disposition of Exception:

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

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #3 described in this report.

Amount of Exception:

\$30,053

Disposition of Exception:

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

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #4 described in this report.

Amount of Exception:

\$14,034

Disposition of Exception:

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

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

April 18, 2018

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unmodified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unmodified |
| Countywide Road Maintenance Fund | Unmodified |
| Countywide Bridge and Culvert Fund | Unmodified |
| Aggregate remaining fund information | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

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

OKTIBBEHA COUNTY

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

Material Weakness
Material Non-compliance

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

Material Weakness

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

OKTIBBEHA COUNTY

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

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

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2017-18 BUDGET

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OKTIBBEHA COUNTY
Combined Budget for Publication
For the Fiscal Year Ending September 30, 2018

| | Governmental Fund Types | | | | Proprietary Fund Types | | Total |
|---|-------------------------|----------------------|----------------------|---------------------|------------------------|------------|----------------------|
| | General | Special Revenue | Capital Projects | Debt Service | Permanent | Enterprise | |
| REVENUES | | | | | | | |
| Amount necessary to be raised by tax levy | \$ 9,970,820 | \$ 7,881,242 | \$ | \$ 2,271,260 | | | \$ 20,123,322 |
| Taxes and ad valorem other than tax levy | 150,000 | | | | | | 150,000 |
| Road and bridge privilege taxes | | 450,000 | | | | | 450,000 |
| Licenses, commissions, and other revenue | 322,500 | 131,500 | | | | | 454,000 |
| Fines and forfeitures | 525,000 | 1,000 | | | | | 526,000 |
| Intergovernmental revenue: | | | | | | | |
| Federal sources | 40,000 | 795,360 | | | | | 835,360 |
| State sources | 716,400 | 913,600 | | 110,700 | | | 1,740,700 |
| Local sources | 375,000 | 114,900 | | | | | 489,900 |
| Charges for services | 215,000 | 954,500 | | | | | 1,169,500 |
| Interest Income | 50,000 | 13,000 | | | | | 63,000 |
| Use of money and property | | 438,000 | | | | | 438,000 |
| Miscellaneous revenue | 52,500 | 12,500 | | 1,182,860 | | | 1,247,860 |
| Other financing sources | 250,000 | 92,800 | 7,000,000 | | | | 7,342,800 |
| Special Items (give description) | | | | | | | |
| Extraordinary items (give description) | | | | | | | |
| Total Revenues | \$ 12,667,220 | \$ 11,798,402 | \$ 7,000,000 | \$ 3,564,820 | | | \$ 35,030,442 |
| Beginning Cash Balance | 616,165 | 4,110,931 | 13,785,450 | 2,913,700 | | | 21,426,246 |
| Total Revenues and Beginning Cash Balance | \$ 13,283,385 | \$ 15,909,333 | \$ 20,785,450 | \$ 6,478,520 | | | \$ 56,456,688 |
| EXPENDITURES | | | | | | | |
| General government | \$ 6,663,190 | \$ 1,743,611 | \$ | \$ | | | \$ 8,406,801 |
| Public safety | 4,842,900 | 2,128,730 | | | | | 6,971,630 |
| Public works | 132,000 | 8,304,700 | 13,785,450 | | | | 22,222,150 |
| Health and welfare | 471,760 | 1,380,340 | | | | | 1,852,100 |
| Culture and recreation | 195,200 | | | | | | 195,200 |
| Education | 365,785 | 896,472 | | | | | 1,262,257 |
| Conservation of natural resources | 142,550 | | | | | | 142,550 |
| Economic development and assistance | 470,000 | 300,000 | 7,000,000 | | | | 7,770,000 |
| Debt service | | | | 3,671,670 | | | 3,671,670 |
| Other expenditures | | | | | | | |
| Other financing uses | | | | | | | |
| Special Items (give description) | | 38,000 | | | | | 38,000 |
| Extraordinary items (give description) | | | | | | | |
| Total Expenditures | \$ 13,283,385 | \$ 14,791,853 | \$ 20,785,450 | \$ 3,671,670 | | | \$ 52,532,358 |
| Ending cash balance | | 1,117,480 | | 2,806,850 | | | 3,924,330 |
| Total Expenditures and Ending Cash Balance | \$ 13,283,385 | \$ 15,909,333 | \$ 20,785,450 | \$ 6,478,520 | | | \$ 56,456,688 |

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2016-17 BUDGET

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OKTIBBEHA COUNTY
Combined Budget for Publication
For the Fiscal Year Ending September 30, 2017

| | Governmental Fund Types | | | | Proprietary Fund Types | | Total |
|---|-------------------------|----------------------|------------------|---------------------|------------------------|------------|----------------------|
| | General | Special Revenue | Capital Projects | Debt Service | Permanent | Enterprise | |
| REVENUES | | | | | | | |
| Amount necessary to be raised by tax levy | \$ 9,111,467 | \$ 7,366,845 | \$ | \$ 422,280 | | | \$ 16,900,592 |
| Taxes and ad valorem other than tax levy | 150,000 | | | | | | 150,000 |
| Road and bridge privilege taxes | | 437,450 | | | | | 437,450 |
| Licenses, commissions, and other revenue | 417,400 | | | | | | 417,400 |
| Fines and forfeitures | 485,000 | 143,000 | | | | | 628,000 |
| Intergovernmental revenue: | | 1,000 | | | | | 1,000 |
| Federal sources | 280,000 | 247,500 | | | | | 527,500 |
| State sources | 597,950 | 1,228,000 | | 130,000 | | | 1,955,950 |
| Local sources | 300,000 | 8,200 | | | | | 308,200 |
| Charges for services | 180,000 | 935,400 | | | | | 1,115,400 |
| Interest Income | 25,000 | | | | | | 25,000 |
| Use of money and property | 14,500 | 423,700 | | | | | 438,200 |
| Miscellaneous revenue | 84,300 | 15,500 | | | | | 99,800 |
| Other financing sources | 200,000 | 135,000 | | 552,280 | | | 887,280 |
| Special Items (give description) | | | | | | | |
| Extraordinary items (give description) | | | | | | | |
| Total Revenues | \$ 11,845,617 | \$ 10,941,595 | \$ - | \$ 1,104,560 | | | \$ 23,891,772 |
| Beginning Cash Balance | 598,506 | 3,596,406 | | 2,407,500 | | | 6,602,412 |
| Total Revenues and Beginning Cash Balance | \$ 12,444,123 | \$ 14,538,001 | \$ - | \$ 3,512,060 | | | \$ 30,494,184 |
| EXPENDITURES | | | | | | | |
| General government | \$ 6,205,460 | \$ 702,301 | \$ | \$ | | | \$ 6,907,761 |
| Public safety | 4,437,480 | 2,111,000 | | | | | 6,548,480 |
| Public works | 132,000 | 7,379,670 | | | | | 7,511,670 |
| Health and welfare | 465,850 | 1,382,080 | | | | | 1,847,930 |
| Culture and recreation | 182,900 | 37,000 | | | | | 219,900 |
| Education | 367,285 | 1,369,930 | | | | | 1,737,215 |
| Conservation of natural resources | 142,210 | | | | | | 142,210 |
| Economic development and assistance | 510,938 | 720,000 | | | | | 1,230,938 |
| Debt service | | 4,800 | | 1,800,950 | | | 1,805,750 |
| Other expenditures | | | | | | | - |
| Other financing uses | | | | | | | - |
| Special Items (give description) | | | | | | | |
| Extraordinary items (give description) | | | | | | | |
| Total Expenditures | \$ 12,444,123 | \$ 13,706,781 | \$ - | \$ 1,800,950 | | | \$ 27,951,854 |
| Ending cash balance | | 831,220 | | 2,341,690 | | | 3,172,910 |
| Total Expenditures and Ending Cash Balance | \$ 12,444,123 | \$ 14,538,001 | \$ - | \$ 4,142,640 | | | \$ 31,124,764 |

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APPENDIX B
FORM OF BOND COUNSEL OPINION

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[FORM OF BOND COUNSEL OPINION]

August __, 2018

Board of Supervisors
Oktibbeha County, Mississippi

RE: \$_____ Oktibbeha County, Mississippi General Obligation Refunding Bonds,
Series 2018A, dated August __, 2018 (the "**Bonds**")

Dear Ladies and Gentlemen:

We have acted as Bond Counsel ("**Bond Counsel**") for Oktibbeha County, Mississippi (the "**County**"), in connection with the issuance of the above-defined Bonds.

The Series 2018A Bonds bear interest, mature and may be transferred and exchanged as set out in the Series 2018A Bonds and in the resolution adopted by the Board of Supervisors of the County on June 18, 2018, authorizing their issuance (the "**Bond Resolution**"). Capitalized terms contained and not defined herein shall have the same meaning as set forth in the Bond Resolution.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Series 2018A Bonds under the laws of the State of Mississippi (the "**State**"), and with respect to the excludability of interest on the Series 2018A Bonds from federal and State income taxation. Regarding questions of fact material to our opinion, we have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the certified transcript of proceedings described in the following paragraph, and on the authenticity, truthfulness and completeness set forth in such documents, instruments and certificates. We have not assumed any responsibility with respect to the financial condition or capabilities of the County or the disclosure thereof in connection with the sale of the Series 2018A Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a certified transcript of proceedings pertaining to the Series 2018A Bonds which contains copies of certain proceedings of the County, customary certificates of officers, agents and representatives of the County and other public officials and other matters relating to the authorization and issuance of the Series 2018A Bonds including a certification of the County prepared pursuant to Section 1.148-2(b)(2)(i) of the United States Treasury Regulations (the "**Non-Arbitrage Certificate**") relating to the Series 2018A Bonds. We have also examined Bond No. 1 of this issue.

Based on such examination and subject to the following qualifications, it is our opinion as Bond Counsel, on the date hereof, that:

1. The transcript of proceedings evidences complete legal authority for the issuance of the Series 2018A Bonds in full compliance with the laws of the State presently in effect, and that the Series 2018A Bonds constitute valid and legally binding obligations of the County, payable from and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon all the taxable property within the geographical limits of the County and are additionally secured by the net revenues of the Oktibbeha County Hospital d/b/a OCH Regional Medical Center, in accordance with the provisions of the Bond Resolution.

2. Under existing law, regulations and court decisions, as presently interpreted and construed, interest on the Series 2018A Bonds is exempt from all present income taxes imposed by the State.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes. Furthermore, interest on the Series 2018A Bonds is not a specific preference item for purposes of the federal alternative minimum taxes; however, for taxable years beginning before January 1, 2018, such interest is included in adjusted current earnings in calculating federal alternative minimum taxable income for certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2018A Bonds.

The Board of Supervisors of the County, acting for and on behalf of the County, has covenanted in the Bond Resolution and the Non-Arbitrage Certificate that the County will not make any use of the gross proceeds of the Series 2018A Bonds or amount that may be treated as proceeds of the Series 2018A Bonds or do or take or omit to take any other action that would cause: (i) the Series 2018A Bonds to be “arbitrage bonds” as such term is defined in Section 148(a) of the Code and the Regulations promulgated thereunder; (ii) the interest on the Series 2018A Bonds to be includable in the gross income of the registered owners for federal income taxation purposes; or (iii) the interest on the Series 2018A Bonds to be treated as an item of tax preference under Section 57(a)(5) of the Code. Failure of the County to comply with such covenants could result in the interest on the Series 2018A Bonds being subject to federal income tax from the date of issue.

In rendering the foregoing opinion in paragraph numbered 3 above, Bond Counsel has assumed the continuing compliance by the County with the tax covenants and representations in the Bond Resolution and the representations in the Non-Arbitrage Certificate. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Series 2018A Bonds, the use of any facility, equipment or improvement financed or refinanced directly or indirectly with the proceeds of the Series 2018A Bonds, and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2018A Bonds have resulted in a failure of the County to comply with its covenants. Failure of the County to comply with such covenants could result in the interest on the Series 2018A Bonds becoming subject to federal income tax from the date of issue.

Section 265(b)(1) of the Code provides that certain financial institutions may not deduct the portion of their otherwise allowable interest expense allocable to tax exempt obligations

acquired after August 7, 1986 other than “qualified tax-exempt obligations” as defined in Section 265(b)(3)(B) of the Code. In the Bond Resolution, the County has designated the Series 2018A Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B) of the Code.

Owners of the Series 2018A Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes and the effect of any other collateral federal income tax consequences.

It is understood that the rights of the owners of the Series 2018A Bonds and the enforceability of the Series 2018A Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar law affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that the enforcement thereof may be subject to the exercise of judicial discretion in appropriate cases.

In this opinion letter issued in our capacity as Bond Counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Series 2018A Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Series 2018A Bonds, except those specifically addressed herein.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certificates, resolutions, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, certifications, resolutions, documents and proceedings. In rendering this opinion we have relied upon the opinion of Rob Robertson, Esquire, Starkville, Mississippi, due authorization and execution by and enforceability against the County as to the Series 2018A Bonds and the Bond Resolution. This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

BUTLER SNOW LLP

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Board of Supervisors (the “Governing Body”) of Oktibbeha County, Mississippi (the “County”), acting for and on behalf of the County, in connection with the execution and delivery of \$_____ * Oktibbeha County, Mississippi General Obligation Refunding Bonds, Series 2018A (the “Bonds”). The Series 2018A Bonds are being executed and delivered pursuant to a resolution adopted by the Governing Body on June 18, 2018 (the “Resolution”). The County covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners of the Series 2018A Bonds and the beneficial owners of the Series 2018A Bonds and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following terms shall have the following meanings:

“Annual Report” shall mean the County’s annual report as more particularly described in Section 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean the Chancery Clerk of the County or such officer’s designee, or such other person as the Governing Body shall designate in writing from time to time.

“EMMA” shall mean the Electronic Municipal Market Access System found at <http://emma.msrb.org>, which is the electronic format prescribed by the MSRB pursuant to the Rule.

“Fiscal Year” shall mean a period beginning on October 1 in any year and ending on September 30 of the following year or such other twelve-month period as may be adopted by the County in accordance with law.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board. The electronic filings with the MSRB shall be through EMMA.

“National Repository” shall mean (a) MSRB’s EMMA, and (b) in the future, any successor repository or repositories prescribed by the SEC for the purpose of serving as repository under the Rule.

“Official Statement” shall mean the final Official Statement of the County dated _____, 2018, in connection with the Series 2018A Bonds.

“Participating Underwriters” shall mean the original purchaser of the Series 2018A Bonds required to comply with the Rule in connection with the offering of the Series 2018A Bonds.

“Repository” shall mean each National Repository and each State Repository, if any.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of Mississippi as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

* Preliminary, subject to change.

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to provide to each Repository, no later than September 30 of each year, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report. Notwithstanding the foregoing, the County notes that due to certain statutory requirements requiring review of financial statements by the Office of the State Auditor and other regulatory agencies, it does not always receive and accept its audited financial statements for the immediately preceding fiscal year within the timeframe set forth in this paragraph (a). The County therefore agrees to file its audited financial statements in each year within sixty (60) days of such financial statements becoming publicly available.

(b) If the County is unable to provide to the Repositories an Annual Report by the date required in subsection (a) above, the County shall send a notice to each Repository in the form attached hereto as Exhibit A.

(c) The Dissemination Agent shall determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements, if available, which may include a brief narrative discussion of the results of operations and financial condition of the County and, if unavailable, unaudited financial information, if available, or adopted budgets of the County will be provided and audited financial statements will be provided if and when they become available; and

(b) Updated financial and operating information relating to the County in the form attached hereto as Exhibit C.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The County shall give or cause to be given notice of the occurrence of any of the following Listed Events with respect to the Series 2018A Bonds, in a timely manner not in excess of ten (10) business days after the occurrence thereof, together with any accompanying information in the form attached hereto as Exhibit D. All fifteen (15) events mandated by the Rule are listed below; however, some may not apply to the Series 2018A Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on the credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modification to rights of security holders, if material.
- (8) Bond calls, if material.
- (9) Tender offers.
- (10) Defeasances.
- (11) Release, substitution or sale of property securing repayment of the securities, if material.
- (12) Rating changes.
- (13) Bankruptcy, insolvency, receivership or similar event of the County.
- (14) Consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (15) The appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of the Series 2018A Bonds.

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the County elects not to appoint a successor Dissemination Agent, it shall perform the duties thereof under this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any financial information or operating data provided or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any financial information or operating data provided or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future financial information or operating data provided or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Agreement any owner of a Bond may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under and as defined in the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any

loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018A Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, owners from time to time of the Series 2018A Bonds and beneficial owners of the Series 2018A Bonds and shall create no rights in any other person or entity.

Date: August __, 2018

OKTIBBEHA COUNTY, MISSISSIPPI

By _____
President of the Board of Supervisors

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Oktibbeha County, Mississippi

Name of Bond Issue: \$_____ Oktibbeha County, Mississippi General
Obligation Refunding Bonds, Series 2018A

Date of Issuance: _____, 2018

CUSIP Number: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated _____, 2018. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

OKTIBBEHA COUNTY, MISSISSIPPI

By: _____
Authorized Officer

EXHIBIT B

ANNUAL REPORT COVER SHEET

Name of Issuer: Oktibbeha County, Mississippi

Name of Bond Issue: \$_____ Oktibbeha County, Mississippi General
Obligation Refunding Bonds, Series 2018A

Date of Issuance: _____, 2018

CUSIP Number: _____

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____

Title: _____

Employer: _____

Address: _____

Issuer, State, Zip Code: _____

Voice Telephone Number: _____

EXHIBIT C

Name of Issuer: Oktibbeha County, Mississippi

Name of Bond Issue: \$_____ Oktibbeha County, Mississippi General
Obligation Refunding Bonds, Series 2018A

Date of Issuance: _____, 2018

CUSIP Number: _____

Government

The governing body of the County is the Board of Supervisors, which consists of five members, each of whom is elected from a separate district or “beat” for concurrent four-year terms. The current members of the Board of Supervisors are as follows:

| Name | Occupation | Position Held Since |
|------|------------|------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

Per Capita Income

| Year | County | Mississippi | United States | County as % of U.S. |
|------|--------|-------------|---------------|------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
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Major Employers

The following is a partial listing of major employers in the County, their products or services and their approximate number of employees:

| Employer | Employees | Product/Service |
|----------|-----------|-----------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Unemployment Statistics

| January | | | | | |
|----------------|--|--|--|--|--|
| February | | | | | |
| March | | | | | |
| April | | | | | |
| May | | | | | |
| June | | | | | |
| July | | | | | |
| August | | | | | |
| September | | | | | |
| October | | | | | |
| November | | | | | |
| December | | | | | |
| Annual Average | | | | | |

Employment Statistics

| RESIDENCE BASED EMPLOYMENT | | | | | |
|--|--|--|--|--|--|
| I. Civilian Labor Force | | | | | |
| II. Unemployed | | | | | |
| Rate | | | | | |
| III. Employed | | | | | |
| ESTABLISHMENT BASED EMPLOYMENT | | | | | |
| I. Manufacturing | | | | | |
| II. Non-manufacturing | | | | | |
| A. Agriculture, Forestry, Fishing & Hunting | | | | | |
| B. Mining | | | | | |
| C. Utilities | | | | | |
| D. Construction | | | | | |
| E. Wholesale Trade | | | | | |
| F. Retail Trade | | | | | |
| G. Transportation & Warehousing | | | | | |
| H. Information | | | | | |
| I. Finance & Insurance | | | | | |
| J. Real Estate, Rental & Leasing | | | | | |
| K. Prof., Scientific & Technical Service | | | | | |
| L. Management of Companies & Entertainment | | | | | |
| M. Administrative Support & Waste Management | | | | | |
| N. Educational Services | | | | | |
| O. Health Care & Social Assistance | | | | | |
| P. Arts, Entertainment & Recreation | | | | | |
| Q. Accommodation & Food Service | | | | | |
| R. Other Services (except Public Administration) | | | | | |
| S. Government Education | | | | | |
| Total Employment | | | | | |

Retail Sales

| State Fiscal Year Ended June 30 | Amount |
|------------------------------------|--------|
| | |
| | |
| | |
| | |
| | |

Educational Facilities

Enrollment figures for the District's 20__-__ scholastic year and the previous four years are as follows:

| Scholastic Year | Enrollment |
|-----------------|------------|
| | |
| | |
| | |
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| | |

TAX INFORMATION

Assessed Valuation of the County¹⁰

| Assessment Year | Real Property | Personal Property | Public Utility Property | Mobile Homes | Auto-Mobiles | Total |
|-----------------|---------------|-------------------|-------------------------|--------------|--------------|-------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
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The assessed valuation figures above do not include property exempt from all County ad valorem tax for a period of up to ten years, primarily for new or expanded manufacturing facilities. Set forth below is a schedule of the assessed valuation of such exempt property which will become subject to County ad valorem tax in the next ten years:

| Exempt Property | Current Assessed Valuation | Year Exemption Ends (December 31) |
|-----------------|----------------------------|-----------------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total | | |

¹⁰ The total assessed valuation is approved in September preceding the fiscal year of the County and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 20__ are collected starting in January, 20__ for the 20__-20__ fiscal year budget of the County.

Tax Levy Per \$1,000 Valuation¹¹

Fiscal Year

¹¹ Tax levy figures are given in mills. The County levies a tax of nine cents per acre on all timbered and/or uncultivated land located in the County.

Ad Valorem Tax Collections

| Fiscal Year Ended September 30 | Amount Budgeted | Amount Collected | Difference Over/(Under) |
|-----------------------------------|-----------------|---------------------|----------------------------|
| | | | |
| | | | |
| | | | |
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Ten Largest Taxpayers

The ten largest taxpayers in the County for assessment year ____, are as follows:

| Taxpayer | Assessed Valuation | Taxes Collected |
|----------|--------------------|-----------------|
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DEBT INFORMATION

Legal Debt Limit Statement

(as of _____)

| | 15% Limit | 20% Limit |
|--|-----------|-----------|
| Authorized Debt Limit (Last Completed Assessment for Taxation - \$ 0_____) | | |
| Present Debt Subject to Debt Limits | | |
| Margin for Further Debt Under Debt Limits | | |

Outstanding General Obligation Bonded Debt

(as of _____)

| Issue | Date of Issue | Outstanding Principal |
|-------|---------------|-----------------------|
| | | |
| | | |

Other Outstanding Debt

(as of _____)

| Issue | Date of Issue | Outstanding Principal |
|-------|---------------|-----------------------|
| | | |
| | | |
| | | |
| | | |
| | | |

Annual Debt Service Requirements

| FY Ending September 30 | Existing Debt | | |
|---------------------------|---------------|----------|-------|
| | Principal | Interest | Total |
| | | | |
| | | | |
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General Obligation Bonded Debt

| Fiscal Year Ended September 30 | | | | | |
|--------------------------------|--|--|--|--|--|
| Issue | | | | | |
| | | | | | |
| Total | | | | | |

Debt Ratios

| FY Ended September 30 | General Obligation Debt | General Obligation Debt to Assessed Value |
|-----------------------|-------------------------|---|
| | | |
| | | |
| | | |
| | | |
| | | |

Underlying General Obligation Indebtedness

(as of _____)

| Municipalities | 2010 Population | Current Assessed Valuation | General Obligation Bonded Debt | General Obligation Bonded Debt Per Capita |
|----------------|-----------------|----------------------------|--------------------------------|---|
| | | | | |

| School District | Current Assessed Valuation | Total General Obligation Bonded Debt |
|-----------------|----------------------------|--------------------------------------|
| | | |

EXHIBIT D

MATERIAL EVENT NOTICE COVER SHEET

Name of Issuer: Oktibbeha County, Mississippi

Name of Bond Issue: \$_____ Oktibbeha County, Mississippi General
Obligation Refunding Bonds, Series 2018A

Date of Issuance: _____, 2018

CUSIP Number: _____

Description of the attached Material Event Notice (Check One):

- 1. _____ Principal and interest payment delinquencies
- 2. _____ Non-Payment related defaults, if material
- 3. _____ Unscheduled draws on debt service reserves, if any, reflecting financial difficulties
- 4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
- 5. _____ Substitution of credit or liquidity providers, or their failure to perform
- 6. _____ Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (ITS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018A Bonds, or other material events affecting the tax status of the Series 2018A Bonds
- 7. _____ Modifications to rights of Bondholders, if material
- 8. _____ Bond calls, if material, and tender offers
- 9. _____ Defeasances
- 10. _____ Release, substitution, or sale of property, if any, securing repayment of the securities
- 11. _____ Rating changes
- 12. _____ Bankruptcy, insolvency, receivership or other similar event of the State
- 13. _____ The consummation of a merger, consolidation or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- 14. _____ Appointment of a successor or additional trustee or the change of name of a trustee, if material
- 15. _____ Failure to provide annual financial information as required by the Rule
- 16. _____ Other material event notice (specify) _____

I hereby represent that I am authorized by the Issuer/Other Obligated Person or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Employer: _____

Address: _____

Issuer, State, Zip Code: _____

Voice Telephone Number: _____

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APPENDIX D
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100