

**DeSoto County, Mississippi**

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

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**DeSoto County, Mississippi**  
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## DeSoto County Location in Mississippi



DeSoto County is located on the Mississippi-Tennessee State line of the United States. DeSoto County was formed in 1836 and named after Hernando De Soto, discoverer of the Mississippi River. DeSoto County covers a 496.6 square miles and its population is 161,252 per the 2010 U.S. Census.

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## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
DeSoto County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate presented remaining fund information of the DeSoto 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 as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of DeSoto County Convention and Visitors Bureau, which represents 90% of the assets, 121% of the net position, and 90% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for DeSoto County Convention and Visitors Bureau, is based solely on the reports of the auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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 the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's 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 and other auditors 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeSoto County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Component Units - Combining Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards and Component Units - Combining Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the Schedule of Expenditures of Federal Awards and the Component Units - Combining Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of the DeSoto 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 DeSoto County, Mississippi's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 28, 2017

Certified Public Accountants



# **DESOTO COUNTY MISSISSIPPI**

## **BOARD OF SUPERVISORS**



### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FYE 2016**

The discussion and analysis of the DeSoto County Board of Supervisors' 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. Information contained in this section is qualified by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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 September 1999. Certain comparative information between the current year and the prior year is required to be presented.

## **FINANCIAL HIGHLIGHTS**

- Total net position increased from \$130,958,200 in the 2015 fiscal year to \$154,325,282 in the 2016 fiscal year, which represents a 17.84% increase from prior year. This increase includes a prior period adjustment of \$1,592,100 due to correction of deferred outflows refunding items from 2015 and a correction related to capital assets.
- General revenues account for \$65,577,426 in revenue, or 78.94% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$17,491,264 or 21.06% of total revenues. Total revenues for the County were \$83,068,690.
- The County had \$61,293,708 in expenses; \$17,491,264 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$65,577,426 were adequate to provide for the balance of these expenses.
- Among the major funds, the General Fund had \$49,312,179 in revenues and \$43,284,277 in expenditures. There was also a net amount of other financing sources (uses) of (\$378,647), and the General Fund's fund balance increased \$5,649,255 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$14,561,876.
- Long-term debt decreased by \$8,508,351.

## OVERVIEW OF 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 financial statements. This report also contains required supplementary information, supplementary information and other information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources.

The statement of net position presents information on all the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them 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 the County's 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 only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government; public safety; public works (road and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development and assistance; interest on long-term debt and pension expense. The proprietary fund activities of the County are for the self-funded health insurance plan for county employees and are accounted for with governmental activities.

Component units are not included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County.

The component units are as follows:

- DeSoto County Emergency Communications District
- DeSoto County Convention and Visitors Bureau

Further information may be obtained from the boards of the various component units as follows:

Emergency Communications District: P.O. Box 156  
Nesbit, MS 38651

DeSoto County Convention and Visitors Bureau: 4560 Venture Drive  
Southaven, MS 38671

The government-wide financial statements can be found on pages 22-23 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 compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental 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 fund financial statements focus on current 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 the County's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. Governmental Funds Statements provide a detailed short-term view of the county's operations.

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 County's current financing decisions. Both the governmental fund balance sheet and the governmental fund 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 25 and 27, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund 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 fund financial statements can be found on pages 24 and 26 of this report.

**The Proprietary Fund** is maintained in two ways. The Internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance plan for county employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail. The self-funded health insurance fund is considered the only proprietary fund of the County. The proprietary fund financial statements can be found on pages 28-30 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because 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 Net Position and a Statement of Changes in Fiduciary Net Position on pages 31 and 32.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-63 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue funds. The Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions are also presented in this section. This required supplementary information and the Notes to the required supplementary information can be found on pages 83-89 of this report.

Additionally, a schedule of expenditures of federal awards is required by the Uniform Guidance and is presented as Supplementary Information. The Schedule of Expenditures of Federal Awards can be found on page 95 of this report. In addition to this schedule, the Component Units – Combining Statement of Net Position and the Combining Statement of Activities are presented here.

The Other Information section includes the Schedule of Surety Bonds for County

officials, on pages 100-102 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** Net position may serve over time as a useful indicator of government's financial position. In the case of DeSoto County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$154,325,282 as of September 30, 2016.

A large portion of the County's net position 73.41% reflects its net investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress, less any related debt used to acquire those assets that is still outstanding). The County uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Also, 31.31% of the net position is restricted.

The County's financial position is a product of several financial transactions including the net result of activities, the 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 and 2015. Long-term liabilities increased by \$365,626.

|                                       | <u>2016</u>           | <u>2015</u>           |
|---------------------------------------|-----------------------|-----------------------|
| <b>Assets:</b>                        |                       |                       |
| Current assets                        | \$ 194,077,346        | \$ 184,266,779        |
| Capital assets, net                   | <u>\$ 158,945,281</u> | <u>\$ 144,383,405</u> |
| <b>Total assets</b>                   | <u>\$ 353,022,627</u> | <u>\$ 328,650,184</u> |
| <b>Deferred Outflows of Resources</b> | <u>\$ 16,582,471</u>  | <u>\$ 11,918,941</u>  |
| <b>Liabilities:</b>                   |                       |                       |
| Current liabilities                   | \$ 16,228,561         | \$ 15,632,881         |
| Long-term liabilities                 | <u>\$ 141,938,930</u> | <u>\$ 141,573,304</u> |
| <b>Total liabilities</b>              | <u>\$ 158,167,491</u> | <u>\$ 157,206,185</u> |
| <b>Deferred Inflows of Resources</b>  | <u>\$ 57,112,325</u>  | <u>\$ 52,404,740</u>  |
| <b>Net Position:</b>                  |                       |                       |
| Net investment in capital assets      | \$ 113,292,605        | \$ 85,069,741         |
| Restricted                            | \$ 48,326,491         | \$ 45,831,377         |
| Unrestricted                          | <u>\$ (7,293,814)</u> | <u>\$ 57,082</u>      |
| <b>Total net position</b>             | <u>\$ 154,325,282</u> | <u>\$ 130,958,200</u> |

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

- The cash on hand increased \$7,191,772.

**Changes in net position.** The County's total revenues for the fiscal year ended September 30, 2016 were \$83,068,690. The total cost of all programs and services was \$64,308,708. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016 and 2015.

|   | <u>FYE 2016</u>      | <u>FYE 2015</u>      |
|---|----------------------|----------------------|
| <b>Revenues:</b>  |                      |                      |
| <u><b>Program revenues</b></u>                                  |                      |                      |
| Charges for services  | \$ 13,840,302        | \$ 14,592,664        |
| Operating grants  | \$ 3,400,740         | \$ 2,596,439         |
| Capital grants and contributions                                | \$ 250,222           | \$ 521,266           |
| <u><b>General revenues</b></u>                                  |                      |                      |
| Property taxes  | \$ 59,554,712        | \$ 57,131,388        |
| Road and bridge privilege taxes                                 | \$ 2,195,644         | \$ 2,200,762         |
| Interest Income   | \$ 220,512           | \$ 141,860           |
| Bond proceeds for component unit                                | \$ 0                 | \$ 6,614,400         |
| Grants and contributions not restricted<br>to specific programs | \$ 2,509,863         | \$ 3,022,442         |
| Loan – Nesbit Fire Department                                   | \$ 225,250           |                      |
| Miscellaneous   | <u>\$ 871,445</u>    | <u>\$ 1,671,274</u>  |
| Total Revenues  | <u>\$ 83,068,690</u> | <u>\$ 88,492,495</u> |
| <b>Expenses:</b>  |                      |                      |
| General government  | \$ 11,972,979        | \$ 22,568,896        |
| Public safety   | \$ 16,696,682        | \$ 29,537,409        |
| Public works  | \$ 16,829,525        | \$ 17,248,321        |
| Health and welfare  | \$ 2,077,564         | \$ 1,753,970         |
| Culture and recreation  | \$ 1,372,480         | \$ 1,361,755         |
| Conservation of natural resources                               | \$ 270,671           | \$ 292,022           |
| Economic development  | \$ 530,505           | \$ 606,346           |
| Interest on long term debt                                      | \$ 1,865,954         | \$ 2,279,946         |
| Pension expense   | <u>\$ 9,677,348</u>  | <u>\$ 6,953,138</u>  |
| Total Expenses  | <u>\$ 61,293,708</u> | <u>\$ 82,601,803</u> |
| Change in Net Position  | <u>\$ 21,774,982</u> | <u>\$ 5,890,692</u>  |

**Governmental Activities.** The following table presents the cost of nine major County functional activities: general government, public safety, public works, health & welfare, culture and recreation, conservation and natural resources, economic development, interest on long term debt and pension expense. The table also shows each activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific activities). The net cost shows the financial burden that was

placed on the county's taxpayers by each of these activities.

|                                   | <u>2016</u>         | <u>2016</u>            | <u>2015</u>         | <u>2015</u>            |
|-----------------------------------|---------------------|------------------------|---------------------|------------------------|
|                                   | <u>Total</u>        | <u>Net (Expense)</u>   | <u>Total</u>        | <u>Net (Expense)</u>   |
|                                   | <u>Expenses</u>     | <u>Revenue</u>         | <u>Expenses</u>     | <u>Revenue</u>         |
| General government                | \$11,972,979        | (\$ 2,048,874)         | \$22,568,896        | (\$ 12,243,393)        |
| Public safety                     | \$16,696,682        | (\$ 11,537,515)        | \$29,537,409        | (\$ 24,802,861)        |
| Public works                      | \$16,829,525        | (\$ 14,993,008)        | \$17,248,321        | (\$ 14,706,692)        |
| Health and welfare                | \$ 2,077,564        | (\$ 1,506,089)         | \$ 1,753,970        | (\$ 1,645,281)         |
| Culture and recreation            | \$ 1,372,480        | (\$ 1,372,480)         | \$ 1,361,755        | (\$ 1,361,755)         |
| Conservation of natural resources | \$ 270,671          | (\$ 270,671)           | \$ 292,022          | (\$ 292,022)           |
| Economic development              | \$ 530,505          | (\$ 530,505)           | \$ 606,346          | (\$ 606,346)           |
| Interest on long term debt        | \$ 1,865,954        | (\$ 1,865,954)         | \$ 2,279,946        | (\$ 2,279,946)         |
| Pension expense                   | <u>\$ 9,677,348</u> | <u>(\$ 9,677,348)</u>  | <u>\$ 6,953,138</u> | <u>(\$ 6,953,138)</u>  |
| Total Expenses                    | <u>\$61,298,708</u> | <u>(\$ 43,802,444)</u> | <u>\$82,601,803</u> | <u>(\$ 64,891,434)</u> |

- In 2016, the net cost of governmental activities (\$43,802,444), was financed by general revenue, which is made up primarily of property taxes totaling \$59,554,712. The 2016 net position increased \$21,774,982 from the prior year, excluding the prior period adjustment.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the County's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the 2016 fiscal year, its governmental funds reported a combined fund balance of \$102,042,760, an increase of \$7,934,048.

The General Fund is the principal operating fund of the County. The fund balance in the General Fund increased \$5,649,255 for fiscal year 2016. This increase was similar to the prior year and is a function of budgetary control by the County and taking in more revenues than expenditures made.



## BUDGETARY HIGHLIGHTS

Over the course of the year, the County revised the annual operating budget whenever actual expenditures in a line item exceeded the budgeted expenditures. The amendments were approved by the Board of Supervisors and then posted to the accounting records by the Finance Director.

At least once a month the budgetary reports are sent to each department head for their review. The County requires a budget amendment for any line items that exceed the budget. Also, when a purchase order is requested by the various departments, the procurement department verifies that the funds are available in that budget line item to cover the requested purchase. If funds are not available, the department who requested the purchase is required to submit a budget amendment to the Office of Finance and Accounting to present to the Board of Supervisors and post to the accounting records to ensure that the funds are available in the appropriate line item. This ensures that the county complies with state law and State Audit Department guidelines.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of September 30, 2016, the County's total capital assets were \$275,545,424, including land, buildings, improvements other than buildings, equipment and machinery, infrastructure and construction in progress. This amount represents an increase of \$19,506,203 from the previous year. Total accumulated depreciation as of September 30, 2016 was \$116,600,143 and total depreciation expense for the year was \$7,165,661. Additional information on the County's capital assets can be found in Note 7 of this report.

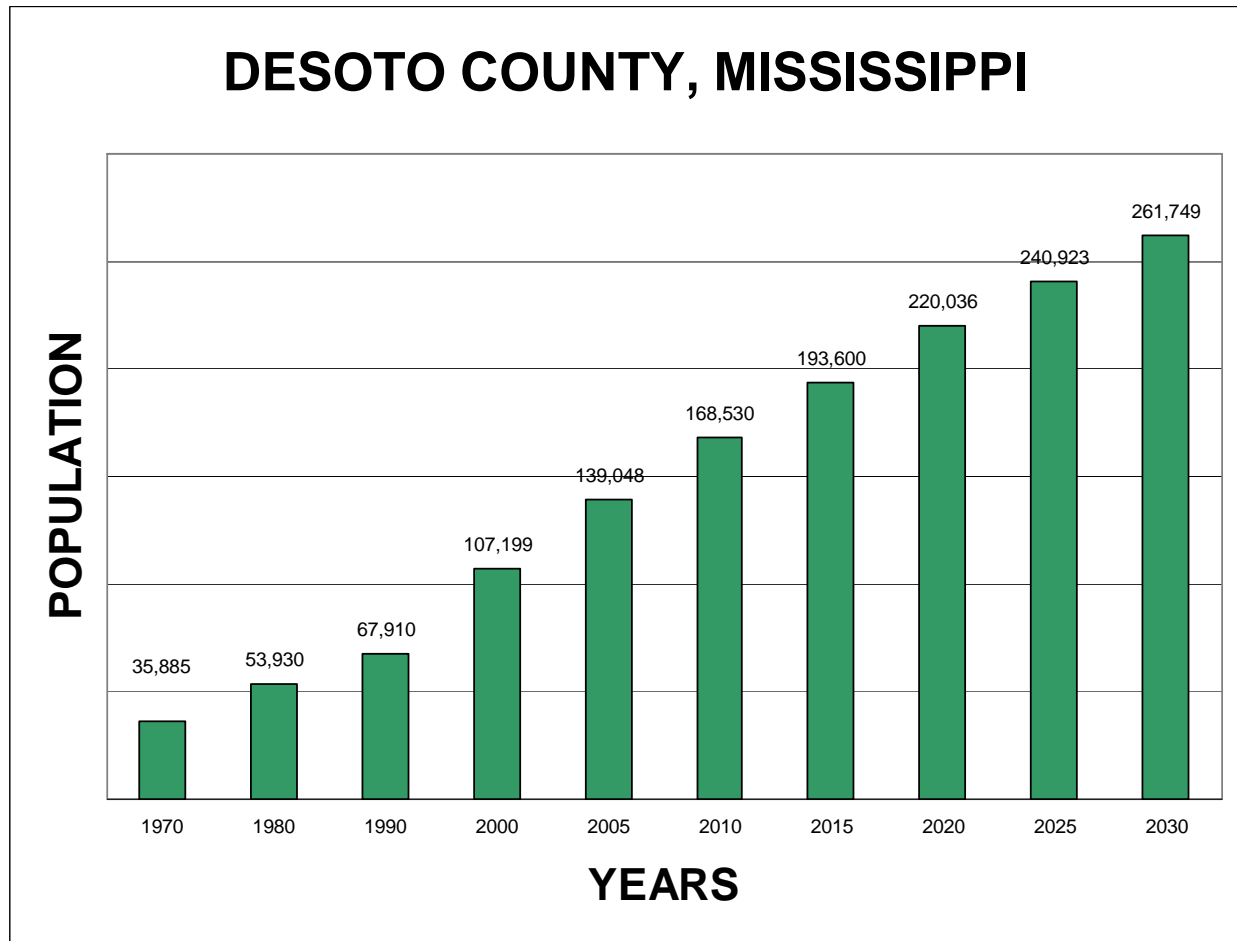
**Debt Administration.** At September 30, 2016, the County had \$76,860,000 in general obligation bonds and \$335,520 in other loans, of which \$8,898,862 is due within one year.

The County maintains an AA bond rating from Standard & Poors and an Aa2 rating from Moody's Investors. Additional information of the County's long-term debt can be found in Note 9 of this report.

## CURRENT ISSUES

The DeSoto County Board of Supervisors has always strived to ensure that the county is financially stable and has accomplished this by committing itself to financial excellence for many years. DeSoto County has been experiencing phenomenal growth over the past several years, and while the amount of growth in 2016 was less than previous years, it is still steady and the trend is for continued growth for the next several years. The County's

population has grown over the past 30 years and that growth is expected to continue as follows:



Between seven and ten companies locate to DeSoto County each year. The County averages several industrial expansions annually. Unemployment is at 4.0 percent, one of the lowest in the state of Mississippi. This growth has been complemented by conservative, yet progressive leadership. The catalyst of the growth is a strong school system and pro-active leadership from the Board of Supervisors that has allowed the county to keep the tax millage rate low from year to year. In the 2015 fiscal year, the Board of Supervisors financed the County's operations without raising the tax rate. Due to the Board of Supervisors' conservative financial approach, the County has been able to establish substantial cash reserves to ensure the County remains in a good position to endure the economic cycles that come and go from year to year.

**DeSoto County Tax Millage Rates 1991-2015**

|      | <b>General<br/>County</b> | <b>Road/Bridge</b> | <b>Debt<br/>Svc.</b> | <b>Solid<br/>Waste</b> | <b>EMS</b> | <b>TOTAL</b> |
|------|---------------------------|--------------------|----------------------|------------------------|------------|--------------|
| 1991 | 18.00                     | 6.00               | 11.05                | 2.00                   | 0.50       | <b>37.55</b> |
| 1992 | 19.25                     | 6.25               | 9.40                 | 2.00                   | 0.50       | <b>37.40</b> |
| 1993 | 20.25                     | 6.25               | 8.60                 | 2.00                   | 0.50       | <b>37.60</b> |
| 1994 | 20.75                     | 6.25               | 8.60                 | 2.00                   | 0.50       | <b>38.10</b> |
| 1995 | 22.59                     | 6.25               | 8.00                 | 2.00                   | 0.50       | <b>39.34</b> |
| 1996 | 22.59                     | 6.25               | 7.20                 | 2.00                   | 0.50       | <b>38.54</b> |
| 1997 | 22.59                     | 7.04               | 5.75                 | 2.00                   | 0.50       | <b>37.78</b> |
| 1998 | 22.59                     | 7.04               | 5.75                 | 2.00                   | 0.50       | <b>37.88</b> |
| 1999 | 22.09                     | 8.39               | 5.45                 | 2.00                   |            | <b>37.93</b> |
| 2000 | 21.10                     | 8.39               | 5.98                 | 2.25                   |            | <b>37.72</b> |
| 2001 | 22.74                     | 8.39               | 5.65                 | 2.25                   |            | <b>39.03</b> |
| 2002 | 23.21                     | 8.39               | 5.00                 | 2.03                   |            | <b>38.63</b> |
| 2003 | 23.84                     | 8.39               | 4.31                 | 2.09                   |            | <b>38.63</b> |
| 2004 | 23.89                     | 8.34               | 3.72                 | 2.07                   |            | <b>38.02</b> |
| 2005 | 24.78                     | 8.34               | 5.83                 | 2.07                   |            | <b>41.02</b> |
| 2006 | 24.78                     | 8.84               | 5.83                 | 1.57                   |            | <b>41.02</b> |
| 2007 | 25.28                     | 8.84               | 5.58                 | 1.32                   |            | <b>41.02</b> |
| 2008 | 25.28                     | 8.84               | 5.58                 | 1.32                   |            | <b>41.02</b> |
| 2009 | 25.28                     | 8.84               | 5.58                 | 1.32                   |            | <b>41.02</b> |
| 2010 | 25.58                     | 8.84               | 5.58                 | 1.32                   |            | <b>41.02</b> |
| 2011 | 26.28                     | 7.84               | 5.58                 | 1.32                   |            | <b>41.02</b> |
| 2012 | 26.88                     | 7.54               | 5.38                 | 1.22                   |            | <b>41.02</b> |
| 2013 | 27.42                     | 7.00               | 5.38                 | 1.22                   |            | <b>41.02</b> |
| 2014 | 26.92                     | 7.00               | 5.88                 | 1.22                   |            | <b>41.02</b> |
| 2015 | 26.65                     | 6.97               | 6.18                 | 1.22                   |            | <b>41.02</b> |
| 2016 | 26.65                     | 6.97               | 6.03                 | 1.37                   |            | <b>41.02</b> |

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Office of Finance and Accounting, 365 Loshier Street, Suite 320, Hernando, MS 38632. The telephone number is 662-469-8001 and the fax number is 662-469-8275.

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## FINANCIAL STATEMENTS

DeSoto County, Mississippi  
Statement of Net Position  
September 30, 2016

Exhibit 1

|   | <u>Primary Government</u><br>Governmental<br>Activities | Component<br>Units  |
|---|---|---------------------|
| <b>ASSETS</b>   |   |                     |
| Cash  | \$ 97,675,040   | \$ 15,861,270       |
| Certificates of deposit   |   |                     |
| Property tax receivable   | 56,372,600  |                     |
| Receivable from component unit  | 27,395,000  |                     |
| Accounts receivable   |   | 692,840             |
| Fines receivable (net of allowance for uncollectibles of \$4,207,339) | 1,034,167   |                     |
| Loans receivable  | 10,190,869  |                     |
| Intergovernmental receivables   | 1,278,180   | 683,158             |
| Other receivables   | 131,490   |                     |
| Inventories and prepaid items   |   | 108,436             |
| Capital assets:   |   |                     |
| Land and construction in progress                                     | 13,284,857  | 6,328,825           |
| Other capital assets, net   | 145,660,424   | 34,473,790          |
| Total Assets  | <u>353,022,627</u>                                      | <u>58,148,319</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |   |                     |
| Deferred outflows related to pensions                                 | 14,240,792  | 718,617             |
| Deferred amount on refunding  | 2,341,679   | 350,807             |
| Total Deferred Outflow of Resources                                   | <u>16,582,471</u>                                       | <u>1,069,424</u>    |
| <b>LIABILITIES</b>  |   |                     |
| Claims payable  | 3,224,490   | 2,482,420           |
| Amounts held in custody for others                                    | 340,141   | 60,232              |
| Intergovernmental payables  | 3,018,830   |                     |
| Accrued interest payable  | 387,674   | 482,533             |
| Long-term liabilities   |   |                     |
| Due within one year:  |   |                     |
| Capital debt  | 7,137,426   | 2,564,354           |
| Non-capital debt  | 2,120,000   | 612,446             |
| Due in more than one year:  |   |                     |
| Capital debt  | 40,856,929  | 28,618,940          |
| Non-capital debt  | 31,902,516  | 12,012,621          |
| Net pension liability   | 69,179,485  | 3,590,541           |
| Total Liabilities   | <u>158,167,491</u>                                      | <u>50,424,087</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |   |                     |
| Deferred inflows related to pensions                                  | 739,725   | 48,357              |
| Property tax for future reporting period                              | 56,372,600  |                     |
| Total Deferred Inflows of Resources                                   | <u>57,112,325</u>                                       | <u>48,357</u>       |
| <b>NET POSITION</b>   |   |                     |
| Net investment in capital assets                                      | 113,292,605   | 9,619,321           |
| Restricted:   |   |                     |
| Expendable:   |   |                     |
| General government  | 291,249   |                     |
| Debt service  | 6,182,103   |                     |
| Public safety   | 3,007,717   |                     |
| Public works  | 35,417,760  |                     |
| Culture and recreation  | 377,274   |                     |
| Capital projects  | 3,050,388   |                     |
| Unrestricted  | (7,293,814)   | (874,022)           |
| Total Net Position  | <u>\$ 154,325,282</u>                                   | <u>\$ 8,745,299</u> |

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

DeSoto County, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2016

Exhibit 2

| Functions/Programs   | Expenses             | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                     |
|--|----------------------|-------------------------|--|--|--|---------------------|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Component<br>Units  |
| <u>Primary government:</u>                                   |                      |                         |  |  |  |                     |
| Governmental activities:                                     |                      |                         |  |  |  |                     |
| General government   | \$ 11,972,979        | 9,360,396               | 563,709                                  |  | (2,048,874)  |                     |
| Public safety  | 16,696,682           | 4,326,230               | 648,292                                  | 184,645                                | (11,537,515)   |                     |
| Public works   | 16,829,525           | 153,676                 | 1,617,264                                | 65,577                                 | (14,993,008)   |                     |
| Health and welfare   | 2,077,564            |                         | 571,475                                  |  | (1,506,089)  |                     |
| Culture and recreation                                       | 1,372,480            |                         |  |  | (1,372,480)  |                     |
| Conservation of natural resources                            | 270,671              |                         |  |  | (270,671)  |                     |
| Economic development and assistance                          | 530,505              |                         |  |  | (530,505)  |                     |
| Interest on long-term debt                                   | 1,865,954            |                         |  |  | (1,865,954)  |                     |
| Pension expense  | 9,677,348            |                         |  |  | (9,677,348)  |                     |
| Total Governmental Activities                                | \$ <u>61,293,708</u> | <u>13,840,302</u>       | <u>3,400,740</u>                         | <u>250,222</u>                         | <u>(43,802,444)</u>                                  |                     |
| Component Units:   |                      |                         |  |  |  |                     |
| Emergency Communications District                            | \$ 8,174,089         | 1,846,822               | -  | -                                      |  | (6,327,267)         |
| Convention & Visitors Bureau                                 | 13,691,292           | 8,304,566               |  |  |  | (5,386,726)         |
| Total Component Units  | \$ <u>21,865,381</u> | <u>10,151,388</u>       | <u>-</u>                                 | <u>-</u>                               |  | <u>(11,713,993)</u> |
| General revenues:  |                      |                         |  |  |  |                     |
| Property taxes   |                      |                         |  | \$ 59,554,712                          |  |                     |
| Road & bridge privilege taxes                                |                      |                         |  | 2,195,644                              |  |                     |
| Tourism tax  |                      |                         |  |  |  | 8,335,414           |
| Grants and contributions not restricted to specific programs |                      |                         |  | 2,509,863                              |  |                     |
| Unrestricted interest income                                 |                      |                         |  | 220,512                                |  | 48,932              |
| Loan - Nesbit Fire Department                                |                      |                         |  | 225,250                                |  |                     |
| Miscellaneous  |                      |                         |  | 871,445                                |  |                     |
| Total General Revenues                                       |                      |                         |  | <u>65,577,426</u>                      |  | <u>8,384,346</u>    |
| Changes in Net Position                                      |                      |                         |  | <u>21,774,982</u>                      |  | <u>(3,329,647)</u>  |
| Net Position - Beginning, as previously reported             |                      |                         |  | 130,958,200                            |  | 12,074,946          |
| Prior Period Adjustments                                     |                      |                         |  | 1,592,100                              |  |                     |
| Net Position - Beginning, as restated                        |                      |                         |  | <u>132,550,300</u>                     |  | <u>12,074,946</u>   |
| Net Position - Ending  |                      |                         |  | \$ <u>154,325,282</u>                  |  | <u>8,745,299</u>    |

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

**DeSoto County, Mississippi**  
 Balance Sheet - Governmental Funds  
 September 30, 2016

Exhibit 3

|  | Major Funds          |                             |                               |                                |                                |
|--|----------------------|-----------------------------|-------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund      | Road<br>Maintenance<br>Fund | Bridge and<br>Culvert<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>ASSETS</b>  |                      |                             |                               |                                |                                |
| Cash   | \$ 46,984,182        | 14,802,735                  | 18,775,532                    | 15,571,580                     | 96,134,029                     |
| Property tax receivable  | 36,578,700           | 2,727,400                   | 6,128,900                     | 10,937,600                     | 56,372,600                     |
| Fines receivable (net of allowance for<br>for uncollectibles of \$4,391,405) | 1,034,167            |                             |                               |                                | 1,034,167                      |
| Loans receivable   | 10,190,869           |                             |                               |                                | 10,190,869                     |
| Intergovernmental receivables  | 1,274,673            |                             |                               | 3,507                          | 1,278,180                      |
| Other receivables  | 131,490              |                             |                               |                                | 131,490                        |
| Due from other funds   | 25,000               | 228,490                     | 85,794                        | 179,139                        | 518,423                        |
| <b>Total Assets</b>  | <b>\$ 96,219,081</b> | <b>17,758,625</b>           | <b>24,990,226</b>             | <b>26,691,826</b>              | <b>165,659,758</b>             |
| <b>LIABILITIES</b>   |                      |                             |                               |                                |                                |
| Liabilities:   |                      |                             |                               |                                |                                |
| Claims payable   | \$ 1,425,225         | 589,905                     | 119,863                       | 197,844                        | 2,332,837                      |
| Amounts held in custody for others   | 340,141              |                             |                               |                                | 340,141                        |
| Intergovernmental payables   | 3,018,830            |                             |                               |                                | 3,018,830                      |
| Due to other funds   | 493,423              |                             |                               | 25,000                         | 518,423                        |
| <b>Total Liabilities</b>   | <b>5,277,619</b>     | <b>589,905</b>              | <b>119,863</b>                | <b>222,844</b>                 | <b>6,210,231</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                             |                               |                                |                                |
| Unavailable revenue - property taxes   | 36,578,700           | 2,727,400                   | 6,128,900                     | 10,937,600                     | 56,372,600                     |
| Unavailable revenue - fines  | 1,034,167            |                             |                               |                                | 1,034,167                      |
| <b>Total Deferred Inflows of Resources</b>                                   | <b>37,612,867</b>    | <b>2,727,400</b>            | <b>6,128,900</b>              | <b>10,937,600</b>              | <b>57,406,767</b>              |
| <b>FUND BALANCES</b>   |                      |                             |                               |                                |                                |
| Fund balances:   |                      |                             |                               |                                |                                |
| Nonspendable:  |                      |                             |                               |                                |                                |
| Loans receivable   | 10,190,869           |                             |                               |                                | 10,190,869                     |
| Restricted for:  |                      |                             |                               |                                |                                |
| General government   |                      |                             |                               | 291,249                        | 291,249                        |
| Public safety  |                      |                             |                               | 3,007,717                      | 3,007,717                      |
| Public works   |                      | 14,441,320                  | 18,741,463                    | 2,234,977                      | 35,417,760                     |
| Culture and recreation   |                      |                             |                               | 377,274                        | 377,274                        |
| Debt service   |                      |                             |                               | 6,569,777                      | 6,569,777                      |
| Capital projects   |                      |                             |                               | 3,050,388                      | 3,050,388                      |
| Unassigned   | 43,137,726           |                             |                               |                                | 43,137,726                     |
| <b>Total Fund Balances</b>   | <b>53,328,595</b>    | <b>14,441,320</b>           | <b>18,741,463</b>             | <b>15,531,382</b>              | <b>102,042,760</b>             |
| <b>Total Liabilities and Fund Balances</b>                                   | <b>\$ 96,219,081</b> | <b>17,758,625</b>           | <b>24,990,226</b>             | <b>26,691,826</b>              | <b>165,659,758</b>             |

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



**DeSoto County, Mississippi**

Exhibit 3-1

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

|  | <u>Amount</u>                |
|--|------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>   | \$ 102,042,760               |
| Amounts reported for governmental services 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 \$116,600,143.  | 158,945,281                  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.   |                              |
| Fines receivable   | 1,034,167                    |
| Receivable from component unit   | 27,395,000                   |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.   | (82,016,871)                 |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.  | (387,674)                    |
| Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore, not reported in the funds.  | 14,240,792                   |
| Deferred amount on refunding of debt reported as deferred outflows of resources in governmental activities is not a financial resource and therefore is not reported in the funds.   | 2,341,679                    |
| Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.   | (69,179,485)                 |
| Deferred inflows of resources related to pension reported in governmental activities is not a financial resource and therefore, not reported in the funds.   | (739,725)                    |
| Internal service funds are used by management to change the costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | <u>649,358</u>               |
| <b>Total Net Position - Governmental Activities</b>  | \$ <u><u>154,325,282</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          |                             |                               |                                | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------|-------------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund      | Road<br>Maintenance<br>Fund | Bridge and<br>Culvert<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                                 |                      |                             |                               |                                |                                |
| Property taxes                                  | \$ 38,588,802        | 2,778,983                   | 6,217,577                     | 11,969,350                     | 59,554,712                     |
| Road and bridge privilege taxes                 |                      | 2,195,644                   |                               |                                | 2,195,644                      |
| Licenses, commissions and other revenue         | 3,338,606            |                             |                               | 446,022                        | 3,784,628                      |
| Fines and forfeitures                           | 1,452,782            |                             |                               | 372,974                        | 1,825,756                      |
| Intergovernmental revenues                      | 4,049,003            | 1,455,056                   |                               | 656,766                        | 6,160,825                      |
| Charges for services                            | 1,491,351            | 14,120                      |                               | 1,979,720                      | 3,485,191                      |
| Interest income                                 | 107,457              | 33,776                      | 42,783                        | 32,133                         | 216,149                        |
| Miscellaneous revenues                          | 284,178              | 3,993                       |                               | 521,190                        | 809,361                        |
| Total Revenues                                  | <u>49,312,179</u>    | <u>6,481,572</u>            | <u>6,260,360</u>              | <u>15,978,155</u>              | <u>78,032,266</u>              |
| <b>EXPENDITURES</b>                             |                      |                             |                               |                                |                                |
| Current:  |                      |                             |                               |                                |                                |
| General government                              | 14,851,652           |                             |                               | 1,107,703                      | 15,959,355                     |
| Public safety                                   | 23,828,119           |                             |                               | 4,320,401                      | 28,148,520                     |
| Public works                                    | 402,783              | 6,161,766                   | 5,164,550                     | 2,237,285                      | 13,966,384                     |
| Health and welfare                              | 2,124,737            |                             |                               | 20,245                         | 2,144,982                      |
| Culture and recreation                          | 1,326,475            |                             |                               | 50,196                         | 1,376,671                      |
| Conservation of natural resources               | 325,028              |                             |                               |                                | 325,028                        |
| Economic development and assistance             | 395,130              |                             |                               | 135,375                        | 530,505                        |
| Debt service:                                   |                      |                             |                               |                                |                                |
| Principal                                       | 23,351               |                             |                               | 6,540,000                      | 6,563,351                      |
| Interest and bond issue costs                   | 7,002                |                             |                               | 2,021,396                      | 2,028,398                      |
| Total Expenditures                              | <u>43,284,277</u>    | <u>6,161,766</u>            | <u>5,164,550</u>              | <u>16,432,601</u>              | <u>71,043,194</u>              |
| Excess of Revenues over<br>(under) Expenditures | <u>6,027,902</u>     | <u>319,806</u>              | <u>1,095,810</u>              | <u>(454,446)</u>               | <u>6,989,072</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                      |                             |                               |                                |                                |
| Refunding bonds issued                          |                      |                             |                               | 8,125,000                      | 8,125,000                      |
| Proceeds from sale of capital assets            | 51,516               | 241,713                     |                               |                                | 293,229                        |
| Premiums on bonds issued                        |                      |                             |                               | 714,529                        | 714,529                        |
| Compensation for loss on capital assets         | 478,343              |                             |                               |                                | 478,343                        |
| Transfers in                                    | 685                  | 85,000                      |                               | 2,214,707                      | 2,300,392                      |
| Transfers out                                   | (909,191)            |                             |                               | (1,391,201)                    | (2,300,392)                    |
| Payment to bond refunding escrow agent          |                      |                             |                               | (8,666,125)                    | (8,666,125)                    |
| Total Other Financing Sources and Uses          | <u>(378,647)</u>     | <u>326,713</u>              | <u>-</u>                      | <u>996,910</u>                 | <u>944,976</u>                 |
| Net Changes in Fund Balances                    | <u>5,649,255</u>     | <u>646,519</u>              | <u>1,095,810</u>              | <u>542,464</u>                 | <u>7,934,048</u>               |
| Fund Balances - Beginning                       | <u>47,679,340</u>    | <u>13,794,801</u>           | <u>17,645,653</u>             | <u>14,988,918</u>              | <u>94,108,712</u>              |
| Fund Balances - Ending                          | <u>\$ 53,328,595</u> | <u>14,441,320</u>           | <u>18,741,463</u>             | <u>15,531,382</u>              | <u>102,042,760</u>             |

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

**DeSoto County, Mississippi**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>                      |
|---|------------------------------------|
| <b>Net Changes in Fund Balances - Governmental Funds</b>  | <b>\$ 7,934,048</b>                |
| 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 \$21,637,245 exceeded depreciation of \$7,165,661 in the current period.  | 14,471,584                         |
| 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 cost of the asset sold.  | (709,488)                          |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities. |                                    |
| Refunding bonds issued  | (8,125,000)                        |
| Payment to refunding bond agent less effect of component unit refunding of \$3,001,448  | 8,679,677                          |
| Bond premiums on newly-issued long-term debt  | (714,529)                          |
| Payments of debt principal excluding component unit debt service principal of \$1,940,000   | 6,563,351                          |
| Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds. These activities include:  |                                    |
| Recording of pension expense for the year   | (9,677,348)                        |
| Net pension liability net out to pension expenditures made through nine months  | 2,863,582                          |
| Contributions made after measurement date   | 1,138,774                          |
| Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the funds. These activities include:   |                                    |
| Change in compensated absences  | 183,353                            |
| Change in fines receivable  | (94,348)                           |
| Change in accrued interest payable  | 84,062                             |
| Amortization of bond premiums   | 300,487                            |
| Amortization on deferred amount of bond refunding   | (222,106)                          |
| An internal service fund is used by management to charge the cost of insurance to individual funds. The net loss is reported within governmental activities.  | (901,118)                          |
| Rounding difference   | <u>1</u>                           |
| <b>Change in Net Position of Governmental Activities</b>  | <b>\$ <u><u>21,774,982</u></u></b> |

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

**DeSoto County, Mississippi**  
 Statement of Net Position - Proprietary Fund  
 September 30, 2016

Exhibit 5

|                              | Internal<br>Service<br>Fund |
|------------------------------|-----------------------------|
| <b>ASSETS</b>                |                             |
| Current assets:              |                             |
| Cash                         | \$ 1,541,011                |
| Total Assets                 | <u>1,541,011</u>            |
| <b>LIABILITIES</b>           |                             |
| Current liabilities:         |                             |
| Claims and judgments payable | <u>891,653</u>              |
| Total Liabilities            | <u>891,653</u>              |
| <b>NET POSITION</b>          |                             |
| Restricted:                  |                             |
| Health insurance             | <u>649,358</u>              |
| Total Net Position           | <u>\$ 649,358</u>           |

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

**DeSoto County, Mississippi**Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2016

|                               | <u>Internal<br/>Service<br/>Fund</u> |
|-------------------------------|--------------------------------------|
| <b>OPERATING REVENUES</b>     |                                      |
| Premiums                      | \$ 4,839,075                         |
| Total Operating Revenues      | <u>4,839,075</u>                     |
| <b>OPERATING EXPENSES</b>     |                                      |
| Claim payments                | 4,719,968                            |
| Administrative                | 1,024,588                            |
| Total Operating Expenses      | <u>5,744,556</u>                     |
| Total Operating Income (Loss) | <u>(905,481)</u>                     |
| <b>NON-OPERATING REVENUES</b> |                                      |
| Interest income               | 4,363                                |
| Total Non-operating Revenues  | <u>4,363</u>                         |
| Change in Net Position        | <u>(901,118)</u>                     |
| Net Position - Beginning      | <u>1,550,476</u>                     |
| Net Position - Ending         | \$ <u>649,358</u>                    |

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

**DeSoto County, Mississippi**  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2016

Exhibit 7

|  | <u>Internal<br/>Service<br/>Fund</u> |
|--|--------------------------------------|
| <b>Cash Flows from Operating Activities</b>  |                                      |
| Cash receipts/premiums from customers  | \$ 4,839,075                         |
| Cash payments for claims and benefits  | (4,682,216)                          |
| Cash payments to administrator for services  | <u>(947,299)</u>                     |
| Net Cash Provided by (Used for) Operating Activities   | <u>(790,440)</u>                     |
| <b>Cash Flows from Investing Activities</b>  |                                      |
| Interest income on deposits  | <u>4,363</u>                         |
| Net Cash Provided by (Used for) Investing Activities   | <u>4,363</u>                         |
| Net Change in Cash and Cash Equivalents  | (786,077)                            |
| Cash and Cash Equivalents - Beginning  | <u>2,327,088</u>                     |
| Cash and Cash Equivalents - Ending   | <u>\$ 1,541,011</u>                  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by<br/>(Used for) Operating Activities</b> |                                      |
| Operating income (loss)  | \$ <u>(905,481)</u>                  |
| Adjustments to reconcile operating income (loss) to net cash<br>provided by (used for) operating activities: |                                      |
| Changes in assets and liabilities:   |                                      |
| Increase (decrease) in liabilities:  |                                      |
| Claims payable   | <u>115,041</u>                       |
| Total adjustments  | <u>115,041</u>                       |
| Net Cash Provided by (Used for) Operating Activities   | <u>\$ (790,440)</u>                  |

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

**DeSoto County, Mississippi**  
Statement of Fiduciary Net Position  
September 30, 2016

Exhibit 8

|  | <u>Private-purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|--|--|-------------------------|
| <b>ASSETS</b>  |  |                         |
| Cash   | \$ <u>382,236</u>                      | \$ 15,929               |
| Other receivable   |  | <u>152,297</u>          |
| Total Assets   |  | \$ <u>168,226</u>       |
| <b>LIABILITIES</b>   |  |                         |
| Amounts held in custody for others                                 |  | \$ 166,459              |
| Intergovernmental payables   |  | <u>1,767</u>            |
| Total Liabilities  |  | \$ <u>168,226</u>       |
| <b>NET POSITION</b>  |  |                         |
| Held in trust for individuals, organizations and other governments | \$ <u>382,236</u>                      |                         |

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

**DeSoto County, Mississippi**  
 Statement of Changes in Fiduciary Net Position  
 For the Year Ended September 30, 2016

Exhibit 9

|                             | <u>Private-purpose<br/>Trust Funds</u> |
|-----------------------------|--|
| <b>ADDITIONS</b>            |  |
| Interest income             | \$ <u>446</u>                          |
| Total Additions             | <u>446</u>                             |
| <br>Changes in Net Position | <br><u>446</u>                         |
| <b>NET POSITION</b>         |  |
| Beginning                   | <u>381,790</u>                         |
| Ending                      | <u>\$ <u>382,236</u></u>               |

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



**DeSoto County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2016

## DeSoto County, Mississippi

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

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

DeSoto 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 DeSoto County, Mississippi to present these financial statements on the primary government and its component units which have a significant operational or financial relationship with the County.

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

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

#### B. Individual Component Unit Disclosures

##### Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government. DeSoto County has one blended component unit - The DeSoto County, Mississippi Public Improvement Corporation.

The DeSoto County, Mississippi Public Improvement Corporation is comprised solely of the five members of the Board of Supervisors and the Chancery Clerk. Although it is legally separate from DeSoto County, Mississippi, the corporation is reported as if it were part of the primary government, as it is a pass-through corporation whose sole purpose is to finance, renovate and construct County buildings.

## DeSoto County, Mississippi

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

### Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County. The majority of the members of the governing bodies of these component units were not appointed by the County Board of Supervisors.

The County reports the following discretely presented component units. Complete financial statements for these component units can be obtained through the DeSoto County Board of Supervisors.

- DeSoto County Convention and Visitors Bureau
- DeSoto County Emergency Communications District

DeSoto County Convention and Visitors Bureau (“The Bureau”) was created in 1998 by the DeSoto County Board of Supervisors under the provisions of House Bill 1831, under Chapter 1001 of the Local and Private Laws of 1996 of the State of Mississippi. The Bureau promotes tourism locally through revenues derived from a 2% tourism tax levied by the DeSoto County Board of Supervisors. The Bureau is governed by a seven-member Board appointed with five members appointed by the DeSoto County Board of Supervisors.

DeSoto County Emergency Communications District (“The District”) was created in 1988 by the DeSoto County Board of Supervisors under Section 19-5-305, Miss. Code Ann. (1972) to manage the emergency communications system and related infrastructure in order to provide E-911 services to DeSoto County residents. The seven-member Board of Commissioners is appointed by the DeSoto County Board of Supervisors and local municipalities. DeSoto County provides financial support for the District through the collection of E-911 revenues received from communications utilities.

Certified public accounting firms other than the primary government auditor prepare audited financial statement information for the DeSoto County Convention and Visitors Bureau component unit listed above and provided to the County as the primary government. Financial information may be obtained from the DeSoto County Chancery Clerk’s office at 2535 Highway 51 South Room 104, Hernando, MS 38632.

### C Basis of Presentation

The County’s basic financial statements consist of government-wide statements,

## DeSoto County, Mississippi

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

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separate from certain legally separate component units for which the primary government is financially accountable.

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.

### 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, liabilities, fund equity, 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.

## DeSoto County, Mississippi

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

### D. Measurement Focus and Basis of Accounting

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

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

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

## DeSoto County, Mississippi

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

Bridge and Culvert Fund - This fund is used to account for bridge and culvert construction and repair.

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 Project 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.

### PROPRIETARY FUND TYPE

Internal Service Fund - This fund is used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The County's internal service fund reports on the self-insurance programs for employee medical benefits.

### FIDUCIARY FUND TYPES

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.

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

## DeSoto County, Mississippi

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

### E. Account Classifications

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

### F. Deposits and Investments

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

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

### G. Receivables

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

### H. Interfund Transactions and Balances

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

### I. Inventories and Prepaid Items

Inventories in component units are valued at cost, which approximates market, using the first in/first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial

## DeSoto County, Mississippi

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

statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

### J. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental 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:

|                                      | <u>Capitalization<br/>Thresholds</u> | <u>Estimated<br/>Useful Life</u> |
|--------------------------------------|--------------------------------------|----------------------------------|
| Land                                 | \$ 0                                 | n/a                              |
| Infrastructure                       | 0                                    | 20-50 years                      |
| Buildings                            | 50,000                               | 40 years                         |
| Improvements other than buildings    | 25,000                               | 20 years                         |
| Mobile equipment                     | 5,000                                | 5-10 years                       |
| Furniture and equipment              | 5,000                                | 3-7 years                        |
| Leased property under capital leases | *                                    | *                                |

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



## DeSoto County, Mississippi

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

### K. Deferred Outflows/Inflows of Resources

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

Deferred amount of refunding - For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 17 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 and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows as follows:

Property taxes for future reporting period - Unavailable revenue - property tax - 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.

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 17 for additional details.

## DeSoto County, Mississippi

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

### L. Pensions

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

### M. Long-term Liabilities

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### N. Equity Classifications

Government-wide Financial Statements:

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

1. 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

## DeSoto County, Mississippi

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

attributable to the acquisition, construction or improvements of those assets.

2. 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.
3. Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

### Net Position Flow Assumption:

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

### Fund Financial Statements:

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

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

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

## DeSoto County, Mississippi

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

*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.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes. Currently, there is no committed fund balance.

*Assigned fund balance* includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the policy adopted by the County. Currently, there is no assigned fund balance.

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

### Fund Balance Flow Assumption:

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

### O. Property Tax Revenues

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and

## DeSoto County, Mississippi

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

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.

### P. Intergovernmental Revenues in Governmental Funds

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

### Q. Compensated absences

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

## DeSoto County, Mississippi

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

### (2) Prior Period Adjustment

#### Exhibit 2 - Statement of Activities

| Explanation   | Amount              |
|---|---------------------|
| 1. Correction of capital assets.  | \$ 799,780          |
| 2. Correction of deferred outflows - refunding items 2015<br>Refunding Bond outflows not added in prior period. | <u>792,320</u>      |
| Total Governmental Activities   | <u>\$ 1,592,100</u> |

### (3) Deposits

#### Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2016, was \$98,073,205, and the bank balance was \$100,592,034. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

### (4) Interfund Transactions and Balances

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

**DeSoto County, Mississippi**

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

A. Due From/To Other Funds:

| <u>Receivable Fund</u>   | <u>Payable Fund</u>      | <u>Amount</u>     |
|--------------------------|--------------------------|-------------------|
| General Fund             | Other Governmental Funds | \$ 25,000         |
| Road Maintenance Fund    | General Fund             | 228,490           |
| Bridge and Culvert Fund  | General Fund             | 85,794            |
| Other Governmental Funds | General Fund             | 179,139           |
| Total                    |                          | <u>\$ 518,423</u> |

The receivable in the General Fund represent an interfund loan made during the fiscal year. The rest of the receivables represent the ad valorem revenue collected but not settled until October 2016. All interfund balances are expected to be repaid within one year.

B. Transfers In/Out:

| <u>Transfers In</u>      | <u>Transfers Out</u>     | <u>Amount</u>       |
|--------------------------|--------------------------|---------------------|
| General Fund             | Other Governmental Funds | \$ 685              |
| Road Maintenance Fund    | General Fund             | 50,000              |
|                          | Other Governmental Funds | 35,000              |
| Other Governmental Funds | General Fund             | 859,191             |
|                          | Other Governmental Funds | 1,355,516           |
| Total                    |                          | <u>\$ 2,300,392</u> |

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

(5) Intergovernmental Receivables

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

Governmental Activities:

| <u>Description</u>     | <u>Amount</u>       |
|------------------------|---------------------|
| Legislative Tax Credit | \$ 1,221,756        |
| Federal Grants         | 56,424              |
| Total                  | <u>\$ 1,278,180</u> |

## DeSoto County, Mississippi

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

### (6) Loans Receivable

At September 30, 2016, the DeSoto County Convention and Visitors Bureau had \$6,264,371 in loans payable for previous loans the County made to the Bureau for acquisition and construction costs related to the DeSoto County Convention and Visitors Bureau. During October 2013, the County and Bureau entered into an agreement to repay the original loan totaling \$7,494,614 with no interest. Agreement terms include monthly payments of \$20,818.37 beginning November 1, 2013 and concluding October 1, 2043.

At September 30, 2016, the DeSoto County Regional Utility Authority had \$3,509,976 in loans payable for a previous loan the County made to the Authority for acquisition and construction costs designed to facilitate county growth. During July 2013, the County and Authority entered into an agreement to repay the original loan totaling \$3,900,000 with no interest. Agreement terms include monthly payments of \$10,834 paid beginning October 1, 2014 and concluding September 1, 2044.

On September 30, 2016, the Fairhaven Fire Department had \$191,272 in loans payable for a previous loan the County made to the Department. On August 20, 2015, DeSoto County entered into an agreement with Fairhaven Fire Department to construct a fire facility. The County loaned \$204,820 to be paid back annually beginning July 1, 2016. Agreement terms indicate no interest annual payments of \$13,548.03 to conclude with a final payment to be made July 1, 2030.

On May 16, 2016 DeSoto County entered into an agreement with Nesbit Fire Department to purchase a fire engine. The County loaned \$225,250 to be paid back the following fiscal year in full. On January 13, 2017, Nesbit Fire Department paid the County in full.

Loan receivable balances at September 30, 2016, are as follows:

| Description                                  | Date of Loan | Interest Rate | Maturity Date  | Receivable Balance   |
|--|--------------|---------------|----------------|----------------------|
| DeSoto County Convention and Visitors Bureau | 10-2013      | 0.00%         | October 2043   | \$ 6,264,371         |
| DeSoto County Regional Utility Authority     | 07-2013      | 0.00%         | September 2044 | 3,509,976            |
| Fairhaven Fire Department Project            | 08-2015      | 0.00%         | July 2030      | 191,272              |
| Nesbit Fire Department Fire Engine           | 05-2016      | 0.00%         | January 2017   | 225,250              |
| Total  |              |               |                | <u>\$ 10,190,869</u> |



## DeSoto County, Mississippi

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

### (7) Capital Assets

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

#### Governmental activities:

|   | Balance<br>Oct. 1, 2015 | Additions         | Deletions        | Completed<br>Construction | Adjustments    | Balance<br>Sept. 30, 2016 |
|---|-------------------------|-------------------|------------------|---------------------------|----------------|---------------------------|
| Non-depreciable capital assets:             |                         |                   |                  |                           |                |                           |
| Land  | \$ 3,679,670            |                   |                  |                           | 2              | 3,679,672                 |
| Construction in progress                    | 12,592,746              | 9,463,580         |                  | (13,250,919)              | 799,778        | 9,605,185                 |
| Total non-depreciable capital assets        | <u>16,272,416</u>       | <u>9,463,580</u>  | <u>0</u>         | <u>(13,250,919)</u>       | <u>799,780</u> | <u>13,284,857</u>         |
| Depreciable capital assets:                 |                         |                   |                  |                           |                |                           |
| Infrastructure                              | 149,471,533             | 349,676           |                  |                           |                | 149,821,209               |
| Buildings                                   | 64,352,109              | 9,815,918         |                  | 12,819,016                |                | 86,987,043                |
| Improvements other than buildings           | 559,127                 | 392,832           |                  | 431,903                   |                | 1,383,862                 |
| Equipment and machinery                     | 25,384,036              | 1,615,239         | 2,930,822        |                           |                | 24,068,453                |
| Total depreciable capital assets            | <u>239,766,805</u>      | <u>12,173,665</u> | <u>2,930,822</u> | <u>13,250,919</u>         | <u>0</u>       | <u>262,260,567</u>        |
| Less accumulated depreciation for:          |                         |                   |                  |                           |                |                           |
| Infrastructure                              | 77,805,245              | 3,659,792         |                  |                           |                | 81,465,037                |
| Buildings                                   | 15,504,006              | 1,379,103         |                  |                           |                | 16,883,109                |
| Improvements other than buildings           | 339,804                 | 34,225            |                  |                           |                | 374,029                   |
| Equipment and machinery                     | 18,006,761              | 2,092,541         | 2,221,334        |                           |                | 17,877,968                |
| Total accumulated depreciation              | <u>111,655,816</u>      | <u>7,165,661</u>  | <u>2,221,334</u> | <u>0</u>                  | <u>0</u>       | <u>116,600,143</u>        |
| Total depreciable capital assets, net       | <u>128,110,989</u>      | <u>5,008,004</u>  | <u>709,488</u>   | <u>13,250,919</u>         | <u>0</u>       | <u>145,660,424</u>        |
| Governmental activities capital assets, net | <u>\$ 144,383,405</u>   | <u>14,471,584</u> | <u>709,488</u>   | <u>0</u>                  | <u>799,780</u> | <u>158,945,281</u>        |

Adjustments were made to correctly present land and construction in progress.

Depreciation expense was charged to the following functions:

|                            | <u>Amount</u>       |
|----------------------------|---------------------|
| Governmental Activities:   |                     |
| General government         | \$ 1,506,187        |
| Public safety              | 1,135,652           |
| Public works               | 4,522,131           |
| Health and welfare         | 678                 |
| Culture and recreation     | 1,013               |
| Total depreciation expense | <u>\$ 7,165,661</u> |

## DeSoto County, Mississippi

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 |
|---------------------------|--------------------------------|-----------------------------|
| Holy Springs Road Bridge  | \$ 3,999,773                   | *                           |
| Fogg Road Bridge          | 1,788,990                      | *                           |
| Starlanding Road          | 304,247                        | *                           |
| Polk Lane                 | 100,000                        | 5/31/2016                   |
| Craft Road Overpass       | 1,600,000                      | 1/1/2017                    |
| E-911 System Upgrade      | 1,344,786                      | 1/1/2017                    |
| Total                     | <u>\$ 9,137,796</u>            |                             |

\* Presently underterminable

### (8) 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 finances its exposure to risk of loss relating to employee health and accident coverage. Beginning in 1992 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The DeSoto County Board of Supervisors has extended coverage to the employees of the following public entities:

## DeSoto County, Mississippi

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

- Horn Lake Creek Basin
- DeSoto County Regional Utility Authority
- DeSoto County Emergency Communications District
- 17<sup>th</sup> Circuit Court District - District Attorney's Office

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. DeSoto 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 implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions as two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$110,000, and the aggregate policy covers all submitted claims in excess of \$4,913,099.

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 \$891,653. An analysis of claims activities is presented below:

|           |    | Beginning of<br>Fiscal Year<br>Liability | Current Year Claims<br>and Changes in<br>Estimates | Claim<br>Payments | Balance at<br>Fiscal Year<br>End |
|-----------|----|--|--|-------------------|----------------------------------|
| 2014-2015 | \$ | 439,832                                  | 4,773,415  | 4,436,635         | 776,612                          |
| 2015-2016 | \$ | 776,612                                  | 4,797,257  | 4,682,216         | 891,653                          |

## DeSoto County, Mississippi

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

### (9) Long-Term Debt

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

| Description and Purpose                           | Amount<br>Outstanding | Interest<br>Rate | Final<br>Maturity<br>Date |
|---|-----------------------|------------------|---------------------------|
| <u>Governmental Activities:</u>                   |                       |                  |                           |
| A. General Obligation Bonds:                      |                       |                  |                           |
| 2005 Refunding Bonds                              | 1,275,000             | 3.0 - 4.0%       | 10/2019                   |
| 2007 Loan Refunding Bonds                         | 1,050,000             | 4.0%             | 07/2024                   |
| 2009 Refunding Bonds                              | 5,250,000             | 2.25 - 4.0%      | 10/2021                   |
| 2009 General Obligations Bonds                    | 1,050,000             | 3.38%            | 07/2024                   |
| 2009 Refunding Bonds                              | 24,380,000            | 2.5 - 5.0%       | 11/2028                   |
| 2009 Refunding Bonds                              | 405,000               | 2.0 - 3.5%       | 09/2022                   |
| 2010 Refunding Bonds                              | 2,425,000             | 2.0 - 2.125%     | 09/2026                   |
| 2010 General Obligations Bonds                    | 620,000               | 2.5 - 3.5%       | 11/2018                   |
| 2012 Refunding Bonds                              | 11,460,000            | 2.0 - 4.0%       | 07/2024                   |
| 2013 General Obligations Bonds                    | 9,290,000             | 2.25 - 3.125%    | 06/2033                   |
| 2015 General Obligation Refunding Bonds           | 11,535,000            | 1.5 - 5.0%       | 07/2024                   |
| 2016 General Obligation Refunding Bonds (Non-Cap) | 8,125,000             | 2.0 - 4.0%       | 11/2028                   |
|   | <u>\$ 76,865,000</u>  |                  |                           |
| B. Other Loans                                    |                       |                  |                           |
| Civic Center Tourism Center                       | \$ 335,520            | 2%               | 04/2029                   |
|   | <u>335,520</u>        |                  |                           |

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

## DeSoto County, Mississippi

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

| Year Ending<br>September 30, | General Obligation Bonds |            | Other Loans |          |
|------------------------------|--------------------------|------------|-------------|----------|
|                              | Principal                | Interest   | Principal   | Interest |
| 2017                         | \$ 8,875,000             | 2,677,734  | 23,862      | 6,491    |
| 2018                         | 8,495,000                | 2,471,869  | 24,343      | 6,010    |
| 2019                         | 8,735,000                | 2,209,003  | 24,835      | 5,518    |
| 2020                         | 7,945,000                | 1,950,656  | 25,336      | 5,017    |
| 2021                         | 6,800,000                | 1,627,981  | 25,848      | 4,506    |
| 2022 - 2026                  | 25,650,000               | 4,235,225  | 137,296     | 14,489   |
| 2027 - 2031                  | 9,010,000                | 906,100    | 74,000      | 2,126    |
| 2032 - 2033                  | 1,350,000                | 62,763     |             |          |
| Total                        | \$ 76,860,000            | 16,141,331 | 335,520     | 44,157   |

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 3.10% of the latest property assessments.

Advance Refunding: On September 22, 2016, the County issued \$8,125,000 in general obligation refunding bonds with an average interest rate of 3.15% to advance refund \$8,125,000 of the following outstanding bond issues:

| <u>Issue</u>                                     | <u>Average Interest Rate</u> | <u>Outstanding Amount Refunded</u> |
|--|------------------------------|------------------------------------|
| General Obligation Refunding Bonds, Series 2009B | 4.72%                        | \$ 2,960,000                       |
| MDB Pool Loan Refunding Bonds, Series 2009C      | 3.00%                        | 2,160,000                          |
| General Obligation Bonds, Series 2010            | 3.50%                        | 3,005,000                          |
| Total Advance Refund                             |                              | <u>\$ 8,125,000</u>                |

The General Obligation Refunding Bonds, Series 2009B had an outstanding balance of \$27,340,000 at the time of refunding, but only \$2,960,000 of the bonds were refunded, leaving a remaining principal balance of \$24,380,000. This issue is payable by the DeSoto County Convention and Visitors Bureau. The bonds payable by DeSoto County Convention and Visitors Bureau also includes the Advance Refunding Bonds, Series 2016 of \$3,015,000 for total bonds payable of \$27,395,000 at September 30, 2016.

The MDB Pool Loan Refunding Bonds, Series 2009C had an outstanding balance of \$2,565,000 at the time of refunding, but only \$2,160,000 in par value of the bonds was refunded, leaving a remaining principal balance of \$405,000.

## DeSoto County, Mississippi

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

The General Obligation Bonds, Series 2010 had an outstanding balance of \$3,625,000 at the time of refunding, but only \$3,005,000 of the bonds were refunded, leaving a remaining principal balance of \$620,000.

The net proceeds of \$8,666,125 (after a premium of \$714,529 and payment of \$173,404 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The county advance refunded the above bonds to reduce the total debt service payments over the next twelve (12) years by almost \$537,461 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$499,678.

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

|                                 | Balance<br>Oct. 1, 2015 | Additions        | Reductions       | Adjustments        | Balance<br>Sept. 30, 2016 | Amount<br>due within<br>one year |
|---------------------------------|-------------------------|------------------|------------------|--------------------|---------------------------|----------------------------------|
| <u>Governmental Activities:</u> |                         |                  |                  |                    |                           |                                  |
| General obligation bonds        | \$ 85,345,000           | 8,125,000        | 8,480,000        | (8,130,000)        | 76,860,000                | 8,875,000                        |
| Other loans                     | 358,871                 |                  | 23,351           |                    | 335,520                   | 23,862                           |
| Compensated absences            | 1,700,869               |                  | 183,353          |                    | 1,517,516                 |                                  |
| Total                           | \$ <u>87,404,740</u>    | <u>8,125,000</u> | <u>8,686,704</u> | <u>(8,130,000)</u> | <u>78,713,036</u>         | <u>8,898,862</u>                 |

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

|          | Balance<br>Oct. 1, 2015 | Additions      | Reductions     | Balance<br>Sept. 30, 2016 | Amount<br>due within<br>one year |
|----------|-------------------------|----------------|----------------|---------------------------|----------------------------------|
| Premiums | \$ <u>2,889,793</u>     | <u>714,529</u> | <u>300,487</u> | <u>3,303,835</u>          | <u>358,564</u>                   |

DeSoto County provides to the Emergency Communications District (E-911) the Bond funds for erecting, equipping, repairing, reconstructing, remodeling and enlarging County buildings and related facilities and the purchase and installation of the Emergency Communications District equipment. DeSoto County is ultimately responsible for the \$6,500,000 bonds issue included in the Emergency Communications District's financial statements. DeSoto County maintains a bond fund in its name for the payment of the principal of and interest on the Bonds, and the payment of Agent's fees in connection with this. The Emergency Communications District shall for as long as any principal of and

## DeSoto County, Mississippi

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

interest on the Bonds remain outstanding, provide to the County adequate and sufficient funds which may be lawfully used for the payment of the principal of and interest on the Bonds. The Emergency Communications District has included this debt issuance and resulting liability in their financial statements and shall annually take such action as necessary to include its payment of the debt service payments on the Bonds, as a part of its annual budget year.

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

|                         | Balance              |                  |                  | Balance           | Amount           |
|-------------------------|----------------------|------------------|------------------|-------------------|------------------|
|                         | Oct. 1, 2015         | Additions        | Reductions       | Sept. 30, 2016    | due within       |
|                         |                      |                  |                  |                   | one year         |
| <u>Component Units:</u> |                      |                  |                  |                   |                  |
| Bonds payable           | \$ 35,780,000        | 3,015,000        | 5,240,000        | 33,555,000        | 2,425,000        |
| Bond premium            | 1,702,433            | 433,734          | 159,127          | 1,977,040         | 151,493          |
| Capital leases          | 2,253,656            |                  | 335,629          | 1,918,027         | 350,487          |
| Loans payable           | 6,494,974            |                  | 249,820          | 6,245,154         | 249,820          |
| Compensated absences    | 104,918              | 12,583           | 4,361            | 113,140           |                  |
| Total                   | <u>\$ 46,335,981</u> | <u>3,461,317</u> | <u>5,988,937</u> | <u>43,808,361</u> | <u>3,176,800</u> |

### (10) Contingencies

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

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

### (11) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for which 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 that absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in event of default.

## DeSoto County, Mississippi

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

DeSoto County and the Mississippi Transportation Commission (Mississippi Department of Transportation) entered into an Interlocal Cooperative Agreement, dated May 5, 2004 and amended June 27, 2011 which among other things allowed the County to provide funds necessary to the Commission (MDOT) for the construction of various highway construction projects. The funds come from the following:

- \$31,000,000 Mississippi Development Bank Special Obligation Bonds, Series 2007 (DeSoto County, Mississippi Highway Construction Project)
- \$136,780,000 Mississippi Development Bank Special Obligation Bonds, Series 2010B (DeSoto County, Mississippi Highway Construction Project)
- \$82,940,000 Mississippi Development Bank Special Obligation Bonds, Series 2014 (DeSoto County, Mississippi Highway Construction Project)
- \$24,155,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2015A (DeSoto County, Mississippi Highway Refunding Project)

Under the Cooperative Agreement, the Commission (MDOT) agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the bonds listed. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers. The total amount outstanding as of September 30, 2016 is as follows:

| <u>Issue</u>  | <u>Outstanding<br/>Amount</u> |
|---|-------------------------------|
| Mississippi Development Bank, Series 2007*          | \$ 1,760,000                  |
| Mississippi Development Bank, Series 2010B Taxable  | 136,780,000                   |
| Mississippi Development Bank, Series 2014           | 73,840,000                    |
| Mississippi Development Bank, Series 2015 Refunding | <u>23,915,000</u>             |
| Total Outstanding Amount                            | <u>\$ 236,295,000</u>         |

\*\$23,575,000 refunded from Series 2007 MDB Bonds through Series 2015A Refunding Bonds.

### (12) Related Organizations

The DeSoto County, Mississippi Board of Supervisors is responsible for appointing a voting majority of the Members of the Board of the Horn Lake Creek Watershed Drainage District. However, the County's accountability for this organization does not exceed beyond making the appointments. During the year, the County did not appropriate any funds to this organization.



## DeSoto County, Mississippi

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

### (13) Joint Ventures

DeSoto County is a participant with Lafayette, Panola, Tate and Tunica counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties. First Regional Library is governed by a five-member board appointed by the Board of Supervisors of the participating counties, one from each county. Each County appropriates funds annually as determined by each Board of Supervisors for the ongoing support of the First Regional Library. DeSoto County, Mississippi's appropriations from the General Fund this year to the joint venture amounted to \$1,307,475. Complete financial statements for the First Regional Library can be obtained from P.O. Box 386, Hernando, Mississippi 38632.

### (14) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

North Delta Planning and Development District operates in a district composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The DeSoto County Board of Supervisors appoints four of thirty members of the board of directors. DeSoto County appropriated \$283,245 for the operation of the district in fiscal year 2016, and \$121,975 for the cost of the county-wide transportation service for disabled and elderly citizens.

Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The DeSoto County Board of Supervisors appoint one of the twenty-one members of the board of commissioners. DeSoto County levied a .71 mill tax, which resulted in \$17,458 to help support the district in fiscal year 2016.

Region IV Community Mental Health District, composed of Alcorn, DeSoto, Prentiss, Tippah, Tishomingo counties, provides community based health programming for both youth and adults and provides an array of counseling services for anyone in need. Region IV Community Mental Health District currently operates within the DeSoto County School District and provides in-school counseling and therapy to students in need of services. In accordance with state law, the DeSoto County Board of Supervisors allocated \$200,000 in fiscal year 2016 in order to participate as a member of Region IV and for countywide services from the mental health care provider. Region IV is managed by an appointed five member Board of Directors, with each Director appointed by the participating Boards of Supervisors from each county.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate,

## DeSoto County, Mississippi

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

Tunica and Yalobusha. The DeSoto County Board of Supervisors appoints two of the twenty-three members of the college board of trustees. DeSoto County appropriated \$6,770,878 for maintenance and support of the college in fiscal year 2016.

Mid-State Opportunity, Inc. Operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The DeSoto County Board of Supervisors appoints one of the thirty board members. DeSoto County did not appropriate any funds for support of the agency in fiscal year 2016.

### (15) Defined Benefit Pension Plan

#### *General Information about the Pension Plan*

Plan Description. The County 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal

## DeSoto County, Mississippi

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

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, 2015, 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, 2015 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 fiscal years ending September 30, 2016, 2015 and 2014 were \$4,002,356, \$3,824,965, and \$3,629,162, 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 \$69,179,485 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 .387289 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.001384 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 \$9,677,348. At September 30, 2016 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**DeSoto County, Mississippi**

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 2,065,858                         |                                     |
| Net difference between projected and actual earnings on pension plan investments                            | 8,982,016                            |                                     |
| Change of assumptions   | 5,175,789                            | 183,832                             |
| Changes in proportion and differences between county contributions and proportionate share of contributions | (3,121,645)                          | 555,893                             |
| County contributions subsequent to the measurement date   | 1,138,774                            |                                     |
| Total   | <u>\$ 14,240,792</u>                 | <u>739,725</u>                      |

\$1,138,774 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:

Year ending June 30:

|       |                      |
|-------|----------------------|
| 2017  | \$ 4,586,612         |
| 2018  | 4,016,730            |
| 2019  | 2,392,294            |
| 2020  | 1,366,656            |
| Total | <u>\$ 12,362,292</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 included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 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 |

## DeSoto County, Mississippi

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

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 are summarized in the following table:

| Asset Class             | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| U.S. Broad              | 34%               | 5.20%                                  |
| International Equity    | 19%               | 5.00%                                  |
| Emerging Markets Equity | 8%                | 5.45%                                  |
| Fixed Income            | 20%               | 0.25%                                  |
| Real Assets             | 10%               | 4.00%                                  |
| Private Equity          | 8%                | 6.15%                                  |
| Cash                    | 1%                | -0.50%                                 |
| Total                   | <u>100%</u>       |  |

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

Sensitivity of 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

## DeSoto County, Mississippi

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

proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$ 88,703,611          | \$ 69,179,485                       | \$ 52,980,791          |

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

### (16) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$7,293,814) in the governmental activities includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,138,774 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, 2017. The \$13,102,018 balance of the deferred outflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next 4 years.

The net investment in capital assets net position amount of \$113,292,605 includes the effect of deferring the recognition expenses resulting from a deferred outflow on refunding of County debt. The \$2,341,679, balance of the deferred outflow of resources at September 30, 2016 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$7,293,814) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$739,725 balance of deferred inflow of resources, at September 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$7,293,814) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property taxes that belong to a future period. The balance of the deferred inflow of resources at September 30, 2016 was \$56,372,600.

### (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

## **DeSoto County, Mississippi**

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

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 DeSoto County evaluated the activity of the County, through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**Component Unit**  
**Emergency Communications District for DeSoto County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2016



**Emergency Communications District for DeSoto County, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The Emergency Communications District for DeSoto County, Mississippi (“the District”) was created April 6, 1988 in accordance with Section 19-5-301 Miss. Code Ann. (1972), as amended. The District operates under a Board of Commissioners appointed by the Board of Supervisors of DeSoto County, Mississippi (“the County”) and provides emergency communications referred to as “911.” The personnel of the District are employed by DeSoto County. All costs associated with the personnel salaries and benefits are reimbursed to the County.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**Financial Reporting Entity**

GASB Statement No. 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on state and local government financial reporting entities and reporting participation in joint ventures. It defines the governmental financial reporting entity as the primary government, organizations for which the primary government is “financially accountable,” and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* provides additional guidance in determining if the entity should be a component unit based on the nature and significance of their relationship to the primary government.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34* provides an additional criteria to consider if an entity should be reported as a component unit. A financial benefit or burden relationship needs to exist between the primary government and the entity.

Based on these criteria, the District is a component unit of DeSoto County, Mississippi. There are no component units that should be included in the District’s reporting entity. The District is a legally separate entity; therefore, it is considered a special-purpose government.

**Basis of Presentation**

GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, states that for special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined. The District’s business-type activities statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

*Government-Wide Financial Statements*

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows report information on all the activities of the District.

**Emergency Communications District for DeSoto County, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

The Statement of Revenues, Expenses and Changes in Net Position demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific activity. Activity revenues include charges to customers or applicants who directly benefit from the services provided by the District.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Expenses (including capital outlay) are recognized when the related fund liability is incurred, as under accrual accounting.

**Cash and Cash Equivalents**

For the purpose of the Statement of Net Position, "Cash and cash equivalents" include all demand savings accounts and certificates of deposits of the District.

**Capital Assets**

As a component unit of DeSoto County, Mississippi, all capital assets purchased by the District are the property of Desoto County.

**Compensated Absences**

The District 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.

**Long-Term Liabilities**

Long-term liabilities are the unmatured principal of bonds, notes, or other forms on 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 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.

**Net Position**

Net Position is classified as follows:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted** – 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.
- **Unrestricted** – The residual classification of net position for amounts not meeting the definition of the two preceding categories.

**Emergency Communications District for DeSoto County, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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

**Net Position**

Net position is the difference between assets and liabilities. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors. The District had no restrictions as of September 30, 2016.

**Operating Revenue**

Telephone service charge revenue is an amount levied on residential and commercial telephone subscriber lines per month for exchange telephone service.

**Budgetary Comparison**

A budgetary comparison schedule is not presented since the budget is not required to be legally adopted by the District.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**NOTE 2: CASH AND CASH EQUIVALENTS**

The carrying amount of the District's total deposits with financial institutions at September 30, 2016, was \$5,373,259 and the bank balance was \$5,379,507. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC").

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

**NOTE 3: RECEIVABLES**

The District has a "Telephone service charge receivable" in the amount of \$407,238 that is owed by multiple telephone service providers in the DeSoto County area. These receivables are generally collected within 60-90 days of the month for which the service was provided.

**NOTE 4: LONG—TERM DEBT**

On March 1, 2015, DeSoto County, Mississippi approved the issuance of General Obligation Bonds, Series 2015 Construction Fund in the amount of \$6,500,000 and with a rate of 2.25% - 3.00%. The proceeds of the bond will be used for erecting, equipping, repairing, reconstructing, remodeling, and enlarging County buildings and related facilities and the purchase and installation of the District's E-911 equipment. The District services this bond via an Interlocal agreement with DeSoto County. This debt is considered non-capital debt since the capital assets, along with all other capital assets used by the District,

**Emergency Communications District for DeSoto County, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

will be accounted for on DeSoto County's financial statements.

Changes in long-term debt for the year ended September 30, 2016 were as follows:

| Description                          | Issue Amount | Maturity Date | Balance 10/01/2015 | Retirement | Balance 09/30/2016 | Due Within One Year |
|--------------------------------------|--------------|---------------|--------------------|------------|--------------------|---------------------|
| Series 2015 General Obligation Bonds | \$6,500,000  | 03/01/2030    | \$6,500,000        | \$340,000  | \$6,160,000        | \$355,000           |
| Bond Premium                         |              |               | 114,400            | 7,627      | 106,773            | 7,626               |
| Total                                |              |               | \$6,614,400        | \$347,627  | \$6,266,773        | \$362,626           |

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

| Year Ended | Principal   | Interest    | Total       |
|------------|-------------|-------------|-------------|
| 2017       | \$355,000   | \$173,863   | \$528,863   |
| 2018       | 365,000     | 163,062     | 528,062     |
| 2019       | 375,000     | 151,963     | 526,963     |
| 2020       | 390,000     | 140,488     | 530,488     |
| 2021       | 400,000     | 128,637     | 528,637     |
| 2022-2026  | 2,220,000   | 462,794     | 2,682,794   |
| 2027-2030  | 2,055,000   | 125,775     | 2,180,775   |
| Total      | \$6,160,000 | \$1,346,582 | \$7,506,582 |

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

Plan Description. Emergency Communications District for DeSoto 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. Benefit provisions are established by state law 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 calling 1-800-444-PERS.

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

**Emergency Communications District for DeSoto County, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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 District 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 District's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015, and 2014, were \$11,014, \$15,318, and \$16,703, respectively, equal to the required contributions for each year.

The corresponding proportionate share of the net pension liability for the Emergency Communications District for DeSoto County, Mississippi, is accounted for with the primary government's (DeSoto County, Mississippi) financial statements.

**NOTE 6: 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 the District evaluated the activity of the District through August 22, 2017, the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**Component Unit**  
**DeSoto County Convention and Visitors Bureau**

Notes to the Financial Statements  
For the year ended September 30, 2016

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The DeSoto County Convention and Visitors Bureau (“the Bureau”) was established on March 26, 1998. The Bureau operates under a Board of Directors that is appointed by the DeSoto County, Mississippi Board of Supervisors, and is designated to promote tourism in DeSoto County and surrounding areas.

The Bureau derives a portion of its revenues from a 2% tourism tax levied by DeSoto County, Mississippi. This revenue is to be expended by the Bureau for paying any start-up costs and operation costs and any indebtedness or lease payments or other obligations that may be incurred for acquisition, construction and maintenance for the purpose of promoting convention business and tourism.

The financial statements of the Bureau have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**Reporting Entity**

GASB Statement No. 14, *The Financial Reporting Entity* establishes standards for defining and reporting on state and local government financial reporting entities and reporting participation in joint ventures. It defines the governmental financial reporting entity as the primary government, organizations for which the primary government is “financially accountable,” and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

“Financial accountability” is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Based on these criteria, the Bureau is a component unit of DeSoto County, Mississippi. There are no component units that should be included in the Bureau’s reporting entity.

**Encumbrance Accounting**

The Bureau does not use the encumbrance method of accounting.

**Basis of Accounting**

The Bureau’s basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

*Government-Wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the Bureau. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each program of the governmental activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Bureau.

*Fund Financial Statements*

Fund financial statements report detailed information about the Bureau. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

*Governmental Funds*

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Under this concept, tourism taxes may be accrued.

Other revenue related to events and miscellaneous revenues are recorded when received because they are generally not measurable until that time. Investment earnings are recorded as earned since they are measurable and available.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collected within the current year or within 60 days of year-end and available to pay obligations existing at the end of the year). This includes investment earnings and tourism tax. Other revenues, such as certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**Inventory**

Food, drink and other concession stand items are included in inventory. Inventory is valued at cost. The cost is recorded as an expense as inventory items are consumed.

**Prepaid Expenses**

Prepaid balances are for payments made by the Bureau in the current year to provide services occurring in the subsequent fiscal year.



**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Capital Assets and Depreciation**

General capital assets are those assets which are used for general governmental purposes. When purchased, such assets are recorded as expenditures in the general fund and capitalized (recorded and accounted for) as assets in the government-wide financial statements. Capital assets purchased for \$500 or more are capitalized at historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

- Buildings - 20 to 50 years
- Improvements/infrastructure - 5 to 50 years
- Equipment - 2 to 15 years
- Furniture and fixtures – 2 to 15

**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 are future pension related.

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. Deferred inflows are future pension related.

See Note G for further details.

**Compensated Absences**

Employees are granted vacation and sick leave benefits in accordance with administrative policy. Vacation days earned may be carried forward. In the event of termination, an employee is reimbursed for up to 30 days of accumulated vacation. The remainder may be applied toward the employees' retirement. Employees may also apply unused accumulated sick leave towards their retirement. 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.

**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 Statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**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 (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, the 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.

**Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – 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.
- **Committed** – Amounts that can be used only for specific purposes as determined by a formal action by the Board of Directors.
- **Assigned** – Amounts that are constrained by the Bureau's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Executive Director and Business Manager pursuant to authorization established by the policy adopted by the Bureau.
- **Unassigned** – All amounts not included in other spendable classifications.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the Bureau's general policy to use restricted resources first. When expenditures/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 Bureau's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**Net Position**

Net Position is the difference between assets and liabilities. "Net investment in capital assets" are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net Position is reported as "restricted" when there are legal limitations that are imposed on their use by legislation or external restrictions by other governments, creditors or grantors. "Unrestricted" Net Position includes all other assets, not meeting the definition of "net investment in capital assets" or "restricted."

**Use of Estimates**

The Bureau uses estimates in preparing the financial statements in accordance with GAAP. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**NOTE B - CASH AND CASH EQUIVALENTS**

The Bureau's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

The carrying amount of the Bureau's total deposits with financial institutions at September 30, 2016 was \$10,456,428, and the bank balance was \$10,051,179. 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.

Custodial credit risk is the risk that, in the event of a bank failure, the Bureau's deposits might not be recovered. The Bureau does not have a formal policy for custodial credit risk. As of September 30, 2016, the Bureau was not exposed to custodial credit risk.

**NOTE C – CONTRACT REVENUE**

In December 2011, the Bureau entered into a five year agreement with Landers Auto Group, renaming the DeSoto Civic Center the "Landers Center", effective January 1, 2012. Landers Auto paid \$50,000 upon execution of the agreement, and will pay \$50,000 every six months after the commencement date, for a total of \$500,000 over five years, with the option to renew for an additional five years.

**NOTE D – A SUMMARY OF CHANGES IN CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2016 were as follows:

|   | <b>Balance</b>        |                     |                  | <b>Balance</b>        |
|---|-----------------------|---------------------|------------------|-----------------------|
|   | <b>Sept. 30, 2015</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Sept. 30, 2016</b> |
| <b>Assets not being depreciated:</b>      |                       |                     |                  |                       |
| Land                                      | \$ 6,328,825          | \$ -                | \$ -             | \$ 6,328,825          |
| <b>Assets being depreciated:</b>          |                       |                     |                  |                       |
| Buildings & improvements                  | 47,808,535            | 217,567             | 7,949            | 48,018,153            |
| Machinery & equipment                     | 1,601,039             | 606,730             | 147,236          | 2,060,533             |
| Furniture & fixtures                      | 205,979               | -                   | 8,687            | 197,292               |
| <b>Total Assets</b>                       | <u>55,944,378</u>     | <u>824,297</u>      | <u>163,872</u>   | <u>56,604,803</u>     |
| <b>Less accumulated depreciation for:</b> |                       |                     |                  |                       |
| Buildings & improvements                  | 13,140,891            | 1,209,375           | 632              | 14,349,634            |
| Machinery & equipment                     | 1,168,542             | 242,230             | 138,680          | 1,272,092             |
| Furniture & fixtures                      | 188,010               | 373                 | 7,921            | 180,462               |
| <b>Total Accumulated Depreciation</b>     | <u>14,497,443</u>     | <u>\$ 1,451,978</u> | <u>147,233</u>   | <u>15,802,188</u>     |
| <b>Total Assets, Net</b>                  | <u>\$ 41,446,935</u>  | <u>\$ (627,681)</u> | <u>\$ 16,639</u> | <u>\$ 40,802,615</u>  |

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE E – LONG-TERM DEBT**

Changes in long-term debt for the year ended September 30, 2016 were as follows:

|                             | <b>Balance at</b>     |                     |                     | <b>Balance at</b>     |                     |
|-----------------------------|-----------------------|---------------------|---------------------|-----------------------|---------------------|
|                             | <b>Sept. 30, 2015</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Sept. 30, 2016</b> | <b>Current</b>      |
| Bonds payable-DeSoto County | \$ 29,280,000         | \$ 3,015,000        | \$ 4,900,000        | \$ 27,395,000         | \$ 2,070,000        |
| Deferred Loss on Refunding  | -                     | (350,807)           | -                   | (350,807)             | -                   |
| Bond premium                | 1,588,034             | 433,734             | 151,501             | 1,870,267             | 143,867             |
| Capital leases              | 2,253,656             | -                   | 335,629             | 1,918,027             | 350,487             |
| Loans payable DeSoto County | 6,494,974             | -                   | 249,820             | 6,245,154             | 249,820             |
| Compensated absences        | 100,557               | 12,583              | -                   | 113,140               | -                   |
| <b>Total Debt</b>           | <b>\$ 39,717,221</b>  | <b>\$ 3,110,510</b> | <b>\$ 5,636,950</b> | <b>\$ 37,190,781</b>  | <b>\$ 2,814,174</b> |

“Bonds payable – DeSoto County” consists of General Obligation Refunding Bonds, Series 2009B issued by DeSoto County, Mississippi, with a rate of 2.5% - 5.0%. The Bureau services these bonds via an interlocal agreement with DeSoto County.

“Loans payable DeSoto County” During October 2013, The Bureau and DeSoto County, Mississippi entered into an agreement for the Bureau to repay the loan of \$7,494,614 with 0% interest due or accruing. The terms of the agreement include monthly payments of \$20,818 beginning November 1, 2013 and one final payment of \$20,819 on October 1, 2043.

“Advance refunding” On September 22, 2016, DeSoto County issued \$3,015,000 in general obligation refunding bonds with a rate of 2%-4% to advance refund \$2,960,000 of the following outstanding bond issues being serviced by an interlocal agreement with the Bureau:

| <b>Issue</b>   | <b>Interest Rate</b> | <b>Outstanding<br/>Amount<br/>Refunded</b> |
|--|----------------------|--|
| DeSoto County General Obligation Refunding Bonds, Series 2009B | 2.5% - 5%            | \$ 2,960,000                               |

The Bonds payable – DeSoto County General Obligation Refunding Bonds, Series 2009B had an outstanding balance of \$27,340,000 at the time of refunding, but only \$2,960,000 of the bond was refunded, leaving a remaining principal balance of \$24,380,00 on the General Obligation Refunding Bonds, Series 2009B. The Bonds payable – DeSoto County also includes the Advance Refunding Bonds, Series 2016 of \$3,015,000 for a total Bonds payable – DeSoto County of \$27,395,000 at September 30, 2016.

The net proceeds of \$3,353,414 (after payment of \$95,320 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The Bureau advance refunded the above bonds to reduce its total debt service payments over the next 13 years by almost \$312,972 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$288,477.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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

| <u>Year Ended</u> | <u>Principal</u>            | <u>Interest</u>            | <u>Total</u>                |
|-------------------|-----------------------------|----------------------------|-----------------------------|
| 2017              | \$ 2,319,820                | \$ 1,112,007               | \$ 3,431,827                |
| 2018              | 2,354,820                   | 1,076,113                  | 3,430,933                   |
| 2019              | 2,434,820                   | 998,450                    | 3,433,270                   |
| 2020              | 2,534,820                   | 898,000                    | 3,432,820                   |
| 2021              | 2,649,820                   | 781,250                    | 3,431,070                   |
| 2022-2026         | 11,633,748                  | 2,362,332                  | 13,996,080                  |
| 2027-2031         | 7,214,102                   | 414,020                    | 7,628,122                   |
| 2032-2036         | 1,249,102                   | -                          | 1,249,102                   |
| 2037-2041         | 1,249,102                   | -                          | 1,249,102                   |
| <b>Total</b>      | <u><u>\$ 33,640,154</u></u> | <u><u>\$ 7,642,172</u></u> | <u><u>\$ 41,282,326</u></u> |

Capital leases are comprised of leases for a scoreboard, the tourism building and energy saving equipment. The future minimum capital lease payments and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

|   | <u>Payments</u>            |
|---|----------------------------|
| 2017                                    | \$ 421,524                 |
| 2018                                    | 421,524                    |
| 2019                                    | 421,524                    |
| 2020                                    | 421,525                    |
| 2021                                    | 212,946                    |
| 2022-2026                               | 152,311                    |
| 2027-2029                               | 78,409                     |
| Total minimum lease payments            | <u>2,129,763</u>           |
| Interest                                | <u>(211,735)</u>           |
| Present value of minimum lease payments | <u><u>\$ 1,918,027</u></u> |

**NOTE F – CONTINGENCIES**

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

**NOTE G – PENSION OBLIGATIONS**

**General Information about the Pension Plan**

*Plan Description.* The Bureau 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. Benefit provisions are established by state law 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.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

*Benefits Provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the Bureau 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 \$212,360, \$192,593 and \$176,851, 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 Bureau reported a liability of \$3,590,541 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 Bureau's proportion of the net pension liability was based on the Bureau's employer contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the Bureau's proportion was 0.020%, which was an increase of 0.0009% from its proportion measured as of June 30, 2015.

**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

For the year ended September 30, 2016, the Bureau recognized pension expense of \$490,047. At September 30, 2016 the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 88,143                                 | \$ -                                     |
| Net difference between projected and actual earnings on pension plan investments   | 414,099                                   | -  |
| Changes of assumptions   | 161,840                                   | 9,541                                    |
| Changes in the Bureau's proportion and differences between the Bureau's contributions and proportionate share of contributions | -   | 38,816                                   |
| Bureau contributions subsequent to the measurement date  | 54,535                                    | -  |
| <b>Total</b>   | <u><u>\$ 718,617</u></u>                  | <u><u>\$ 48,357</u></u>                  |

\$54,535 reported as deferred outflows of resources related to pensions resulting from Bureau 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:

| <u>Years ending June 30</u> | <u>Deferred Outflows</u> | <u>Deferred Inflows</u>   | <u>Total</u>             |
|-----------------------------|--------------------------|---------------------------|--------------------------|
| 2017                        | 249,174                  | (23,346)                  | 225,828                  |
| 2018                        | 218,122                  | (19,831)                  | 198,291                  |
| 2019                        | 125,853                  | (5,180)                   | 120,673                  |
| 2020                        | 70,933                   | -                         | 70,933                   |
| <b>Totals</b>               | <u><u>\$ 664,082</u></u> | <u><u>\$ (48,357)</u></u> | <u><u>\$ 615,725</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 included in the measurement:

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

**DeSoto County Convention and Visitors Bureau  
Notes to Financial Statements  
For the Year Ended September 30, 2016**

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:

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-Term Expected Real<br/>Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Broad              | 34%                      | 5.20%   |
| International Equity    | 19%                      | 5.00%   |
| Emerging Markets Equity | 8%                       | 5.45%   |
| Fixed Income            | 20%                      | 0.25%   |
| Real Assets             | 10%                      | 4.00%   |
| Private Equity          | 8%                       | 6.15%   |
| Cash                    | 1%                       | (0.50%)   |
| Total                   | <u>100%</u>              |   |

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

*Sensitivity of the Bureau's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Bureau's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Bureau'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%) or 1-percentage-point higher (8.75%) than the current rate:

|   | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate<br/>(7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|----------------------------|--|----------------------------|
| Bureau's proportionate share of the net pension liability | \$ 4,603,878               | \$ 3,590,541                             | \$ 2,749,799               |

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).



**DeSoto County Convention and Visitors Bureau**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE H – RISK MANAGEMENT**

The Bureau is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Bureau carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE I – SUBSEQUENT EVENTS**

The Bureau has evaluated subsequent events thru, February 6, 2017, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

**DeSoto County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2016

|  | Original<br>Budget  | Final<br>Budget      | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
|--|---------------------|----------------------|--------------------------------|---|
| <b>Revenues</b>                              |                     |                      |                                |   |
| Property taxes                               | \$ 37,008,882       | \$ 38,527,500        | \$ 38,527,500                  | \$ -  |
| Licenses, commissions and other revenue      | 2,934,500           | 3,153,119            | 3,153,119                      | -   |
| Fines and forfeitures                        | 1,272,500           | 1,508,838            | 1,508,838                      | -   |
| Intergovernmental revenues                   | 4,026,160           | 4,129,594            | 4,129,594                      | -   |
| Charges for services                         | 1,096,000           | 1,491,351            | 1,491,351                      | -   |
| Interest income                              | 68,000              | 107,457              | 107,457                        | -   |
| Miscellaneous revenues                       | 1,427,856           | 1,602,151            | 1,602,151                      | -   |
| Total Revenues                               | <u>47,833,898</u>   | <u>50,520,009</u>    | <u>50,520,009</u>              | <u>-</u>                                      |
| <b>Expenditures</b>                          |                     |                      |                                |   |
| General government                           | 17,103,440          | 14,726,470           | 14,726,470                     | -   |
| Public safety                                | 23,919,828          | 23,598,168           | 23,598,168                     | -   |
| Public works                                 | 505,515             | 408,909              | 408,909                        | -   |
| Health and welfare                           | 2,547,021           | 2,075,266            | 2,075,266                      | -   |
| Culture and recreation                       | 1,307,475           | 1,307,475            | 1,307,475                      | -   |
| Education                                    | 19,000              | 19,000               | 19,000                         | -   |
| Conservation of natural resources            | 345,061             | 321,655              | 321,655                        | -   |
| Economic development and assistance          | 602,513             | 395,130              | 395,130                        | -   |
| Debt service:                                |                     |                      |                                |   |
| Principal                                    | 23,351              | 23,351               | 23,351                         | -   |
| Interest                                     | 7,003               | 7,002                | 7,002                          | -   |
| Other  | 669,929             | 652,515              | 652,515                        | -   |
| Total Expenditures                           | <u>47,050,136</u>   | <u>43,534,940</u>    | <u>43,534,940</u>              | <u>-</u>                                      |
| Deficiency of Revenues Under<br>Expenditures | <u>783,762</u>      | <u>6,985,069</u>     | <u>6,985,069</u>               | <u>-</u>                                      |
| <b>Other Financing Sources (Uses)</b>        |                     |                      |                                |   |
| Transfers in                                 | 2,103,033           | 1,065,020            | 1,065,020                      | -   |
| Transfers out                                | (2,000,000)         | (2,000,000)          | (2,000,000)                    | -   |
| Other financing sources                      | 30,353              | 27,824               | 27,824                         | -   |
| Total Other Financing Sources (Uses)         | <u>133,386</u>      | <u>(907,156)</u>     | <u>(907,156)</u>               | <u>-</u>                                      |
| Net Change in Fund Balance                   | <u>917,148</u>      | <u>6,077,912</u>     | <u>6,077,912</u>               | <u>-</u>                                      |
| Fund Balances - Beginning                    | <u>1,079,558</u>    | <u>5,778,102</u>     | <u>32,034,330</u>              | <u>26,256,228</u>                             |
| Fund Balances - Ending                       | <u>\$ 1,996,706</u> | <u>\$ 11,856,014</u> | <u>\$ 38,112,242</u>           | <u>\$ 26,256,228</u>                          |

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

**DeSoto County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Maintenance  
 For the Year Ended September 30, 2016

|                                       | Original<br>Budget | Final<br>Budget     | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
|---------------------------------------|--------------------|---------------------|--------------------------------|---|
| <b>Revenues</b>                       |                    |                     |                                |   |
| Property taxes                        | \$ 2,398,742       | \$ 2,265,227        | \$ 2,778,473                   | \$ 513,246                                    |
| Road and bridge privilege tax         | 1,900,000          | 2,188,996           | 2,188,996                      | -   |
| Intergovernmental revenues            | 2,135,000          | 1,455,056           | 1,455,056                      | -   |
| Charges for services                  | 70,000             | 14,120              | 14,120                         | -   |
| Interest income                       | 18,000             | 33,777              | 33,777                         | -   |
| Miscellaneous revenues                | 812,700            | 245,706             | 245,706                        | -   |
| Total Revenues                        | <u>7,334,442</u>   | <u>6,202,882</u>    | <u>6,716,128</u>               | <u>513,246</u>                                |
| <b>Expenditures</b>                   |                    |                     |                                |   |
| Public works                          | <u>11,286,027</u>  | <u>5,769,871</u>    | <u>5,769,871</u>               | <u>-</u>                                      |
| Excess of Revenues Over Expenditures  | <u>(3,951,585)</u> | <u>433,011</u>      | <u>946,257</u>                 | <u>513,246</u>                                |
| <b>Other Financing Sources (Uses)</b> |                    |                     |                                |   |
| Transfers in                          | <u>75,000</u>      | <u>85,000</u>       | <u>85,000</u>                  | <u>-</u>                                      |
| Total Other Financing Sources (Uses)  | <u>75,000</u>      | <u>85,000</u>       | <u>85,000</u>                  | <u>-</u>                                      |
| Net Change in Fund Balance            | <u>(3,876,585)</u> | <u>518,011</u>      | <u>1,031,257</u>               | <u>513,246</u>                                |
| Fund Balances - Beginning             | <u>4,492,734</u>   | <u>1,408,229</u>    | <u>13,771,479</u>              | <u>12,363,250</u>                             |
| Fund Balances - Ending                | <u>\$ 616,149</u>  | <u>\$ 1,926,240</u> | <u>\$ 14,802,736</u>           | <u>\$ 12,876,496</u>                          |

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

**DeSoto County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Bridge and Culvert  
 For the Year Ended September 30, 2016

|                            | Original<br>Budget     | Final<br>Budget   | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
|----------------------------|------------------------|-------------------|--------------------------------|---|
| <b>Revenues</b>            |                        |                   |                                |   |
| Property taxes             | \$ 5,396,612           | \$ 6,219,182      | \$ 6,219,182                   | \$ -  |
| Charges for services       | 30,000                 | -                 | -                              | -   |
| Interest income            | 30,000                 | 42,783            | 42,783                         | -   |
| Miscellaneous revenues     | 581,000                | -                 | -                              | -   |
| Total Revenues             | <u>6,037,612</u>       | <u>6,261,965</u>  | <u>6,261,965</u>               | <u>-</u>                                      |
| <b>Expenditures</b>        |                        |                   |                                |   |
| Public works               | <u>19,533,984</u>      | <u>5,133,316</u>  | <u>5,133,316</u>               | <u>-</u>                                      |
| Net Change in Fund Balance | <u>(13,496,372)</u>    | <u>1,128,650</u>  | <u>1,128,650</u>               | <u>-</u>                                      |
| Fund Balances - Beginning  | <u>(14,500,452)</u>    | <u>(937,990)</u>  | <u>17,646,882</u>              | <u>18,584,872</u>                             |
| Fund Balances - Ending     | <u>\$ (27,996,824)</u> | <u>\$ 190,660</u> | <u>\$ 18,775,532</u>           | <u>\$ 18,584,872</u>                          |

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

**DeSoto County, Mississippi**

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

|   | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) \$   | 69,179,485  | 60,081,181  | 47,869,904  |
| County's proportionate share of the net pension liability (asset)   | 0.387289%   | 0.388673%   | 0.394375%   |
| County's covered - employee payroll   | 25,411,784  | 24,285,492  | 23,042,298  |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | 272.23%     | 247.40%     | 207.75%     |
| Plan fiduciary net position as a percentage of the total pension liability  | 57.47%      | 61.70%      | 67.21%      |

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

**DeSoto County, Mississippi**  
 Schedule of the County's Contributions  
 PERS  
 Last 10 Fiscal Years\*

|  | 2016               | 2015            | 2014            |
|--|--------------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 4,002,356       | 3,824,965       | 3,629,162       |
| Contributions in relation to the contractually required contribution | 4,002,356          | 3,824,965       | 3,629,162       |
| Contribution deficiency (excess)                                     | \$ <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| County's covered - employee payroll                                  | 25,411,784         | 24,285,492      | 23,042,298      |
| Contributions as a percentage of covered - employee payroll          | 15.75%             | 15.75%          | 15.75%          |

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

## DeSoto County, Mississippi

Notes to the Required Supplementary Information  
For the year ended September 30, 2016

### Budgetary Comparison Schedules

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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



**DeSoto County, Mississippi**

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

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

|  | <u>Governmental Funds</u> |                             |                            |
|--|---------------------------|-----------------------------|----------------------------|
|  | General<br>Fund           | Road<br>Maintenance<br>Fund | Bridge and<br>Culvert Fund |
| Budget (Cash Basis)                      | \$ 6,077,912              | 1,031,257                   | 1,128,650                  |
| Increase (Decrease)                      |                           |                             |                            |
| Net adjustments for revenue accruals     | (1,770,130)               | 7,157                       | (1,605)                    |
| Net adjustments for expenditure accruals | 1,341,473                 | (391,895)                   | (31,235)                   |
| GAAP Basis                               | <u>\$ 5,649,255</u>       | <u>646,519</u>              | <u>1,095,810</u>           |

Pension Schedules

(1) Change of Benefit Terms

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.

(2) Change of Assumptions

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County Convention and Visitors Bureau

**DeSoto County Convention and Visitors Bureau**  
**Schedule of the Bureau's Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years**  
**Year Ended September 30, 2016**

| <b>Last 10 Fiscal Years*</b>   | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| Bureau's proportion of the net pension liability   | 0.020%       | 0.019%       |
| Bureau's proportionate share of the net pension liability  | \$ 3,590,541 | \$ 2,970,878 |
| Bureau's covered-employee payroll  | \$ 1,285,881 | \$ 1,200,717 |
| Bureau's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 279.23%      | 247.43%      |
| Plan Fiduciary net position as a percentage of the total<br>pension liability                                | 57.47%       | 61.70%       |

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

\*The amounts presented for each year were determined as of June 30th of the year prior to the fiscal year presented.

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

**DeSoto County Convention and Visitors Bureau  
Schedule of Bureau Contributions  
Last 10 Fiscal Years  
Year Ended September 30, 2016**

| <b>Last 10 Fiscal Years*</b>   | <u><b>2016</b></u> | <u><b>2015</b></u> |
|--|--------------------|--------------------|
| Contractually required contribution                                  | \$ 212,360         | \$ 192,617         |
| Contributions in relation to the contractually required contribution | <u>212,228</u>     | <u>192,593</u>     |
| Contribution deficiency (excess)                                     | <u>\$ 132</u>      | <u>\$ 24</u>       |
| Bureau's covered-employee payroll                                    | \$ 1,348,300       | \$ 1,222,965       |
| Contributions as a percentage of covered-employee payroll            | 15.75%             | 15.75%             |

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

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended September 30, 2015, and, until, a full 10-year is compiled, the Bureau has only presented information for the years in which information is available.

**DeSoto County Convention and Visitors Bureau  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2016**

**Pension Schedules**

- 1) Change of benefit terms –

There were no changes of benefit terms in 2016.

- 2) Change of assumptions –

There were no changes of assumptions in 2016.

## SUPPLEMENTARY INFORMATION

**DeSoto County, Mississippi**  
Schedule of Expenditure of Federal Awards  
For the Year Ended September 30, 2016

| Federal Grantor/<br>Pass-through Grantor/<br>Program Title or Cluster                             | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| <b>U.S. Department of Justice</b>   |                           |                                     |                         |
| Passed-through the Mississippi Department of Public Safety  |                           |                                     |                         |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738                    | 14DC1171                            | \$ 28,801               |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738                    | 15DC1171                            | 31,819                  |
| <b>Total U.S. Department of Justice</b>   |                           |                                     | 60,620                  |
| <b>U.S. Department of Transportation</b>  |                           |                                     |                         |
| Passed-through the Mississippi Department of Transportation                                       |                           |                                     |                         |
| Highway Planning and Construction   | 20.205                    | N/A                                 | 22,180                  |
| Total passed-through the Mississippi Department of Transportation                                 |                           |                                     | 22,180                  |
| Passed-through Mississippi Department of Public Safety  |                           |                                     |                         |
| Highway Safety Cluster:   |                           |                                     |                         |
| State and Community Highway Safety  | 20.600                    | 16OP1171                            | 10,821                  |
| National Priority Safety Programs   | 20.616                    | 16MD1171                            | 132,092                 |
| Total passed-through the Mississippi Department of Public Safety                                  |                           |                                     | 142,913                 |
| <b>Total U.S. Department of Transportation</b>  |                           |                                     | 165,093                 |
| <b>U.S. Department of Health and Human Services</b>   |                           |                                     |                         |
| Direct Award  |                           |                                     |                         |
| Substance Abuse and Mental Health Services Projects of Regional<br>and National Significance* (*) | 93.243                    | SM062466                            | 302,367                 |
| <b>Total U.S. Department of Health and Human Services</b>   |                           |                                     | 302,367                 |
| <b>U.S. Department of Homeland Security</b>   |                           |                                     |                         |
| Passed through the Mississippi Emergency Management Agency  |                           |                                     |                         |
| Emergency Management Performance Grants*  | 97.042                    | N/A                                 | 103,777                 |
| State Homeland Security Program (SHSP)  | 97.073                    | 14HS017T                            | 49,400                  |
| State Homeland Security Program (SHSP)  | 97.073                    | 15HS017T                            | 3,613                   |
| State Homeland Security Program (SHSP)  | 97.073                    | M14HS017T                           | 8,850                   |
| State Homeland Security Program (SHSP)  | 97.073                    | S14HS017T                           | 46,851                  |
| State Homeland Security Program (SHSP)  | 97.073                    | S15HS017T                           | 1,428                   |
| State Homeland Security Program (SHSP)  | 97.073                    | E14HS017T                           | 35,798                  |
| State Homeland Security Program (SHSP)  | 97.073                    | P14HS017T                           | 16,000                  |
| Total passed-through Mississippi Emergency Management Agency                                      |                           |                                     | 265,717                 |
| <b>Total U.S. Department of Homeland Security</b>   |                           |                                     | 265,717                 |
|   |                           |                                     | \$ 793,797              |

\* denotes major federal award program

(\*) The County provided \$278,905 in federal funds to Region IV  
Community Mental Health District (subrecipient)

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

**DeSoto County, Mississippi**  
Component Units - Combining Statement of Net Position  
September 30, 2016

|                                       | Emergency<br>Communications<br>District | Convention<br>and Visitors<br>Bureau | Total             |
|---------------------------------------|---|--------------------------------------|-------------------|
| <b>ASSETS</b>                         |   |                                      |                   |
| Cash and cash equivalents             | \$ 5,373,259                            | 10,488,011                           | 15,861,270        |
| Intergovernmental receivables         |   | 683,158                              | 683,158           |
| Customer receivables                  |   | 285,602                              | 285,602           |
| Telephone service charge receivable   | 407,238                                 |                                      | 407,238           |
| Inventories and prepaid items         |   | 79,680                               | 79,680            |
| Prepaid expenses                      |   | 28,756                               | 28,756            |
| Capital assets:                       |   |                                      |                   |
| Land and construction in progress     |   | 6,328,825                            | 6,328,825         |
| Other capital assets, net             |   | 34,473,790                           | 34,473,790        |
| Total Assets                          | <u>5,780,497</u>                        | <u>52,367,822</u>                    | <u>58,148,319</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |                                      |                   |
| Deferred outflows related to pensions |   | 718,617                              | 718,617           |
| Deferred amount on refunding          |   | 350,807                              | 350,807           |
| Total Deferred Outflows of Resources  | <u>-</u>                                | <u>1,069,424</u>                     | <u>1,069,424</u>  |
| <b>LIABILITIES</b>                    |   |                                      |                   |
| Accounts payable                      | 1,340,385                               | 950,189                              | 2,290,574         |
| Accrued liabilities                   |   | 191,846                              | 191,846           |
| Accrued interest payable              | 14,932                                  | 467,601                              | 482,533           |
| Event security deposits               |   | 60,232                               | 60,232            |
| Long-term liabilities:                |   |                                      |                   |
| Due in one year:                      |   |                                      |                   |
| Capital related                       |   | 2,564,354                            | 2,564,354         |
| Non-capital related                   | 362,626                                 | 249,820                              | 612,446           |
| Due beyond one year:                  |   |                                      |                   |
| Capital related                       |   | 28,618,940                           | 28,618,940        |
| Non-capital related                   | 5,904,147                               | 6,108,474                            | 12,012,621        |
| Net pension liability                 |   | 3,590,541                            | 3,590,541         |
| Total Liabilities                     | <u>7,622,090</u>                        | <u>42,801,997</u>                    | <u>50,424,087</u> |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |                                      |                   |
| Deferred inflows related to pensions  |   | 48,357                               | 48,357            |
| Total Deferred Inflows of Resources   |   | <u>48,357</u>                        | <u>48,357</u>     |
| <b>NET POSITION</b>                   |   |                                      |                   |
| Net investment in capital assets      |   | 9,619,321                            | 9,619,321         |
| Unrestricted                          | (1,841,593)                             | 967,571                              | (874,022)         |
| Total Net Position                    | <u>(1,841,593)</u>                      | <u>10,586,892</u>                    | <u>8,745,299</u>  |



**DeSoto County, Mississippi**

## Component Units - Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2016

|                              | Emergency<br>Communications<br>District | Convention<br>and Visitors<br>Bureau | Total              |
|------------------------------|---|--------------------------------------|--------------------|
| <b>REVENUES</b>              |   |                                      |                    |
| Charges for services         | \$ 1,846,822                            | 7,937,455                            | 9,784,277          |
| Tourism tax                  |   | 8,335,414                            | 8,335,414          |
| Sign sales                   |   | 344,111                              | 344,111            |
| Luxury suite sales           |   | 23,000                               | 23,000             |
| Unrestricted interest income | 4,108                                   | 44,824                               | 48,932             |
| Total Revenues               | <u>1,850,930</u>                        | <u>16,684,804</u>                    | <u>18,535,734</u>  |
| <b>EXPENSES</b>              |   |                                      |                    |
| Capital expenditures         | 7,589,234                               |                                      | 7,589,234          |
| Tickets                      |   | 4,273,083                            | 4,273,083          |
| General operating expenses   |   | 3,504,128                            | 3,504,128          |
| Interest expense             | 183,440                                 | 1,253,306                            | 1,436,746          |
| Depreciation expense         |   | 1,451,978                            | 1,451,978          |
| Event expenses               |   | 2,067,216                            | 2,067,216          |
| Tourism expenses             |   | 649,367                              | 649,367            |
| Maintenance and repairs      | 25,392                                  |                                      | 25,392             |
| Office expenses              | 48,547                                  |                                      | 48,547             |
| Payroll expenses             | 97,771                                  |                                      | 97,771             |
| Professional services        | 4,988                                   |                                      | 4,988              |
| Rent and utilities           | 30,780                                  |                                      | 30,780             |
| Telephone equipment service  | 187,003                                 |                                      | 187,003            |
| Pension expense              |   | 490,047                              | 490,047            |
| Other                        | 6,934                                   | 2,167                                | 9,101              |
| Total Expenditures           | <u>8,174,089</u>                        | <u>13,691,292</u>                    | <u>21,865,381</u>  |
| Changes in Net Position      | <u>(6,323,159)</u>                      | <u>2,993,512</u>                     | <u>(3,329,647)</u> |
| Net Position - Beginning     | <u>4,481,566</u>                        | <u>7,593,380</u>                     | <u>12,074,946</u>  |
| Net Position - Ending        | <u>\$ (1,841,593)</u>                   | <u>10,586,892</u>                    | <u>8,745,299</u>   |

## DeSoto County, Mississippi

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

### (1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The County did not assign identifying numbers to the subrecipient.
- c. The County did not elect to use the 10% de minimis indirect cost rate.
- d. The amount of funds passed through to Region IV Community Mental Health District (subrecipient) amounted to \$278,905.

## OTHER INFORMATION

**DeSoto County, Mississippi**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

| Name                  | Position                          | Company                               | Bond      |
|-----------------------|-----------------------------------|---------------------------------------|-----------|
| Jessie Medlin         | Supervisor District 1             | RLI Insurance Company                 | \$100,000 |
| Mark Gardner          | Supervisor District 2             | Travelers Casualty and Surety Company | \$100,000 |
| Bill Russell          | Supervisor District 3             | State Farm Fire and Casualty Company  | \$100,000 |
| Lee Caldwell          | Supervisor District 4             | Travelers Casualty and Surety Company | \$100,000 |
| Michael Lee           | Supervisor District 5             | Liberty Mutual                        | \$100,000 |
| Vanessa Lynchard      | County Administrator              | Travelers Casualty and Surety Company | \$100,000 |
| Misti Heffner         | Chancery Clerk                    | State Farm Fire and Casualty Company  | \$100,000 |
| Pat McLeod            | Purchase Clerk                    | Western Surety Company                | \$75,000  |
| Karen McNeil          | Assistant Purchase Clerk          | Western Surety Company                | \$50,000  |
| Angela Irving         | Assistant Purchase Clerk          | Western Surety Company                | \$50,000  |
| Ann Richmond          | Receiving Clerk                   | Western Surety Company                | \$75,000  |
| Melinda Chamberlain   | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Janet Knight          | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Brandi Sharpe Johnson | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Marilyn Culver        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Gail Bernard          | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Amy Cooper            | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Danny Klein           | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Barry Chatham         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Colleen Magee         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Vickie Patton         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Reby Johnson          | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Dixie Lamb            | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Rikki Ogle            | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Amy Lay               | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Margaret Windham      | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Deborah Logan         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Heather Hearn         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Amanda Jenkins        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Angela Gunter         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Jason Patrick         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Felecia Hopper        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Carla Osborne         | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Pamela Sing           | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Debbie Rutherford     | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Rhonda Ramey          | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Cindy Laughter        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Kim Cox               | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| James Bradshaw        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Sherry Marshall       | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Lorrie Bay            | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Vickie Tillman        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Cydney White          | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Dianne Bunyard        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Rebecca Minter        | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Lynn Ford             | Assistant Receiving Clerk         | Western Surety Company                | \$50,000  |
| Angela Tapley         | Inventory Control Clerk           | Western Surety Company                | \$75,000  |
| Kim Northcutt         | Assistant Inventory Control Clerk | Western Surety Company                | \$50,000  |
| Amy Henley            | Assistant Inventory Control Clerk | Western Surety Company                | \$50,000  |
| Cindy Camry           | Assistant Inventory Control Clerk | Western Surety Company                | \$50,000  |
| Andy Swims            | Road Manager                      | Liberty Mutual                        | \$50,000  |
| Lawrence Vaughn       | Constable - District 1            | Travelers Casualty and Surety Company | \$50,000  |
| Joshua Wilson         | Constable - District 2            | Travelers Casualty and Surety Company | \$50,000  |
| Keith Combes          | Constable - District 3            | Travelers Casualty and Surety Company | \$50,000  |
| Bobby Holloway, Jr.   | Constable - District 4            | Travelers Casualty and Surety Company | \$50,000  |
| Lee Hodge             | Constable - District 5            | Travelers Casualty and Surety Company | \$50,000  |

**DeSoto County, Mississippi**  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
UNAUDITED

| Name                     | Position   | Company                               | Bond      |
|--------------------------|--|---------------------------------------|-----------|
| Dale Thompson            | Circuit Clerk  | Liberty Mutual                        | \$100,000 |
| Rebecca Wilkie           | Deputy Circuit Clerk   | Old Republic                          | \$50,000  |
| Vivian Embry             | Deputy Circuit Clerk   | Western Surety Company                | \$50,000  |
| Andrea Victoria Griffith | Deputy Circuit Clerk   | Liberty Mutual                        | \$100,000 |
| Evelyn Bearden           | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Teresa Johnson           | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Allison Pullen Pannell   | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Marla Treadway           | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Brandi Sharpe Johnson    | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Autumn Zacharias         | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Rhonda Vance             | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Diane Bunyard            | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Sheryl Franks            | Deputy Circuit Clerk   | Liberty Mutual (blanket bond)         | \$100,000 |
| Bill Rasco               | Sheriff  | Brierfield Insurance Company          | \$100,000 |
|                          | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) |                                       | \$50,000  |
| Ken Adams                | Justice Court Judge - District 1                                     | Travelers Casualty and Surety Company | \$50,000  |
| Larry Vaughn             | Justice Court Judge - District 2                                     | Travelers Casualty and Surety Company | \$50,000  |
| William Lantrip          | Justice Court Judge - District 3                                     | Travelers Casualty and Surety Company | \$50,000  |
| Brad Russell             | Justice Court Judge - District 4                                     | Travelers Casualty and Surety Company | \$50,000  |
| Karen Sanders            | Justice Court Judge - District 5                                     | Travelers Casualty and Surety Company | \$50,000  |
| Pat Sanford              | Justice Court Clerk  | Western Surety Company                | \$50,000  |
| Debbie Rutherford        | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Ramona Abernathy         | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Vickie Tillman           | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Patricia Yow             | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Charlene Tully           | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Stephanie Rozell         | Deputy Justice Court Clerk   | Western Surety Company                | \$50,000  |
| Candie Hubbard           | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Lori Karus               | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Meagan Blackwood         | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Cathy Gray               | Deputy Justice Court Clerk   | St. Paul Travelers                    | \$50,000  |
| Joey Treadway            | Tax Collector  | State Farm Insurance Company          | \$100,000 |
| Cindy Laughter           | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Tammie Rhoda             | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Amanda Jenkins           | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Heather Hearn            | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Britni MacMillan         | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Tracie Riley             | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Betsy Pruett             | Deputy Tax Collector   | Western Surety Company                | \$50,000  |
| Erin Shook               | Deputy Tax Collector   | Western Surety Company                | \$50,000  |
| Elizabeth Riley          | Deputy Tax Collector   | Western Surety Company                | \$50,000  |
| Carol Carpenter          | Deputy Tax Collector   | Western Surety Company                | \$50,000  |
| Alicia Malone            | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Ashley Richmann          | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Hunter Scruggs           | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Whitley Doyle            | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Carly Thompson           | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Kimberly Buchanan        | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Wontasha Milam           | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Sarah Trest              | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Avie Chumney             | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Janice Hill              | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Stacy McAlexander        | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Whitney Rice             | Deputy Tax Collector   | State Farm Insurance Company          | \$50,000  |
| Parker Pickle            | Tax Assessor   | State Farm Fire and Casualty Company  | \$50,000  |
| Andy Swims               | County Engineer  | Liberty Mutual                        | \$50,000  |

**DeSoto County, Mississippi**  
 Schedule of Surety Bonds for County Officials  
 For the Year Ended September 30, 2016  
 UNAUDITED

| Name               | Position                          | Company                | Bond     |
|--------------------|-----------------------------------|------------------------|----------|
| Jeffrey Ponders    | Coroner                           | CAN Surety Co          | \$10,000 |
| James Lee Bradshaw | EMS                               | Old Republic Surety Co | \$50,000 |
| Andrea Freeze      | CFO                               | Western Surety Co      | \$50,000 |
| Monica Mock        | Director of Animal Control        | Liberty Mutual         | \$50,000 |
| Jason Patrick      | Asst. Director of Animal Control  | Western Surety Co      | \$50,000 |
| Robert S. Jarman   | Director of Facilities Management | Liberty Mutual         | \$50,000 |

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
DeSoto 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of DeSoto County, Mississippi, 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 September 28, 2017. Our report includes a reference to other auditors who audited the financial statements of DeSoto County Convention and Visitors Bureau, as described in our report on the DeSoto County, Mississippi financial statements. This report does not include the results of the auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered DeSoto 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 DeSoto 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DeSoto 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC  
September 28, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
DeSoto County, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited DeSoto County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DeSoto County, Mississippi's major federal programs for the year ended September 30, 2016. DeSoto County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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## Opinion on Each Major Federal Program

In our opinion, DeSoto County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 28, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
DeSoto County, Mississippi

We have examined DeSoto County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of DeSoto 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 DeSoto County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, DeSoto 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.

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This report is intended for use in evaluating DeSoto 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 28, 2017

Certified Public Accountants

**DeSoto County, Mississippi****Schedule 1**Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2016

| <b>Date</b> | <b>Item Purchased</b>                  | <b>Bid Accepted</b> | <b>Vendor</b>  | <b>Lowest Bid</b> | <b>Reason for Accepting</b>                   |
|-------------|--|---------------------|----------------|-------------------|---|
| 04-28-16    | Chacery Land Records Indexing Software | \$ 76,647           | Granicus, Inc. | \$ 73,570         | Lowest bidder did not meet all specifications |

**DeSoto County, Mississippi**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2016**

**Schedule 2**

| <b>Date</b> | <b>Item Purchased</b>                      | <b>Amount Paid</b>                      | <b>Vendor</b>  | <b>Reason for Accepting</b>                             |
|-------------|--|---|--|---|
| 11-11-15    | Repair Emergency Siren                     | \$ 8,737.50                             | Precision Communications                                       | Sirens not working properly endangers remote locations. |
| 07-18-16    | A/C Repair for Juvenile Facility           | \$ 1,144.38<br>\$ 100.00<br>\$ 1,052.46 | Upchurch Plumbing<br>United Refrigeration<br>Carrier Mid South | A/C needed in July to keep juveniles in facility        |
| 07-26-16    | Replace sprinkler heads after fire at jail | \$ 450.00                               | Quarles Fire Protection  | Maintain fire safety at Adult Jail Facility             |
| 09-06-16    | Flashing Light Repaired                    | \$ 291.37                               | DeSoto County Electric   | Traffic hazard at 4-way stop over weekend               |

**DeSoto County, Mississippi****Schedule 3**Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

| <b>Date</b> | <b>Item Purchased</b>                   | <b>Amount Paid</b> | <b>Vendor</b>               |
|-------------|---|--------------------|-----------------------------|
| 11-03-15    | Portable Traffic Analyzer               | \$ 6,998.75        | RoadSnap                    |
| 01-28-16    | Tasers and Accessories                  | \$ 4,087.23        | Tassers International       |
| 05-24-16    | Crash Data Retrieval Unit with Software | \$ 17,003.00       | Data Crash Group            |
| 06-07-16    | Electronic Poll Books                   | \$ 10,030.00       | Election Systems & Software |



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
DeSoto County, Mississippi

In planning and performing our audit of the financial statements of DeSoto County, Mississippi for the year ended September 30, 2016, we considered DeSoto 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 DeSoto County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 28, 2017, on the financial statements of DeSoto County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 28, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DeSoto County, Mississippi**

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness identified? No.
  - b. Significant deficiency identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major federal programs:
  - a. Material weakness identified? No.
  - b. Significant deficiency identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>   |
|---------------------|---|
| 93.243              | Substance Abuse and Mental Health Services - Projects of Regional and National Significance |
| 97.042              | Emergency Management Performance Grants   |

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee? No.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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