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DeSoto County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of DeSoto County Convention and Visitors Bureau and the Emergency Communication District, which are discretely presented component units and represent 82% and 18%, respectively, of the assets, 63% and 37%, respectively, of the net position, and 88% and 12% of the revenues of the discretely presented component units.

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 and the Emergency Communication District, which are discretely presented component units and represent 82% and 18%, respectively, of the assets, 63% and 37%, respectively, of the net position, and 88% and 12% 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 and the Emergency Communication District, 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 reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi, as of September 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the County adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of October 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

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, the Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions and corresponding notes, 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements or to the 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 August 22, 2016, 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
August 22, 2016

Certified Public Accountants

DESOTO COUNTY MISSISSIPPI

BOARD OF SUPERVISORS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FYE 2015

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, 2015. 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 decreased from \$171,652,953 in the 2014 fiscal year to \$130,958,200 in the 2015 fiscal year, which represents a 23.71% decrease from prior year. This decrease includes a prior period adjustment of (\$46,585,445) due to GASB 68 implementation allowing for net pension liability to be included for the first time on county financials and a correction related to capital assets.
- General revenues account for \$70,782,126 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$17,710,369 or 20% of total revenues. Total revenues for the County were \$88,492,495.
- The County had \$82,601,803 in expenses; \$17,710,369 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$70,782,126 and a portion of the prior year fund balance were more than adequate to provide for the balance of these expenses.
- Among the major funds, the General Fund had \$47,599,582 in revenues and \$41,078,382 in expenditures. There was also a net amount of other financing sources (uses) of (\$732,015), and the General Fund's fund balance increased \$5,789,185 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$4,696,938.
- Long-term debt decreased by \$8,621,768.

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 21-22 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 24 and 26, 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 23 and 25 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 27-29 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 30 and 31.

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 33-64 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 75-81 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and is presented as Supplementary Information. The Schedule of Expenditures of Federal Awards can be found on page 87 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 91-92 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 \$130,958,200 as of September 30, 2015.

A large portion of the County's net position 64.96% 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, 35.04% 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, 2015 and 2014. Long-term liabilities increased significantly by \$52,621,604 due to the inclusion of net pension liability in fiscal year 2015 in compliance with GASB 68 implementation.

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 184,266,779	\$ 185,937,860
Capital assets, net	<u>\$ 144,383,405</u>	<u>\$ 139,686,467</u>
Total assets	<u>\$ 328,650,184</u>	<u>\$ 325,624,327</u>
Deferred Outflows of Resources	<u>\$ 11,918,941</u>	<u>\$ 1,416,563</u>
Liabilities:		
Current liabilities	\$ 15,632,881	\$ 16,104,205
Long-term liabilities	<u>\$ 141,573,304</u>	<u>\$ 88,951,700</u>
Total liabilities	<u>\$ 157,206,185</u>	<u>\$ 105,055,905</u>
Direct Inflows of Resources	<u>\$ 52,404,740</u>	<u>\$ 50,332,032</u>
Net Position:		
Net investment in capital assets	\$ 85,069,741	\$ 77,860,776
Restricted	\$ 45,831,377	\$ 35,711,557
Unrestricted	<u>\$ 57,082</u>	<u>\$ 58,080,620</u>
Total net position	<u>\$ 130,958,200</u>	<u>\$ 171,652,953</u>

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

- The cash on hand decreased \$1,617,730.
- Deferred outflows of resources and long-term liabilities increased due to the implementation of GASB 68.

Changes in net position. The County's total revenues for the fiscal year ended September 30, 2015 were \$88,492,495. The total cost of all programs and services was \$82,601,803. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2015 and 2014.

	<u>FYE 2015</u>	<u>FYE 2014</u>
Revenues:		
<u>Program revenues</u>		
Charges for services	\$ 14,592,664	\$ 9,567,345
Operating grants	\$ 2,596,439	\$ 2,224,666
Capital grants and contributions	\$ 521,266	\$ 207,416
<u>General revenues</u>		
Property taxes	\$ 57,131,388	\$ 57,553,250
Road and bridge privilege taxes	\$ 2,200,762	\$ 2,372,224
Interest Income	\$ 141,860	\$ 186,375
Unrestricted gifts and donations	\$ 0	\$ 205,787
Bond proceeds for component unit	\$ 6,614,400	
Grants and contributions not restricted to specific programs	\$ 3,022,442	\$ 2,885,441
Miscellaneous	<u>\$ 1,671,274</u>	<u>\$ 979,121</u>
Total Revenues	<u>\$ 88,492,495</u>	<u>\$ 76,181,625</u>
Expenses:		
General government	\$ 22,568,896	\$ 18,268,353
Public safety	\$ 29,537,409	\$ 25,762,109
Public works	\$ 17,248,321	\$ 17,649,927
Health and welfare	\$ 1,753,970	\$ 1,452,790
Culture and recreation	\$ 1,361,755	\$ 1,493,570
Conservation of natural resources	\$ 292,022	\$ 305,444
Economic development	\$ 606,346	\$ 371,779
Interest on long term debt	\$ 2,279,946	\$ 2,055,122
Pension expense	<u>\$ 6,953,138</u>	<u>\$ 0</u>
Total Expenses	<u>\$ 82,601,803</u>	<u>\$ 67,359,094</u>
Change in Net Position	<u>\$ 5,890,692</u>	<u>\$ 8,822,531</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>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>
General government	\$22,568,896	(\$ 12,243,393)	\$18,268,353	(\$ 9,889,104)
Public safety	\$29,537,409	(\$ 24,802,861)	\$25,762,109	(\$ 23,798,602)
Public works	\$17,248,321	(\$ 14,706,692)	\$17,649,927	(\$ 16,011,266)
Health and welfare	\$ 1,753,970	(\$ 1,645,281)	\$ 1,452,790	(\$ 1,434,780)
Culture and recreation	\$ 1,361,755	(\$ 1,361,755)	\$ 1,493,570	(\$ 1,493,570)
Conservation of natural resources	\$ 292,022	(\$ 292,022)	\$ 305,444	(\$ 305,444)
Economic development	\$ 606,346	(\$ 606,346)	\$ 371,779	(\$ 371,779)
Interest on long term debt	\$ 2,279,946	(\$ 2,279,946)	\$ 2,055,122	(\$ 2,055,122)
Pension expense	<u>\$ 6,953,138</u>	<u>(\$ 6,953,138)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenses	<u>\$82,601,803</u>	<u>(\$ 64,891,434)</u>	<u>\$67,359,094</u>	<u>(\$ 55,359,667)</u>

- In 2015, the net cost of governmental activities (\$64,891,434), was financed by general revenue, which is made up primarily of property taxes totaling \$57,131,388. The 2015 net position increased \$5,890,692 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 2015 fiscal year, its governmental funds reported a combined fund balance of \$94,108,712, an increase of \$423,512.

The General Fund is the principal operating fund of the County. The fund balance in the General Fund increased \$5,789,185 for fiscal year 2015. 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, 2015, the County's total capital assets were \$144,383,405, including land, buildings, improvements other than buildings, equipment and machinery, infrastructure and construction in progress. This amount represents an increase of \$4,696,938 from the previous year. Total accumulated depreciation as of September 30, 2015 was \$111,655,816 and total depreciation expense for the year was \$7,380,732. Additional information on the County's capital assets can be found in Note 7 of this report.

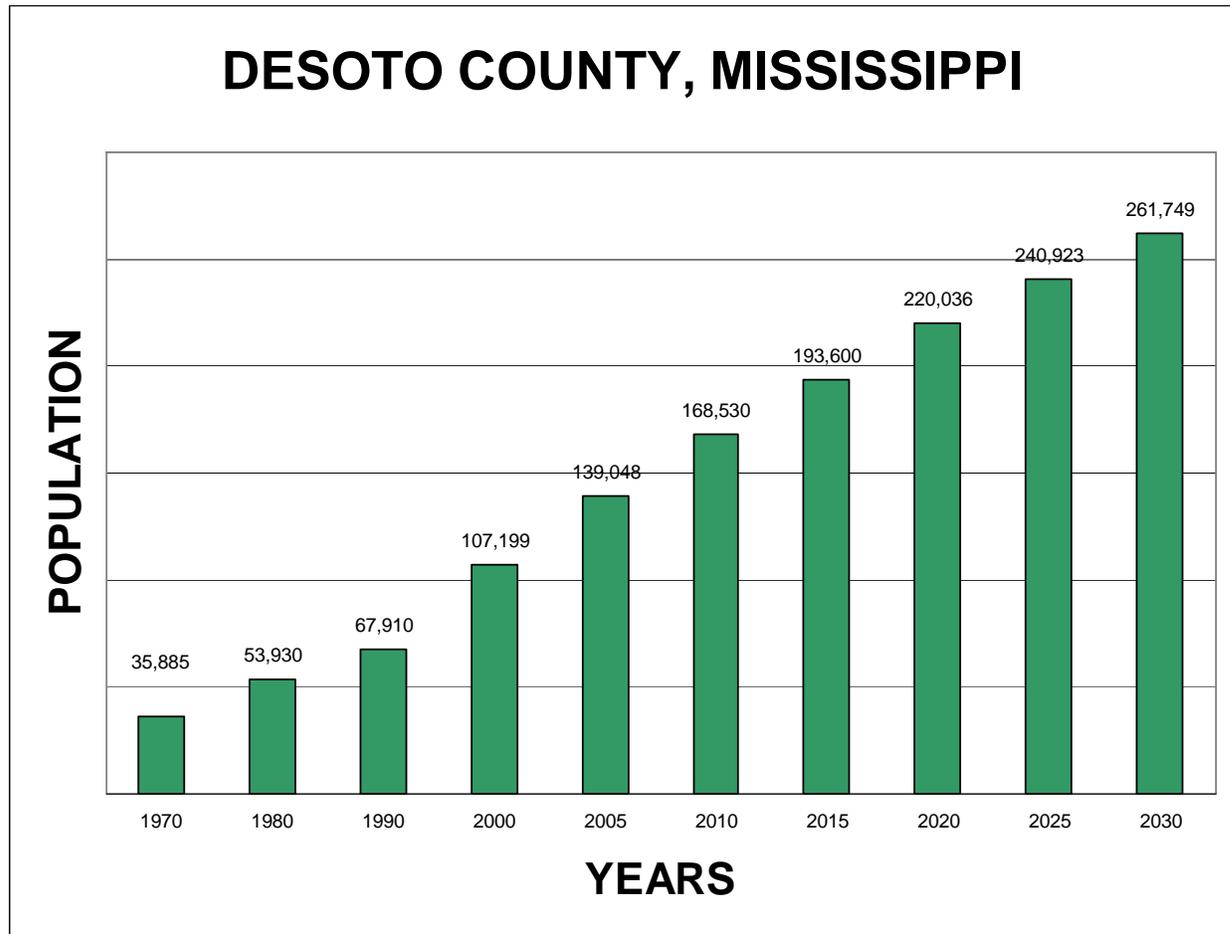
Debt Administration. At September 30, 2015, the County had \$85,345,000 in general obligation bonds and \$358,871 in other loans, of which \$8,503,390 is due within one year.

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 2015 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

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

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.

FINANCIAL STATEMENTS

DeSoto County, Mississippi
Statement of Net Position
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
ASSETS		
Cash	\$ 90,292,829	17,620,633
Certificates of deposit		1,763,972
Property tax receivable	51,840,341	
Receivable from component unit	29,280,000	
Accounts receivable		519,145
Fines receivable (net of allowance for uncollectibles of \$4,207,339)	1,128,515	
Loans receivable	10,338,177	
Intergovernmental receivables	1,383,882	653,059
Other receivables	3,035	
Inventories and prepaid items		112,106
Capital assets:		
Land and construction in progress	16,272,416	6,328,825
Other capital assets, net	128,110,989	35,118,110
Total Assets	<u>328,650,184</u>	<u>62,115,850</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	10,642,154	520,251
Deferred amount on refunding	1,276,787	
Total Deferred Outflow of Resources	<u>11,918,941</u>	<u>520,251</u>
LIABILITIES		
Claims payable	2,899,055	514,202
Amounts held in custody for others	386,031	46,613
Intergovernmental payables	3,073,649	
Accrued interest payable	471,736	659,339
Long-term liabilities		
Due within one year:		
Capital debt	6,862,410	2,384,523
Non-capital debt	1,940,000	589,820
Due in more than one year:		
Capital debt	52,451,254	30,737,166
Non-capital debt	29,040,869	12,624,472
Net pension liability	60,081,181	2,970,879
Total Liabilities	<u>157,206,185</u>	<u>50,527,014</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	564,399	34,141
Property tax for future reporting period	51,840,341	
Total Deferred Inflows of Resources	<u>52,404,740</u>	<u>34,141</u>
NET POSITION		
Net investment in capital assets	85,069,741	8,325,246
Restricted for:		
Expendable:		
General government	456,817	
Debt service	4,939,303	
Public safety	3,471,514	
Public works	33,576,110	
Culture and recreation	258,955	
Capital projects	3,128,678	
Unrestricted	57,082	3,749,700
Total Net Position	<u>\$ 130,958,200</u>	<u>12,074,946</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, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
<u>Primary government:</u>						
Governmental activities:						
General government	\$ 22,568,896	10,325,503			(12,243,393)	
Public safety	29,537,409	3,986,414	726,002	22,132	(24,802,861)	
Public works	17,248,321	280,747	1,761,748	499,134	(14,706,692)	
Health and welfare	1,753,970		108,689		(1,645,281)	
Culture and recreation	1,361,755				(1,361,755)	
Conservation of natural resources	292,022				(292,022)	
Economic development and assistance	606,346				(606,346)	
Interest on long-term debt	2,279,946				(2,279,946)	
Pension expense	6,953,138				(6,953,138)	
Total Governmental Activities	\$ <u>82,601,803</u>	<u>14,592,664</u>	<u>2,596,439</u>	<u>521,266</u>	<u>(64,891,434)</u>	
Component Units:						
DeSoto County Convention and Visitors Bureau	\$ 11,352,826	5,723,764	34,078			(5,594,984)
Emergency Communications District	1,471,648	1,760,061				288,413
Total Component Units	\$ <u>12,824,474</u>	<u>7,483,825</u>	<u>34,078</u>	<u>-</u>		<u>(5,306,571)</u>
General revenues:						
Property taxes				\$ 57,131,388		
Road & bridge privilege taxes				2,200,762		
Tourism tax						7,574,824
Grants and contributions not restricted to specific programs				3,022,442		
Unrestricted interest income				141,860		46,676
Bond proceeds for component unit				6,614,400		
Miscellaneous				1,671,274		375,867
Total General Revenues				<u>70,782,126</u>		<u>7,997,367</u>
Changes in Net Position				<u>5,890,692</u>		<u>2,690,796</u>
Net Position - Beginning, as previously reported				171,652,953		10,952,492
Prior Period Adjustments				(46,585,445)		(1,568,342)
Net Position - Beginning, as restated				<u>125,067,508</u>		<u>9,384,150</u>
Net Position - Ending				<u>\$ 130,958,200</u>		<u>12,074,946</u>

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

	Major Funds					
	General Fund	Road Maintenance Fund	Bridge and Culvert Fund	2014 Facilities Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 41,045,654	13,771,478	17,646,882	2,922,855	12,578,872	87,965,741
Property tax receivable	33,244,385	2,400,000	5,400,000		10,795,956	51,840,341
Fines receivable (net of allowance for uncollectibles of \$4,207,339)	1,128,515					1,128,515
Loans receivable	10,338,177					10,338,177
Intergovernmental receivables	1,312,333				71,549	1,383,882
Other receivables	3,035					3,035
Due from other funds	25,000	221,332	87,400		179,153	512,885
Total Assets	\$ 87,097,099	16,392,810	23,134,282	2,922,855	23,625,530	153,172,576
LIABILITIES						
Liabilities:						
Claims payable	\$ 1,129,936	198,009	88,629	520,737	185,132	2,122,443
Amounts held in custody for others	353,389				32,642	386,031
Intergovernmental payables	3,073,649					3,073,649
Due to other funds	487,885				25,000	512,885
Total Liabilities	5,044,859	198,009	88,629	520,737	242,774	6,095,008
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	33,244,385	2,400,000	5,400,000		10,795,956	51,840,341
Unavailable revenue - fines	1,128,515					1,128,515
Total Deferred Inflows of Resources	34,372,900	2,400,000	5,400,000	-	10,795,956	52,968,856
FUND BALANCES						
Fund balances:						
Nonspendable:						
Loans receivable	10,338,177					10,338,177
Restricted for:						
General government					456,817	456,817
Public safety					3,471,514	3,471,514
Public works		13,794,801	17,645,653		2,135,656	33,576,110
Culture and recreation					258,955	258,955
Debt service					5,537,298	5,537,298
Capital projects				2,402,118	726,560	3,128,678
Unassigned	37,341,163					37,341,163
Total Fund Balances	47,679,340	13,794,801	17,645,653	2,402,118	12,586,800	94,108,712
Total Liabilities and Fund Balances	\$ 87,097,099	16,392,810	23,134,282	2,922,855	23,625,530	153,172,576

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, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 94,108,712
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 \$111,655,816.	144,383,405
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	1,128,515
Receivable from component unit	29,280,000
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(90,294,533)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(471,736)
Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore, not reported in the funds.	10,642,154
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.	1,276,787
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	(60,081,181)
Deferred inflows of resources related to pension reported in governmental activities is not a financial resource and therefore, not reported in the funds.	(564,399)
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>1,550,476</u>
Total Net Position - Governmental Activities	\$ <u><u>130,958,200</u></u>

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

DeSoto County, Mississippi
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2015

Exhibit 4

	Major Funds					
	General Fund	Road Maintenance Fund	Bridge and Culvert Fund	2014 Facilities Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 36,993,189	2,663,147	6,021,447		11,453,605	57,131,388
Road and bridge privilege taxes		2,200,762				2,200,762
Licenses, commissions and other revenue	3,995,088		600		491,166	4,486,854
Fines and forfeitures	1,473,522				219,733	1,693,255
Intergovernmental revenues	3,630,576	1,636,917			872,654	6,140,147
Charges for services	1,271,533	12,000	137,104		1,969,614	3,390,251
Interest income	57,340	18,951	26,572	10,117	25,070	138,050
Miscellaneous revenues	178,334	8,169	114,750		1,372,783	1,674,036
Total Revenues	47,599,582	6,539,946	6,300,473	10,117	16,404,625	76,854,743
EXPENDITURES						
Current:						
General government	14,816,355				1,071,169	15,887,524
Public safety	21,549,515			8,451,149	10,200,314	40,200,978
Public works	759,925	5,084,946	6,324,227		2,296,524	14,465,622
Health and welfare	1,782,222					1,782,222
Culture and recreation	1,326,475				75,389	1,401,864
Conservation of natural resources	342,566					342,566
Economic development and assistance	470,971				135,375	606,346
Debt service:						
Principal	22,889				6,325,038	6,347,927
Interest and bond issue costs	7,464				2,447,562	2,455,026
Total Expenditures	41,078,382	5,084,946	6,324,227	8,451,149	22,551,371	83,490,075
Excess of Revenues over (under) Expenditures	6,521,200	1,455,000	(23,754)	(8,441,032)	(6,146,746)	(6,635,332)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued					6,500,000	6,500,000
Refunding bonds issued					11,535,000	11,535,000
Proceeds from sale of capital assets	16,029	38,967				54,996
Premiums on bonds issued					2,178,438	2,178,438
Compensation for loss on capital assets	4,493	4,030	3,140		6,742	18,405
Transfers in	80,795	120,000			2,269,713	2,470,508
Transfers out	(833,332)				(1,637,176)	(2,470,508)
Payment to bond refunding escrow agent					(13,227,995)	(13,227,995)
Total Other Financing Sources and Uses	(732,015)	162,997	3,140	-	7,624,722	7,058,844
Net Changes in Fund Balances	5,789,185	1,617,997	(20,614)	(8,441,032)	1,477,976	423,512
Fund Balances - Beginning	41,890,155	12,176,804	17,666,267	10,843,150	11,108,824	93,685,200
Fund Balances - Ending	\$ 47,679,340	13,794,801	17,645,653	2,402,118	12,586,800	94,108,712

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, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 423,512
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 \$11,895,186 exceeded depreciation of \$7,380,732 in the current period.	4,514,454
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.	(76,163)
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	(11,535,000)
Payment to refunding bond agent	13,227,995
Gain on issuance of refunding general obligation bonds	(812,995)
Bond premiums on newly-issued long-term debt	(2,064,038)
Payments of debt principal excluding component unit debt service principal of \$1,875,000	6,347,927
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	(6,953,138)
Net pension liability net out to pension expenditures made through nine months	2,767,449
Contributions made after measurement date	1,026,355
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	(481,159)
Change in deferred items - fines	182,996
Change in accrued interest payable	(7,508)
Amortization of bond premiums	344,470
Amortization of bond discounts	(22,106)
Amortization on deferred amount of bond refunding	(139,776)
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.	<u>(852,583)</u>
Change in Net Position of Governmental Activities	\$ <u>5,890,692</u>

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

DeSoto County, Mississippi
 Statement of Net Position - Proprietary Fund
 September 30, 2015

Exhibit 5

	Internal Service Fund
ASSETS	
Cash	\$ 2,327,088
Total Assets	<u>2,327,088</u>
LIABILITIES	
Claims and judgments payable	<u>776,612</u>
Total Liabilities	<u>776,612</u>
NET POSITION	
Restricted for:	
Health insurance	<u>1,550,476</u>
Total Net Position	\$ <u>1,550,476</u>

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

DeSoto County, Mississippi

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Premiums	\$ 4,839,308
Total Operating Revenues	<u>4,839,308</u>
OPERATING EXPENSES	
Claim payments	4,602,942
Administrative	<u>1,092,759</u>
Total Operating Expenses	<u>5,695,701</u>
Total Operating Income (Loss)	<u>(856,393)</u>
NON-OPERATING REVENUES	
Interest income	<u>3,810</u>
Total Non-operating Revenues	<u>3,810</u>
Change in Net Position	<u>(852,583)</u>
Net Position - Beginning	<u>2,403,059</u>
Net Position - Ending	<u>\$ 1,550,476</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, 2015

Exhibit 7

	Internal Service Fund
Cash Flows from Operating Activities	
Cash receipts/premiums from customers	\$ 4,839,308
Cash payments for claims and benefits	(4,436,634)
Cash payments to administrator for services	(922,287)
Net Cash Provided by (Used for) Operating Activities	<u>(519,613)</u>
Cash Flows from Investing Activities	
Interest income on deposits	3,810
Net Cash Provided by (Used for) Investing Activities	<u>3,810</u>
Net Change in Cash and Cash Equivalents	(515,803)
Cash and Cash Equivalents - Beginning	<u>2,842,891</u>
Cash and Cash Equivalents - Ending	\$ <u><u>2,327,088</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)	
Operating Activities	
Operating income (loss)	\$ (856,393)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Increase (decrease) in liabilities:	
Claims payable	336,780
Total adjustments	<u>336,780</u>
Net Cash Provided by (Used for) Operating Activities	\$ <u><u>(519,613)</u></u>

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

DeSoto County, Mississippi
Statement of Fiduciary Net Position
September 30, 2015

Exhibit 8

	<u>Private-purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 381,790	\$ 206,814
Other receivable	-	147,256
Total Assets	<u>381,790</u>	<u>354,070</u>
LIABILITIES		
Amounts held in custody for others		143,100
Intergovernmental payables		210,970
Total Liabilities		<u>\$ 354,070</u>
NET POSITION		
Held in trust for:		
Individuals, organizations, and other governments	<u>381,790</u>	
Total Net Position	<u>\$ 381,790</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, 2015

Exhibit 9

	<u>Private-purpose Trust Funds</u>
ADDITIONS	
Interest income	\$ 483
Total Additions	<u>483</u>
 Changes in Net Position	 <u>483</u>
NET POSITION	
Beginning	<u>381,307</u>
Ending	<u>\$ 381,790</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, 2015

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(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, 2015

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 each discretely-presented 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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

C Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, 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

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting

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

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, 2015

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

2014 Facilities Projects Fund - This fund is for monies from specific revenue sources that are restricted for the 2014 facilities project.

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.

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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.

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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 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:

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

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

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 and advance refunding 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 18 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:

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 18 for additional details.

L. Pensions

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

M. Long-term Liabilities

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

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, 2015

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, 2015

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, 2015

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, 2015

R. Changes in Accounting Standards

DeSoto County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of October 1, 2014, has been restated. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustment

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 68 & 71:	
Net Pension Liability at 10-01-14	\$ (47,869,904)
Deferred outflows - contributions made during fiscal year 2014	<u>1,025,812</u>
Total prior period adjustment related to GASB 68 and 71	<u>(46,844,092)</u>
2. Correction of capital assets.	<u>258,647</u>
Total Governmental Activities	<u>\$ (46,585,445)</u>

(3) Deposits

Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$90,881,433, and the bank balance was \$91,964,645. 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

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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.

Component Units

The carrying amount of the Emergency Communications District's total deposits with financial institutions at September 30, 2015, was \$10,839,406, and the bank balance was \$10,884,426. The carrying amount of the Civic Center's total deposits with financial institutions at September 30, 2015, was \$8,545,199, and the bank balance was \$8,540,515. 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).

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2015:

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	221,332
Bridge and Culvert Fund	General Fund	87,400
Other Governmental Funds	General Fund	179,153
Total		<u>\$ 512,885</u>

The receivable in the General Fund represent the calculated indirect costs for the fiscal year. The rest of the receivables represent the tax revenue collected but not settled until October 2015. 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	\$ 80,795
Road Maintenance Fund	General Fund	85,000
	Other Governmental Funds	35,000
Other Governmental Funds	General Fund	748,332
	Other Governmental Funds	1,521,381
Total		<u>\$ 2,470,508</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, 2015 consisted of the following:

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ 1,178,825
Federal Grants	205,057
Total	<u>\$ 1,383,882</u>

(6) Loans Receivable

At September 30, 2015, the DeSoto County Convention and Visitors Bureau had \$6,494,974 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, 2015, the DeSoto County Regional Utility Authority had \$3,639,984 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 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 to conclude with a final payment to be made July 1, 2030.

Loan receivable balances at September 30, 2015, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
DeSoto County Convention and Visitors Bureau	October 2013	0.00%	October 2043	\$ 6,494,974
DeSoto County Regional Utility Authority	October 2013	0.00%	September 2044	3,639,984
Fairhaven Fire Department Project	July 2015	0.00%	July 2030	204,820
Total				<u>\$ 10,338,177</u>

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Non-depreciable capital assets:					
Land	\$ 3,859,223			(179,553)	3,679,670
Construction in progress	1,593,348	10,561,198		438,200	12,592,746
Total non-depreciable capital assets	<u>5,452,571</u>	<u>10,561,198</u>	<u>0</u>	<u>258,647</u>	<u>16,272,416</u>
Depreciable capital assets:					
Infrastructure	149,471,533				149,471,533
Buildings	64,352,109				64,352,109
Improvements other than buildings	561,872		2,745		559,127
Equipment and machinery	24,427,303	1,333,988	377,255		25,384,036
Total depreciable capital assets	<u>238,812,817</u>	<u>1,333,988</u>	<u>380,000</u>	<u>0</u>	<u>239,766,805</u>
Less accumulated depreciation for:					
Infrastructure	73,555,882	4,249,363			77,805,245
Buildings	14,321,125	1,182,881			15,504,006
Improvements other than buildings	322,625	18,511	1,332		339,804
Equipment and machinery	16,379,289	1,929,977	302,505		18,006,761
Total accumulated depreciation	<u>104,578,921</u>	<u>7,380,732</u>	<u>303,837</u>	<u>0</u>	<u>111,655,816</u>
Total depreciable capital assets, net	<u>134,233,896</u>	<u>(6,046,744)</u>	<u>76,163</u>	<u>0</u>	<u>128,110,989</u>
Governmental activities capital	<u>\$ 139,686,467</u>	<u>4,514,454</u>	<u>76,163</u>	<u>258,647</u>	<u>144,383,405</u>

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

Component Units:

The following is a summary of component units' capital assets activity for the year ended September 30, 2015:

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30,
Non-depreciable capital assets:					
Land	\$ 6,328,825				6,328,825
Construction in progress					0
Total non-depreciable capital	6,328,825	0	0	0	6,328,825
Depreciable capital assets:					
Buildings and improvements	47,737,925	70,610			47,808,535
Equipment and machinery	1,575,104	81,641	55,706		1,601,039
Furniture and fixtures	217,581		11,602		205,979
Total depreciable capital assets	49,530,610	152,251	67,308	0	49,615,553
Less accumulated depreciation for:					
Buildings and improvements	11,943,661	1,197,230			13,140,891
Equipment and machinery	1,079,407	144,841	55,706		1,168,542
Furniture and fixtures	194,342	4,348	10,680		188,010
Total accumulated depreciation	13,217,410	1,346,419	66,386	0	14,497,443
Total depreciable capital assets,	36,313,200	(1,194,168)	922	0	35,118,110
Total capital assets, net	\$ 42,642,025	(1,194,168)	922	0	41,446,935

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 1,303,393
Public safety	1,041,632
Public works	5,027,098
Health and welfare	7,596
Culture and recreation	1,013
Total depreciation expense	\$ 7,380,732

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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
Jail Complex - Phase II	\$ 618,292	12/31/2015
Swinnea Road	111,656	11/30/2015
Sheriff Administration Building	642,278	12/31/2015
Holy Springs Road Bridge	3,999,773	N/A
Fogg Road Bridge	1,788,990	N/A
Starlanding Road	304,247	N/A
Polk Lane	100,000	5/31/2016
Craft Road Overpass	1,600,000	1/1/2017
E-911 System Upgrade	6,000,000	1/1/2017
Total	<u>\$ 15,165,236</u>	

(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, 2015 to January 1, 2016. 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

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

has extended coverage to the employees of the following public entities:

- Horn Lake Creek Basin
- DeSoto County Regional Utility Authority
- DeSoto County Emergency Communications District
- 17th 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, 2015, the amount of these liabilities was \$776,612. An analysis of claims activities is presented below:

		Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013-2014	\$	303,628	3,868,593	3,732,389	439,832
2014-2015	\$	439,832	4,773,415	4,436,635	776,612

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(9) Long-Term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
2005 Refunding Bonds	2,025,000	3.00 - 4.00%	10/2019
2007 Loan Refunding Bonds	1,545,000	4.0%	07/2024
2009 Refunding Bonds	6,415,000	2.25 - 4.00%	10/2021
2009 General Obligations Bonds	2,055,000	3.38%	07/2024
2009 Refunding Bonds	29,280,000	2.50 - 5.00%	11/2028
2009 Refunding Bonds	2,950,000	2.00 - 3.50%	09/2022
2010 Refunding Bonds	3,195,000	2.00 - 2.125%	09/2026
2010 General Obligations Bonds	3,920,000	2.50 - 3.50%	11/2018
2012 Refunding Bonds	12,720,000	2.00 - 4.00%	07/2024
2013 General Obligations Bonds	9,705,000	2.25 - 3.125%	06/2033
2015 General Obligation Refunding Bonds	11,535,000	1.50 - 5.00%	07/2024
	<u>\$ 85,345,000</u>		
B. Other Loans			
Civic Center Tourism Center	\$ 358,871	2%	04/2029
	<u>358,871</u>		

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 8,480,000	3,096,994	23,390	6,963
2017	8,770,000	2,830,975	23,862	6,491
2018	8,480,000	2,533,338	24,343	6,010
2019	8,730,000	2,266,209	24,835	5,518
2020	7,940,000	2,002,038	25,336	5,017
2021 - 2025	29,720,000	5,565,666	134,561	17,204
2026 - 2030	11,230,000	1,346,194	102,544	3,717
2031 - 2035	1,995,000	123,468		
Total	\$ 85,345,000	19,764,882	358,871	50,920

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, 2015, the amount of outstanding debt was equal to 3.51% of the latest property assessments.

Advance Refunding: On March 1, 2015, the County issued \$11,535,000 in general obligation refunding bonds with an average interest rate of 3.36% to advance refund \$12,415,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
MDB Pool Loan Refunding Bonds, Series 2007	4.00%	\$ 3,705,000
General Obligation Bonds, Series 2009	3.44%	8,710,000
Total Advance Refund		\$ 12,415,000

The MDB Pool Loan Refunding Bonds, Series 2007 had an outstanding balance of \$5,725,000 at the time of refunding, but only \$3,705,000 of the bonds were refunded, leaving a remaining principal balance of \$2,020,000.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

The General Obligation Bonds, Series 2009 had an outstanding balance of \$11,730,000 at the time of refunding, but only \$8,710,000 of the bonds were refunded, leaving a remaining principal balance of \$3,020,000.

The net proceeds of \$13,227,995 (after payment of \$371,043 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 nine years by almost \$873,181 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$812,995.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
<u>Governmental Activities:</u>						
General obligation bonds	\$ 94,425,000		8,200,000	(880,000)	85,345,000	8,480,000
Other loans	381,798		22,927		358,871	23,390
Compensated absences	1,219,710	481,159			1,700,869	
Total	\$ <u>96,026,508</u>	<u>481,159</u>	<u>8,222,927</u>	<u>(880,000)</u>	<u>87,404,740</u>	<u>8,503,390</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 Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
Discounts	\$ (22,106)		(2,156)	19,950	0	
Premiums	1,170,225	2,064,038	175,025	(169,445)	2,889,793	299,020
Total	\$ <u>1,148,119</u>	<u>2,064,038</u>	<u>172,869</u>	<u>(149,495)</u>	<u>2,889,793</u>	<u>299,020</u>

Adjustments were made as a net effect of refunding bond issuance.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 interest of 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, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<u>Component Units:</u>					
Bonds payable	\$ 31,155,000	6,500,000	1,875,000	35,780,000	2,280,000
Bond premium	1,696,928	114,400	108,895	1,702,433	108,894
Capital leases	2,575,071		321,415	2,253,656	335,629
Loans payable	6,744,794		249,820	6,494,974	249,820
Compensated absences	106,701	4,312	6,095	104,918	
Total	<u>\$ 42,278,494</u>	<u>6,618,712</u>	<u>2,561,225</u>	<u>46,335,981</u>	<u>2,974,343</u>

(10) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balance and net position at September 30, 2015:

Fund	Deficit Amount
Sheriff Seizures Fund	\$ 6,342
Johnson Creek Greenway Project Fund	\$ 3,580

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(11) Contingencies

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

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.

(12) 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 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) dated
- \$136,780,000 Mississippi Development Bank Special Obligation Bonds, Series 2010B (DeSoto County, Mississippi Highway Construction Project) dated
- \$82,940,000 Mississippi Development Bank Special Obligation Bonds, Series 2014 (DeSoto County, Mississippi Highway Construction Project) dated

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

- \$24,155,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2015A (DeSoto County, Mississippi Highway Refunding Project) dated

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, 2015 is as follows:

<u>Issue</u>	<u>Outstanding Amount</u>
Mississippi Development Bank, Series 2007*	\$ 2,585,000
Mississippi Development Bank, Series 2010B Taxable	136,780,000
Mississippi Development Bank, Series 2014	77,430,000
Mississippi Development Bank, Series 2015 Refunding	<u>24,155,000</u>
Total Outstanding Amount	<u>\$ 240,950,000</u>

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

(13) 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.

(14) 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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(15) 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 2015, and \$124,367 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 \$16,980 to help support the district in fiscal year 2015.

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 Board of Supervisors allocated \$200,000 in fiscal year 2015, 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, 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 \$6,181,427 for maintenance and support of the college in fiscal year 2015.

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 2015.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(16) 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 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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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, 2015, 2014 and 2013 were \$3,824,965, \$3,629,162, and \$3,250,986, 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, 2015, the County reported a liability of \$60,081,181 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. At June 30, 2015, the County's proportion was .388673 percent, which was a decrease from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$6,953,138. At September 30, 2015 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 924,618	
Net difference between projected and actual earnings on pension plan investments	3,515,392	
Change of assumptions	5,175,789	
Changes in proportion and differences between County contributions and proportionate share of contributions		564,399
County contributions subsequent to the measurement date	1,026,355	
Total	<u>\$ 10,642,154</u>	<u>564,399</u>

DeSoto County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

\$1,026,355 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, 2016. 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 ended June 30:

2016	\$	2,914,145
2017		2,914,145
2018		2,344,263
2019		878,847
Total	\$	<u>9,051,400</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 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

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, 2015 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:

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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, a decrease of 0.25 percentage points since the prior measurement date. 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 proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 79,192,501	\$ 60,081,181	\$ 44,222,359

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

(17) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$270,778 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$10,642,154 balance of deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The net investment in capital assets net position amount of \$78,119,835 includes the effect of deferring the recognition expenses resulting from a deferred outflow on refunding of County debt. The \$1,276,787, balance of the deferred outflow of resources at September 30, 2015 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of \$270,778 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$564,399 balance of deferred inflow of resources, at September 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$270,778 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, 2015 was \$51,840,341.

(18) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of 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, 2015

Emergency Communications District for DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE: 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 fixed assets, along with all other capital assets used by the District, will be accounted for on DeSoto County's financial statements.

Changes in long-term debt for the year ended September 30, 2015 were as follows:

	Balance at			Balance at	
	Sept. 30, 2014	Additions	Reductions	Sept. 30, 2015	Current
Bonds payable-DeSoto County	\$ -	\$ 6,500,000	\$ -	\$ 6,500,000	\$ 340,000
Total Debt	<u>\$ -</u>	<u>\$ 6,500,000</u>	<u>\$ -</u>	<u>\$ 6,500,000</u>	<u>\$ 340,000</u>

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

Year Ended	Principal	Interest	Total
2016	\$ 340,000	\$ 278,981	\$ 618,981
2017	355,000	173,863	528,863
2018	365,000	163,063	528,063
2019	375,000	151,963	526,963
2020	390,000	140,488	530,488
2021-2025	2,145,000	522,655	2,667,655
2026-2030	2,530,000	194,550	2,724,550
Total	<u>\$ 6,500,000</u>	<u>\$ 1,625,563</u>	<u>\$ 8,125,563</u>

**Emergency Communications District for DeSoto County,
Mississippi Notes to Financial Statements
For the Year Ended September 30, 2015**

NOTE: 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 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, 2015, 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, 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 District's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014, and 2013, were \$15,318, \$16,703, and \$15,095, respectively, equal to the required contributions for each year.

Component Unit
DeSoto County Convention and Visitors Bureau

Notes to the Financial Statements
For the year ended September 30, 2015

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE – A SUMMARY OF CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2015 were as follows:

	Balance			Balance
	Sept. 30, 2014	Additions	Deletions	Sept. 30, 2015
Assets not being depreciated:				
Land	\$ 6,328,825	\$ -	\$ -	\$ 6,328,825
Construction	-	-	-	-
Assets being depreciated:				
Buildings & improvements	47,737,925	70,610	-	47,808,535
Machinery & equipment	1,575,104	81,641	55,706	1,601,039
Furniture & fixtures	217,581	-	11,602	205,979
Total Assets	<u>55,859,435</u>	<u>152,251</u>	<u>67,308</u>	<u>55,944,378</u>
Less accumulated depreciation for:				
Buildings & improvements	11,943,661	1,197,230	-	13,140,891
Machinery & equipment	1,079,407	144,841	55,706	1,168,542
Furniture & fixtures	194,342	4,348	10,680	188,010
Total Accumulated Depreciation	<u>13,217,410</u>	<u>\$ 1,346,419</u>	<u>66,386</u>	<u>14,497,443</u>
Total Assets, Net	<u>\$ 42,642,025</u>	<u>\$ (1,194,168)</u>	<u>\$ 922</u>	<u>\$ 41,446,935</u>

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE – LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2015 were as follows:

	Balance at Sept. 30, 2014	Additions	Reductions	Balance at Sept. 30, 2015	Current
Bonds payable-DeSoto County	\$ 31,155,000	\$ -	\$ 1,875,000	\$ 29,280,000	\$ 1,940,000
Bond premium	1,696,928	-	108,894	1,588,034	108,894
Capital leases	2,575,071	-	321,415	2,253,656	335,629
Loans payable DeSoto County	6,744,794	-	249,820	6,494,974	249,820
Compensated absences	96,245	4,312	-	100,557	-
Total Debt	\$ 42,268,038	\$ 4,312	\$ 2,555,129	\$ 39,717,221	\$ 2,634,343

“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.

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

Year Ended	Principal	Interest	Total
2016	\$ 2,189,820	\$ 1,268,362	\$ 3,458,182
2017	2,264,820	1,189,262	3,454,082
2018	2,339,820	1,115,000	3,454,820
2019	2,419,820	1,037,638	3,457,458
2020	2,519,820	937,488	3,457,308
2021-2025	12,199,102	2,969,322	15,168,424
2026-2030	9,094,102	763,877	9,857,979
2031-2035	1,249,102	-	1,249,102
2036-2040	1,249,102	-	1,249,102
2041	249,466	-	249,466
Total	\$ 35,774,974	\$ 9,280,949	\$ 45,055,923

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, 2015 were as follows:

	Payments
2016	\$ 421,524
2017	421,524
2018	421,524
2019	421,525
2020	421,524
2021-2025	334,357
2026-2029	108,764
Total minimum lease payments	2,550,742
Interest	(297,630)
Present value of minimum lease payments	<u>\$ 2,253,111</u>

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE – PENSION OBLIGATIONS

General Information about the Pension Plan

Plan Description. The Bureau is a member of the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the Bureau. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided. 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 2.00% 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 2.50% 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.00% 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 3.00% compounded for each fiscal year thereafter.

Contributions. Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employees are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2015, member employees were required to contribute 9.00% of their annual pay, while the Bureau's required contribution rate was 15.75% of annual covered payroll. The Bureau's employer contribution to PERS for the years ended September 30, 2015, 2014, and 2013, were \$192,593, \$176,851, and \$164,277 respectively. The contributions for each year met the required contributions.

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

At September 30, 2015, the Bureau reported a liability of \$2,970,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements
For the Year Ended September 30, 2015

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, 2015, the Bureau's proportion was 0.019%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the Bureau recognized pension expense of \$341,525. At September 30, 2015 the Bureau reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,720	\$ -
Net difference between projected and actual earnings on pension plan investments	173,828	-
Changes of assumptions	255,931	-
Changes in the Bureau's proportion and differences between the Bureau's contributions and proportionate share of contributions	-	34,141
Bureau contributions subsequent to the measurement date	44,772	-
Total	\$ 520,251	\$ 34,141

\$44,772 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30	Deferred Outflows	Deferred Inflows	Total
2016	154,358	(12,552)	141,806
2017	154,358	(12,552)	141,806
2018	123,306	(9,037)	114,269
2019	43,457	-	43,457
Totals	\$ 475,479	\$ (34,141)	\$ 441,338

Actuarial assumptions. The total pension liability in the June 30, 2015 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, 2015

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2015 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	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 (7.75%)</u>	<u>1% Increase (8.75%)</u>
Bureau's proportionate share of the net pension liability	\$ 3,915,890	\$ 2,970,879	\$ 2,186,696

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.

REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 36,255,700	\$ 37,155,424	\$ 37,155,424	\$ -
Licenses, commissions and other revenue	2,968,000	3,056,751	3,056,751	-
Fines and forfeitures	1,248,000	1,449,782	1,449,782	-
Intergovernmental revenues	3,299,700	3,674,011	3,674,011	-
Charges for services	1,078,000	1,271,533	1,271,533	-
Interest income	68,000	54,628	54,628	-
Miscellaneous revenues	1,115,250	1,055,809	1,055,809	-
Total Revenues	<u>46,032,650</u>	<u>47,717,938</u>	<u>47,717,938</u>	<u>-</u>
EXPENDITURES				
General government	16,813,046	14,713,180	14,713,180	-
Public safety	22,631,517	22,250,161	22,250,161	-
Public works	339,816	316,125	316,125	-
Health and welfare	2,015,241	1,751,334	1,751,334	-
Culture and recreation	1,326,475	1,326,475	1,326,475	-
Conservation of natural resources	343,817	328,700	328,700	-
Economic development and assistance	472,076	470,971	470,971	-
Debt service:				
Principal	22,500	22,889	22,889	-
Interest	8,000	7,464	7,464	-
Total Expenditures	<u>43,972,488</u>	<u>41,187,299</u>	<u>41,187,299</u>	<u>-</u>
Deficiency of Revenues Under Expenditures	<u>2,060,162</u>	<u>6,530,639</u>	<u>6,530,639</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,617,888	698,683	698,683	-
Transfers out	<u>(2,598,492)</u>	<u>(1,451,220)</u>	<u>(1,451,220)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(980,604)</u>	<u>(752,537)</u>	<u>(752,537)</u>	<u>-</u>
Net Change in Fund Balance	1,079,558	5,778,102	5,778,102	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>26,256,228</u>	<u>26,256,228</u>
Fund Balances - Ending	<u>\$ 1,079,558</u>	<u>\$ 5,778,102</u>	<u>\$ 32,034,330</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 Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 2,360,000	\$ 2,661,906	\$ 2,661,906	\$ -
Road and bridge privilege tax	1,900,000	2,200,417	2,200,417	-
Intergovernmental revenues	1,770,000	1,636,918	1,636,918	-
Charges for services	100,000	12,000	12,000	-
Interest income	20,000	18,951	18,951	-
Miscellaneous revenues	313,000	51,166	51,166	-
Total Revenues	<u>6,463,000</u>	<u>6,581,358</u>	<u>6,581,358</u>	<u>-</u>
EXPENDITURES				
Public works	10,505,266	5,293,129	5,293,129	-
Total Expenditures	<u>10,505,266</u>	<u>5,293,129</u>	<u>5,293,129</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>(4,042,266)</u>	<u>1,288,229</u>	<u>1,288,229</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	120,000	120,000	-
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,007,266)</u>	<u>1,408,229</u>	<u>1,408,229</u>	<u>-</u>
Fund Balances - Beginning	<u>8,500,000</u>	<u> </u>	<u>12,363,250</u>	<u>12,363,250</u>
Fund Balances - Ending	<u>\$ 4,492,734</u>	<u>\$ 1,408,229</u>	<u>\$ 13,771,479</u>	<u>\$ 12,363,250</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 Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Property taxes	\$ 5,250,000	\$ 6,006,561	\$ 6,006,561	\$ -
Licenses, commissions and other revenue	-	600	600	-
Charges for services	50,000	137,104	137,104	-
Interest income	35,000	26,572	26,572	-
Miscellaneous revenues	210,000	117,890	264,437	146,547
Total Revenues	<u>5,545,000</u>	<u>6,288,727</u>	<u>6,435,274</u>	<u>146,547</u>
EXPENDITURES				
Public works	20,045,452	7,226,717	7,226,717	-
Total Expenditures	<u>20,045,452</u>	<u>7,226,717</u>	<u>7,226,717</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>(14,500,452)</u>	<u>(937,990)</u>	<u>(791,443)</u>	<u>146,547</u>
Net Change in Fund Balance	(14,500,452)	(937,990)	(791,443)	146,547
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>18,438,325</u>	<u>18,438,325</u>
Fund Balances - Ending	<u>\$ (14,500,452)</u>	<u>\$ (937,990)</u>	<u>\$ 17,646,882</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>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) \$	60,081,181	47,869,904
County's proportionate share of the net pension liability (asset)	0.388673%	0.394375%
County's covered - employee payroll	24,285,492	23,042,298
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.40%	207.75%
Plan fiduciary net position as a percentage of the total pension liability	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*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,824,965	3,629,162
Contributions in relation to the contractually required contribution	3,824,965	3,629,162
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered - employee payroll	24,285,492	23,042,298
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 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, 2015

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, 2015

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

	<u>Governmental Funds</u>		
	General	Road	Bridge and
	Fund	Maintenance	Culvert
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 5,778,102	1,408,229	(791,443)
Increase (Decrease)			
Net adjustments for revenue accruals	(730,290)	1,587	(131,661)
Net adjustments for expenditure accruals	<u>741,373</u>	<u>208,181</u>	<u>902,490</u>
GAAP Basis	<u>\$ 5,789,185</u>	<u>1,617,997</u>	<u>(20,614)</u>

2) Pension Schedules

A. Change of Benefit Terms

None

B. Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

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, 2015**

Last 10 Fiscal Years*	<u>2015</u>
Bureau's proportion of the net pension liability	0.019%
Bureau's proportionate share of the net pension liability	\$ 2,970,878
Bureau's covered-employee payroll	\$ 1,200,717
Bureau's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.43%
Plan Fiduciary net position as a percentage of the total pension liability	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 the Bureau's Contributions
Last 10 Fiscal Years
Year Ended September 30, 2015**

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

Pension Schedules

- 1) Change of benefit terms – there were no changes of benefit terms in 2015.
- 2) Change of assumptions – the following assumptions changed from 2014 to 2015.
 - a. Inflation rate decreased .5% to 3.00%
 - b. Salary Increases decreased by .5% to 3.75 – 19.00%, average, including inflation
 - c. Investment rate of return decreased .25% to 7.75%, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi

Schedule of Expenditure of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Passed-through the Mississippi Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	14DC1171	\$ <u>35,340</u>
Total U.S. Department of Justice			<u>35,340</u>
U.S. Department of Transportation			
Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	N/A	20,700
Highway Planning and Construction	20.205	STP-0906(4)B	<u>64,868</u>
Total passed-through the Mississippi Department of Transportation			<u>85,568</u>
Passed-through Mississippi Department of Public Safety Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	15MD1171	14,593
Occupant Protection Incentive Grants	20.602	15OP1171	14,166
Alcohol Open Container Requirements*	20.607	14MS1171	<u>160,435</u>
Total passed-through the Mississippi Department of Public Safety			<u>189,194</u>
Total U.S. Department of Transportation			<u>274,762</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency			
Emergency Management Performance Grants*	97.042	15EMPL00	103,777
Emergency Management Performance Grants*	97.042	15EMPL00	882
State Homeland Security Program (SHSP)	97.073	13HS017T	51,200
State Homeland Security Program (SHSP)	97.073	14HS017T	9,581
State Homeland Security Program (SHSP)	97.073	M13HS017	3,001
State Homeland Security Program (SHSP)	97.073	S13HS017	3,149
State Homeland Security Program (SHSP)	97.073	A13HS017	<u>42,102</u>
Total passed-through Mississippi Emergency Management Agency			<u>213,692</u>
Total U.S. Department of Homeland Security			<u>213,692</u>
Total Expenditures of Federal Awards			\$ <u><u>523,794</u></u>

* denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

DeSoto County, Mississippi
Component Units - Combining Statement of Net Position
September 30, 2015

	Emergency Communications District	DeSoto Convention and Visitors Bureau	Total
ASSETS			
Cash and cash equivalents	\$ 9,075,434	8,545,199	17,620,633
Certificates of deposits	1,763,972		1,763,972
Interest receivable	23		23
Accounts receivable		106,914	106,914
Intergovernmental receivable		653,059	653,059
Telephone service charge receivable	412,208		412,208
Inventories and prepaid items		112,106	112,106
Capital assets:			
Land and construction in progress		6,328,825	6,328,825
Other capital assets, net		35,118,110	35,118,110
Total Assets	11,251,637	50,864,213	62,115,850
DEFERRED OUTFLOWS OF RESOURCES			
Pension related		520,251	520,251
LIABILITIES			
Accounts payable	40,834	473,368	514,202
Amounts held in custody for others		46,613	46,613
Accrued interest payable	110,476	548,863	659,339
Compensated absences	4,361		4,361
Long-term liabilities:			
Due in one year:			
Capital related		2,384,523	2,384,523
Non-capital related	340,000	249,820	589,820
Due beyond one year:			
Capital related		30,737,166	30,737,166
Non-capital related	6,274,400	6,345,711	12,620,111
Pension related		2,970,879	2,970,879
Total Liabilities	6,770,071	43,756,943	50,527,014
DEFERRED INFLOWS OF RESOURCES			
Pension related		34,141	34,141
NET POSITION			
Net investment in capital assets		8,325,246	8,325,246
Unrestricted	4,481,566	(731,866)	3,749,700
Total Net Position	4,481,566	7,593,380	12,074,946

DeSoto County, MississippiComponent Units - Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2015

	Emergency Communications District	DeSoto Convention and Visitors Bureau	Total
REVENUES			
Charges for services	\$ 1,760,061	5,723,764	7,483,825
Tourism tax		7,574,824	7,574,824
Sign sales		322,920	322,920
Luxury suite sales		16,650	16,650
Unrestricted interest income	10,757	35,919	46,676
Other	23,599	46,776	70,375
Total Revenues	<u>1,794,417</u>	<u>13,720,853</u>	<u>15,515,270</u>
EXPENSES			
Capital expenditures	600,219		600,219
Event expenses		1,471,225	1,471,225
Tourism expenses		681,851	681,851
Insurance	350		350
Maintenance and repairs	225,982		225,982
Office expense	2,949		2,949
Payroll expenses	125,671		125,671
Pension expense		341,525	341,525
Professional services	18,362		18,362
Rent/Utilities	43,583		43,583
Subscriptions/seminars	1,900		1,900
Travel	7,596		7,596
Tickets		2,748,682	2,748,682
Telephone equipment service	334,560		334,560
General operating expenses		3,467,576	3,467,576
Interest expense	110,476	1,295,548	1,406,024
Depreciation		1,346,419	1,346,419
Total Expenditures	<u>1,471,648</u>	<u>11,352,826</u>	<u>12,824,474</u>
Changes in Net Position	<u>322,769</u>	<u>2,368,027</u>	<u>2,690,796</u>
Net Position - Beginning, as previously reported	4,158,797	6,793,695	10,952,492
Prior period adjustment		(1,568,342)	(1,568,342)
Net Position - Beginning, as restated	<u>4,158,797</u>	<u>5,225,353</u>	<u>9,384,150</u>
Net Position - Ending	<u>\$ 4,481,566</u>	<u>7,593,380</u>	<u>12,074,946</u>

OTHER INFORMATION

DeSoto County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015

Name	Position	Company	Bond
Jessie Medlin	Supervisor District 1	RLI Insurance Company	\$100,000
Mark Gardner	Supervisor District 2	Brierfield Insurance Company	\$100,000
Bill Russell	Supervisor District 3	State Farm Fire and Casualty Company	\$100,000
Lee Caldwell	Supervisor District 4	Brierfield Insurance Company	\$100,000
Harvey Lee	Supervisor District 5	Brierfield Insurance Company	\$100,000
Michael Lee (appointed 12/1/2014)	Supervisor District 5	Liberty Mutual	\$100,000
Vanessa Lynchard	County Administrator	Travelers Casualty and Surety Company	\$100,000
W.E. "Sluggo" Davis	Chancery Clerk	State Farm Fire and Casualty Company	\$100,000
Pat McLeod	Purchase Clerk	Brierfield Insurance Company	\$75,000
Karen McNeil	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Sheila Morris	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Ann Richmond	Receiving Clerk	Western Surety Company	\$75,000
Melinda Chamberlain	Assistant Receiving Clerk	Western Surety Company	\$50,000
Monica Mock	Assistant Receiving Clerk	Western Surety Company	\$50,000
Janet Knight	Assistant Receiving Clerk	Western Surety Company	\$50,000
Angela Robertson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Chesley Lynch	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
Monica Jackson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Mary Vick	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
Myra Wells	Assistant Receiving Clerk	Western Surety Company	\$50,000
Reby Johnson	Assistant Receiving Clerk	Western Surety Company	\$50,000
Teresa Fleming	Assistant Receiving Clerk	Western Surety Company	\$50,000
Oretha Valentine	Assistant Receiving Clerk	Western Surety Company	\$50,000
Dixie Lamb	Assistant Receiving Clerk	Western Surety Company	\$50,000
Carla Johnson	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
Angela Irving	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
Charmaine McCool	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
Andy Swims	Road Manager	Ohio Casualty Insurance Company	\$50,000
Elizabeth Medlin	Constable - District 1	Brierfield Insurance Company	\$50,000
Christopher Plumlee	Constable - District 2	Brierfield Insurance Company	\$50,000
Brandon Hylander	Constable - District 3	Brierfield Insurance Company	\$50,000
Bobby Holloway, Jr.	Constable - District 4	Brierfield Insurance Company	\$50,000
Lee Hodge	Constable - District 5	Brierfield Insurance Company	\$50,000
Dale Thompson	Circuit Clerk	Ohio Casualty Insurance Company	\$100,000
Rebecca Wilkie	Deputy Circuit Clerk	Old Republic	\$50,000
Vivian Embry	Deputy Circuit Clerk	Western Surety Company	\$50,000
Chesley Lynch	Deputy Circuit Clerk	Liberty Mutual	\$50,000

DeSoto County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015

Name	Position	Company	Bond
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
Brittany Riley	Deputy Circuit Clerk	Liberty Mutual (blanket bond)	\$100,000
Sheryl Franks	Deputy Circuit Clerk	Liberty Mutual (blanket bond)	\$100,000
Martin Walsh	Deputy Circuit Clerk	Liberty Mutual (blanket bond)	\$100,000
Bill Rasco	Sheriff Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Brierfield Insurance Company	\$100,000 \$50,000
Ken Adams	Justice Court Judge - District 1	Brierfield Insurance Company	\$50,000
Larry Vaughn	Justice Court Judge - District 2	Brierfield Insurance Company	\$50,000
William Lantrip	Justice Court Judge - District 3	Brierfield Insurance Company	\$50,000
Brad Russell	Justice Court Judge - District 4	Brierfield Insurance Company	\$50,000
Karen Sanders	Justice Court Judge - District 5	Brierfield Insurance Company	\$50,000
Pat Sanford	Justice Court Clerk	Old Republic Surety Company	\$50,000
Debbie Rutherford	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Ramonda Abernathy	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Vickie Tillman	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Carla Johnson	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
Randall Morris	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Stephanie Rozell	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Candie Hubbard	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Carmen Stewart	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	Old Republic Surety Company	\$50,000
Erin Shook	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Abigail Reaves	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Elizabeth Riley	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Carol Carpenter	Deputy Tax Collector	Old Republic 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
Parker Pickle	Tax Assessor	State Farm Fire and Casualty Company	\$50,000
Andy Swims	County Engineer	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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 22, 2016. Our report includes a reference to other auditors who audited the financial statements of DeSoto County Convention and Visitors Bureau and Emergency Communications District, 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'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.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
August 22, 2016

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 OMB CIRCULAR A-133

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 its major federal programs for the year ended September 30, 2015. 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, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 22, 2016

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, 2015. 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 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, 2015.

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, in our opinion, is fairly presented in relation to that examination.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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
August 22, 2016

Certified Public Accountants

DeSoto County, Mississippi

Schedule 1

Schedule of Purchases Not Made from the Lowest Bidder
For the Year Ended September 30, 2015

Our test results did not identify any purchases not made from the lowest bidder.

DeSoto County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our test results did not identify any emergency purchases.

DeSoto County, Mississippi

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
5/18/2015	(120) Electronic Poll Tablets Accessories, Software and Training	\$ 127,228.97	Election Systems and 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, 2015, 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 August 22, 2016, 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
August 22, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DeSoto County, Mississippi

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

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 Section _____.510(a) of OMB Circular A-133? No.
7. Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.607	Highway Planning and Construction Program
97.042	Emergency Management Performance Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
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.