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DeSoto County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended September 30, 2017

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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 496.6 square miles and its population is 161,252 per the 2010 U.S. Census.

FINANCIAL SECTION

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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 remaining fund information of DeSoto County, Mississippi, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of DeSoto County Convention and Visitors Bureau, which represents 94% of the assets, 120% of the net position, and 88% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for DeSoto County Convention and Visitors Bureau, is based solely on the reports of the auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions on pages 9-21, 84-86, 87, and 88, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeSoto County, Mississippi's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Component Units – Combining Statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 April 2, 2018, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DeSoto County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J E Vance & Company". The signature is written in a cursive, flowing style.

J. E. Vance & Company, P.A.
April 2, 2018

DESOTO COUNTY MISSISSIPPI

BOARD OF SUPERVISORS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FYE 2017

INTRODUCTION

The discussion and analysis of DeSoto County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

FINANCIAL HIGHLIGHTS

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

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

Total net position increased \$6,300,020, which represents a 4% increase from the prior fiscal year. This increase includes prior period adjustments of (\$7,876,084), primarily due to corrections related to capital assets.

The County had \$91,831,381 in total revenues. Property tax revenues account for \$62,149,855 or 68% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$11,024,751, or 12% of total revenues. Charges for services account for \$14,750,360 or 16% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 4% of total revenues.

The County had \$77,655,277 in total expenses; \$23,370,284 of these expenses were offset by charges for services, grants or outside contributions. General revenues of \$68,461,097 were adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$52,971,509 in revenues and \$44,945,385 in expenditures. The General Fund also had net other financing uses of \$2,336,290. The General Fund's fund balance increased \$5,689,834 from the prior year.

Among major funds, the Road Maintenance Fund had \$7,922,177 in revenues and \$7,937,368 in expenditures. The Road Maintenance Fund also had net other financing sources of \$291,676. The Road Maintenance Fund's fund balance increased \$276,485 from the prior year.

Among major funds, the Bridge and Culvert Fund had \$6,572,335 in revenues and \$3,747,530 in expenditures. The Bridge and Culvert Fund also had net other financing sources of \$272,719. The Bridge and Culvert Fund's fund balance increased \$3,097,524 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$3,034,174, or 2% from the prior year. This decrease includes prior period adjustments of (\$8,620,455).

Long-term debt decreased by \$9,750,771 or 12% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

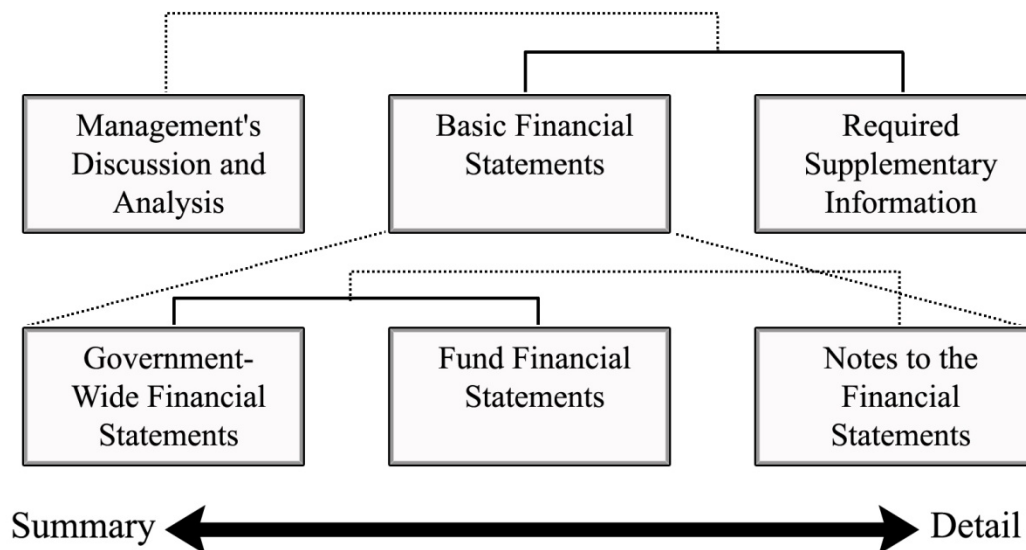


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

Both of these government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, 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 within governmental activities.

Component units are 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 23-24 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 28, respectively.

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

The basic governmental funds financial statements can be found on pages 25 and 27 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 29-31 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 32 and 33.

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and pension data as required supplementary information.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 84-86 of this report.

This report also presents a schedule of the County's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 87 of this report.

This report also presents a schedule of County contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board. This required supplementary information can be found on page 88 of this report.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by the OMB Uniform Guidance can be found on page 97 of this report.

The Combining Statements of Net Position and Statement of Activities for the Component Units can be found on page 98-99 of this report.

Other Information

Although not a required part of the basic financial statements, the Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis. This schedule can be found on pages 102 and 103 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 \$160,625,302 as of September 30, 2017.

By far, the largest portion of the County's net position (73%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net position at September 30, 2017 and 2016.

	2017	2016	Change
Current assets	\$ 194,026,133	\$ 194,077,346	0%
Capital assets, net	155,911,107	158,945,281	-2%
Total assets	<u>349,937,240</u>	<u>353,022,627</u>	<u>-1%</u>
Deferred outflows of resources	<u>10,499,872</u>	<u>16,582,471</u>	<u>-37%</u>
Current liabilities	8,149,023	6,971,135	17%
Long-term debt outstanding	72,266,100	82,016,871	-12%
Net pension liability	70,907,420	69,179,485	2%
Total liabilities	<u>151,322,543</u>	<u>158,167,491</u>	<u>-4%</u>
Deferred inflows of resources	<u>48,489,267</u>	<u>57,112,325</u>	<u>-15%</u>
Net position:			
Net investment in capital assets	117,948,460	113,292,605	4%
Restricted	51,824,857	48,326,491	7%
Unrestricted	(9,148,015)	(7,293,814)	-25%
Total net position	<u>\$ 160,625,302</u>	<u>\$ 154,325,282</u>	<u>4%</u>

Additional information on net position:

In connection with the implantation of standards on accounting and financial reporting for pensions, management presents the following additional information:

Governmental Activities:	2017	2016
Total unrestricted net position - governmental activities	\$ (9,148,015)	\$ (7,293,814)
Unrestricted decrease in net position resulting from recognition of the net pension liability	<u>63,275,596</u>	<u>54,938,693</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 54,127,581</u>	<u>\$ 47,644,879</u>

Changes in Net Position – DeSoto County's total revenues for the fiscal year ended September 30, 2017 were \$91,831,381. The total cost for all services provided was \$77,655,277. The increase in net position was \$6,300,020, including prior period adjustments of (7,876,084).

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2017 and 2016.

	2017	2016	Change
Revenues:			
Program revenues			
Charges for services	\$ 14,750,360	\$ 13,840,302	7%
Operating grants	4,042,740	3,400,740	19%
Capital grants	4,577,184	250,222	1729%
General revenues			
Property taxes	62,149,855	59,554,712	4%
Road and bridge privilege taxes	2,049,439	2,195,644	-7%
Unrestricted grants and contributions	2,404,827	2,509,863	-4%
Other General Revenue	1,856,976	1,317,207	41%
Total Revenues	<u>91,831,381</u>	<u>83,068,690</u>	11%
Expenses:			
General government	22,160,894	11,972,979	85%
Public safety	22,923,405	16,696,682	37%
Public works	14,569,782	16,829,525	-13%
Health and welfare	2,406,518	2,077,564	16%
Culture and recreation	1,522,785	1,372,480	11%
Conservation of natural resources	300,521	270,671	11%
Economic development	390,707	530,505	-26%
Interest on long-term debt	1,624,722	1,865,954	-13%
Pension expense	11,755,943	9,677,348	21%
Total Expense	<u>77,655,277</u>	<u>61,293,708</u>	27%
Prior Period Adjustments	<u>(7,876,084)</u>	<u>1,592,100</u>	-595%
Change in Net Position	<u>\$ 6,300,020</u>	<u>\$ 23,367,082</u>	-73%

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

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

	Total Costs	Net Costs
General Government	\$ 22,160,894	\$ 9,977,802
Public Safety	22,923,405	19,259,751
Public Works	14,569,782	7,689,702
Health & Welfare	2,406,518	1,868,780
Culture & Recreation	1,522,785	1,465,828
Conservation of Natural Resources	300,521	251,758
Economic Development and Assistance	390,707	390,707
Interest on Long-term Debt	1,624,722	1,624,722
Pension Expense	11,755,943	11,755,943
	<u>\$ 77,655,277</u>	<u>\$ 54,284,993</u>

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 2017 fiscal year, its governmental funds reported a combined fund balance of \$111,244,550, an increase of \$9,201,790, or 9% from the previous year.

The General Fund is the principal operating fund of the County. The fund balance in the General Fund increased \$5,689,834 for fiscal year 2017. 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 OF MAJOR FUNDS

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, 2017, DeSoto County's total capital assets was \$277,436,391. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and construction in progress. This amount represents an increase from the previous year of \$1,890,967 or 1% and includes prior period adjustments of (\$8,528,397).

Total accumulated depreciation as of September 30, 2017 was \$121,525,284, including \$7,275,353 of depreciation expense for the year and prior period adjustments of \$92,058. The balance in total net capital assets was \$155,911,107 at year-end.

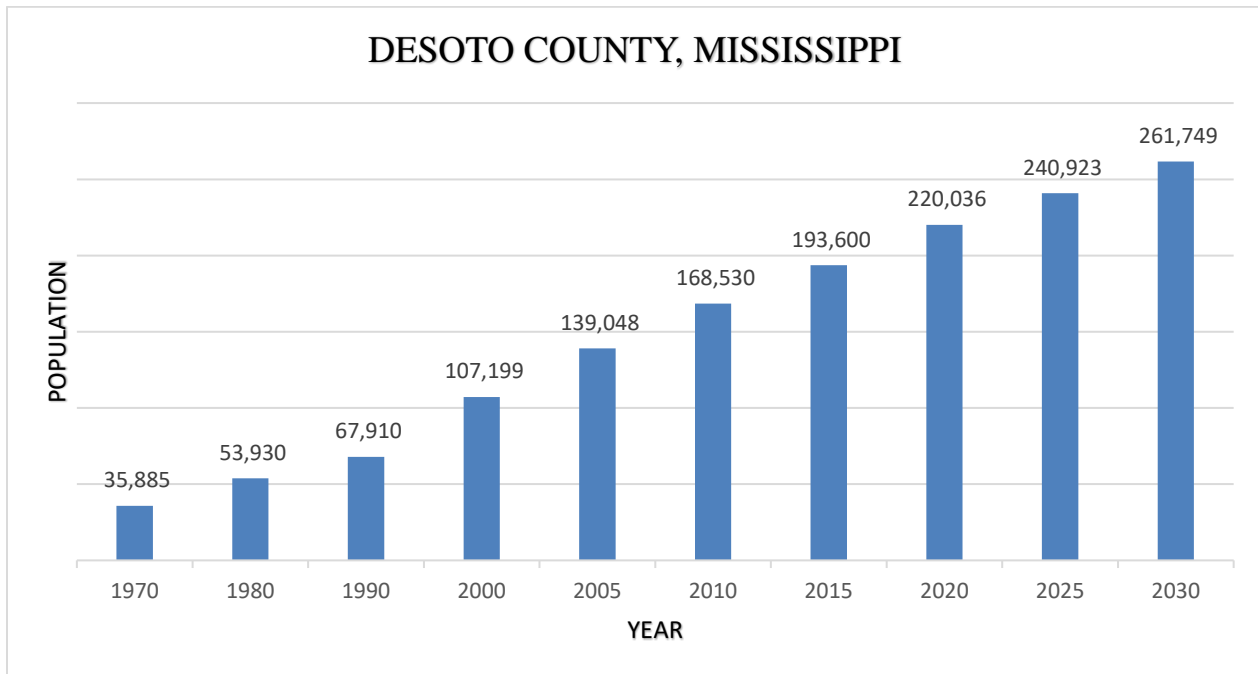
Additional information on DeSoto County's capital assets can be found in note 7 on page 48 of this report.

Debt Administration – At September 30, 2017, DeSoto County had \$72,266,100 in long-term debt outstanding. This includes general obligation bonds of \$67,170,000, unamortized premiums of \$2,945,271, a note payable of \$311,757, and compensated absences of \$1,839,072. Of this debt, \$8,318,069 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 on DeSoto County's long-term debt can be found in note 9 on page 51 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 2017 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 2017 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 2008-2017

Fiscal Year	General County	Road / Bridge	Debt Service	Solid Waste	Total
2008	25.28	8.84	5.58	1.32	41.02
2009	25.28	8.84	5.58	1.32	41.02
2010	25.28	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
2016	26.65	6.97	6.03	1.37	41.02
2017	27.09	6.97	5.59	1.37	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
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government	
	Governmental	Component
	Activities	Units
ASSETS		
Cash	\$ 106,649,335	13,637,086
Property tax receivable	47,700,600	
Receivable from component unit	25,325,000	
Accounts receivable	211,827	697,341
Fines receivable (net of allowance for uncollectibles of \$4,843,878)	1,321,985	
Loans receivable	9,551,425	
Intergovernmental receivables	1,652,991	694,226
Other receivables	976,711	
Inventories		90,801
Prepaid items	636,259	64,593
Capital assets:		
Land and construction in progress	10,687,003	6,457,336
Other capital assets, net	145,224,104	35,108,270
Total Assets	349,937,240	56,749,653
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	8,420,491	784,186
Deferred amount on refunding	2,079,381	263,103
Total Deferred Outflows of Resources	10,499,872	1,047,289
LIABILITIES		
Claims payable	4,287,562	801,740
Accrued liabilities		294,365
Intergovernmental payables	2,976,500	
Accrued interest payable	401,264	479,442
Unearned revenue		73,515
Amounts held in custody for others	483,697	
Long-term liabilities		
Due within one year:		
Capital debt	5,803,069	2,614,887
Non-capital debt	2,515,000	622,447
Due in more than one year:		
Capital debt	34,238,959	26,004,053
Non-capital debt	29,709,072	11,428,965
Net pension liability	70,907,420	3,595,806
Total Liabilities	151,322,543	45,915,220
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	788,667	432,081
Property tax for future reporting period	47,700,600	
Total Deferred Inflows of Resources	48,489,267	432,081
NET POSITION		
Net investment in capital assets	117,948,460	13,209,769
Restricted:		
Expendable:		
General government	1,910,029	
Public safety	1,831,351	
Public works	38,748,622	
Debt service	5,973,192	
Health and welfare	94,046	
Culture and recreation	547,900	
Capital projects	2,719,717	
Unrestricted	(9,148,015)	(1,760,128)
Total Net Position	\$ 160,625,302	11,449,641

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

DeSoto County
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 22,160,894	11,413,825	769,267		(9,977,802)	
Public safety	22,923,405	2,958,647	541,574	163,433	(19,259,751)	
Public works	14,569,782	377,888	2,145,398	4,356,794	(7,689,702)	
Health and welfare	2,406,518		537,738		(1,868,780)	
Culture and recreation	1,522,785			56,957	(1,465,828)	
Conservation of natural resources	300,521		48,763		(251,758)	
Economic development and assistance	390,707				(390,707)	
Interest on long-term debt	1,624,722				(1,624,722)	
Pension expense	11,755,943				(11,755,943)	
Total Governmental Activities	<u>77,655,277</u>	<u>14,750,360</u>	<u>4,042,740</u>	<u>4,577,184</u>	<u>(54,284,993)</u>	
Component units:						
Emergency Communications District	2,283,217	1,864,039				(419,178)
Convention & Visitors Bureau	14,385,002	8,839,265	20,000			(5,525,737)
Total Component Units	<u>16,668,219</u>	<u>10,703,304</u>	<u>20,000</u>	<u>-0-</u>		<u>(5,944,915)</u>
General revenues:						
Property taxes				\$ 62,149,855		
Road & bridge privilege taxes				2,049,439		
Tourism tax						8,545,836
Grants and contributions not restricted to specific programs				2,404,827		
Unrestricted interest income				321,131		54,067
Miscellaneous				1,535,845		49,354
Total General Revenues and Transfers				<u>68,461,097</u>		<u>8,649,257</u>
Changes in Net Position				<u>14,176,104</u>		<u>2,704,342</u>
Net Position - Beginning, as originally reported				154,325,282		8,745,299
Prior period adjustments				(7,876,084)		-0-
Net Position - Beginning, as restated				<u>146,449,198</u>		<u>8,745,299</u>
Net Position - Ending				<u>\$ 160,625,302</u>		<u>11,449,641</u>

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

DeSoto County
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds				
	General Fund	Road Maintenance Fund	Bridge and Culvert Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 53,352,586	15,076,355	21,944,454	15,351,023	105,724,418
Property tax receivable	30,804,025	2,326,800	5,338,100	9,231,675	47,700,600
Accounts receivable (net of allowance for uncollectibles of \$1,129,949)	211,827				211,827
Fines receivable (net of allowance for uncollectibles of \$4,843,878)	1,321,985				1,321,985
Intergovernmental receivables	1,340,304	121,309	48,763	119,170	1,629,546
Loans receivable	9,551,425				9,551,425
Other receivables	772,826	55		176,035	948,916
Due from other funds	25,000	228,760	86,665	189,052	529,477
Prepaid items				163,500	163,500
Total Assets	\$ 97,379,978	17,753,279	27,417,982	25,230,455	167,781,694
LIABILITIES					
Liabilities:					
Claims payable	\$ 2,073,038	694,674	240,895	304,451	3,313,058
Intergovernmental payables	2,976,500				2,976,500
Due to other funds	504,477			25,000	529,477
Amounts held in custody for others	469,697	14,000			483,697
Total Liabilities	\$ 6,023,712	708,674	240,895	329,451	7,302,732
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property tax receivable	30,804,025	2,326,800	5,338,100	9,231,675	47,700,600
Unavailable revenue - accounts receivable	211,827				211,827
Unavailable revenue - fines receivable	1,321,985				1,321,985
Total Deferred Inflows of Resources	\$ 32,337,837	2,326,800	5,338,100	9,231,675	49,234,412
Fund balances:					
Nonspendable:					
Loans receivable	9,572,243				9,572,243
Restricted for:					
General government				1,910,029	1,910,029
Public safety				1,831,351	1,831,351
Public works		14,717,805	21,838,987	2,191,830	38,748,622
Health and welfare				94,046	94,046
Culture and recreation				547,900	547,900
Debt service				6,374,456	6,374,456
Capital projects				2,719,717	2,719,717
Unassigned	49,446,186				49,446,186
Total Fund Balances	\$ 59,018,429	14,717,805	21,838,987	15,669,329	111,244,550
Total Liabilities and Fund Balances	\$ 97,379,978	17,753,279	27,417,982	25,230,455	167,781,694

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

DeSoto County
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2017

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 111,244,550
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$121,525,284.	155,911,107
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Accounts receivable	211,827
Fines receivable	1,321,985
Prepaid insurance	472,759
Receivable from component unit	25,325,000
Other long-term receivables	51,240
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(72,266,100)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(70,907,420)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(401,264)
Deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources	8,420,491
Deferred inflows of resources	(788,667)
Deferred amounts on refunding of debt is not a financial resource and is therefore not reported in the funds.	2,079,381
Internal service funds are used by management to charge 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.	(49,587)
Total Net Position - Governmental Activities	\$ <u><u>160,625,302</u></u>

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

DeSoto County**Exhibit 4****Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017**

	Major Funds				
	General	Road	Bridge and	Other	Total
	Fund	Maintenance	Culvert	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 41,077,010	2,883,671	6,462,867	11,726,307	62,149,855
Road and bridge privilege taxes		2,049,439			2,049,439
Licenses, commissions and other revenue	3,997,677			604,212	4,601,889
Fines and forfeitures	1,470,020			200,257	1,670,277
Intergovernmental revenues	3,534,595	2,789,366	48,764	4,624,232	10,996,957
Charges for services	2,251,471	131,664		654,242	3,037,377
Interest income	160,196	45,426	60,704	50,894	317,220
Miscellaneous revenues	480,540	22,611		287,836	790,987
Total Revenues	52,971,509	7,922,177	6,572,335	18,147,980	85,614,001
EXPENDITURES					
Current:					
General government	15,860,799			1,843,521	17,704,320
Public safety	24,263,565			2,515,242	26,778,807
Public works	416,608	7,937,368	3,747,530	5,898,572	18,000,078
Health and welfare	1,684,543			629,005	2,313,548
Culture and recreation	1,337,475			235,663	1,573,138
Conservation of natural resources	330,631				330,631
Economic development and assistance	946,369				946,369
Debt service:					
Principal	23,763			7,675,000	7,698,763
Interest	81,632			1,570,766	1,652,398
Total Expenditures	44,945,385	7,937,368	3,747,530	20,367,769	76,998,052
Excess of Revenues over (under) Expenditures	8,026,124	(15,191)	2,824,805	(2,219,789)	8,615,949
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	46,300	262,159	264,625		573,084
Compensation for loss of capital assets	4,663		8,094		12,757
Transfers in	7,234	40,517		4,831,567	4,879,318
Transfers out	(2,394,487)	(11,000)		(2,473,831)	(4,879,318)
Total Other Financing Sources and Uses	(2,336,290)	291,676	272,719	2,357,736	585,841
Net Changes in Fund Balances	5,689,834	276,485	3,097,524	137,947	9,201,790
Fund Balances - Beginning	53,328,595	14,441,320	18,741,463	15,531,382	102,042,760
Fund Balances - Ending	\$ 59,018,429	14,717,805	21,838,987	15,669,329	111,244,550

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

DeSoto County
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 9,201,790
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 \$13,569,570 exceeded depreciation of \$7,275,353.	6,294,217
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss.	(707,936)
Certain revenues recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	
Accounts receivable	116,474
Fines receivable	137,139
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments of 9,713,763 and amortization of \$358,564.	10,072,327
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. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in long-term receivables	51,240
Decrease in prepaid insurance	(25,580)
Decrease in receivable from component unit	(2,070,000)
Increase in accrued interest payable	(13,590)
Increase in compensated absences	(321,556)
Amortization of deferred amounts on refunding	(262,298)
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.	(698,945)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(11,755,943)
Recording of contributions made to retirement plan	4,158,765
Change in Net Position of Governmental Activities	\$ <u><u>14,176,104</u></u>

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

DeSoto County
Statement of Net Position - Proprietary Fund
September 30, 2017

Exhibit 5

	Internal Service Fund
	<u> </u>
ASSETS	
Current assets:	
Cash	\$ 924,917
Total Assets	<u>924,917</u>
LIABILITIES	
Current liabilities:	
Claims and judgments payable	<u>974,504</u>
Total Liabilities	<u>974,504</u>
NET POSITION	
Restricted for:	
Health insurance	<u>(49,587)</u>
Total Net Position	<u><u>\$ (49,587)</u></u>

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

DeSoto County**Exhibit 6****Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2017**

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Premiums	\$ <u>5,163,760</u>
Total Operating Revenues	<u>5,163,760</u>
OPERATING EXPENSES	
Claim payments	4,908,169
Administration fees	<u>958,447</u>
Total Operating Expenses	<u>5,866,616</u>
 Operating Income (Loss)	 <u>(702,856)</u>
NONOPERATING REVENUES	
Interest income	<u>3,911</u>
Total Nonoperating Revenues	<u>3,911</u>
 Changes in Net Position	 <u>(698,945)</u>
 Net Position - Beginning	 <u>649,358</u>
 Net Position - Ending	 \$ <u><u>(49,587)</u></u>

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

DeSoto County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

	Internal Service Fund
Cash Flows From Operating Activities:	
Cash receipts / premiums from customers	\$ 5,163,760
Cash payments for claims and benefits	(4,916,474)
Cash payments to administrator for services	(867,291)
Net Cash Used for Operating Activities	<u>(620,005)</u>
Cash Flows From Investing Activities:	
Interest on deposits	<u>3,911</u>
Net Cash Provided by Investing Activities	<u>3,911</u>
Net Decrease in Cash and Cash Equivalents	(616,094)
Cash and Cash Equivalents at Beginning of Year	1,541,011
Cash and Cash Equivalents at End of Year	\$ <u><u>924,917</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (702,856)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in assets and liabilities:	
Increase in claims payable	<u>82,851</u>
Total Adjustments	<u>82,851</u>
Net Cash Used for Operating Activities	\$ <u><u>(620,005)</u></u>

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

DeSoto County
Statement of Fiduciary Net Position
September 30, 2017

Exhibit 8

	Private-purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$ 332,512	\$ 158,853
Other receivable		153,663
Total Assets	<u>\$ 332,512</u>	<u>\$ 312,516</u>
LIABILITIES		
Amounts held in custody for others		\$ 310,751
Intergovernmental payables		1,765
Total Liabilities		<u>\$ 312,516</u>
NET POSITION		
Held in trust for individuals, organizations and other governments	<u>\$ 332,512</u>	

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

DeSoto County
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2017

Exhibit 9

	<u>Private-purpose Trust Funds</u>
ADDITIONS	
Interest income	\$ 274
Total Additions	<u>274</u>
 Changes in Net Position	 <u>274</u>
 NET POSITION	
Net Position - Beginning, as originally reported	382,236
Prior Period Adjustment - Agency Fund was erroneously classified as a Private-purpose Trust Fund	<u>(49,998)</u>
Net Position - Beginning, as restated	332,238
 Net Position - Ending	 <u>\$ 332,512</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, 2017

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

DeSoto 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 to present these financial statements on the primary government and its component units which have significant operational or financial relationships 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.

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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units

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

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

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

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

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

C. Basis of Presentation

The County’s basic financial statements consist of government-wide statements, 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 separately from certain legally separate component units for which the primary government is financially accountable.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

C. Basis of Presentation (Continued)

The Statement of Net Position presents the financial condition of the governmental and business-type 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 and business-type 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, 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/expenses. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

D. Measurement Focus and Basis of Accounting (Continued)

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.

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

Additionally, the County reports the following fund types:

Governmental Fund Types

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

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

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

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 Type

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

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

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

E. Account Classifications

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

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

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

I. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial 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 (applicable) governmental activities column in the government-wide financial statement. 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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

J. Capital Assets (Continued)

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 and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year.

The following schedule details those thresholds and estimated useful lives:

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

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

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 on refunding – For current refundings and advance refundings 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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

K. Deferred Outflows/Inflows of Resources (Continued)

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

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

Unavailable revenue – 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.

Fines

Principal and interest on capital leases

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.

L. Pensions.

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

M. Long-Term Liabilities

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

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

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

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

N. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

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 amounts 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 or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (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 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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

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 responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

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 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
Notes to Financial Statements
For the Year Ended September 30, 2017

(2) Prior Period Adjustments

A summary of significant net position adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Governmental Activities	
1. To reverse construction-in-progress and other additions booked in duplicate in prior years, and other corrections to capital assets discovered by management.	\$ (8,620,455)
2. To correct fines receivable, net of allowance for uncollectible fines.	150,679
3. To record accounts receivable, net of allowance for uncollectible accounts, for ambulance service charges.	95,353
4. To record prepaid insurance	<u>498,339</u>
Total governmental activities	<u>\$ (7,876,084)</u>
Fiduciary Activities	
1. To reclassify an agency fund reported as a private-purpose trust fund in prior years.	\$ <u>(49,998)</u>
Total fiduciary activities	<u>\$ (49,998)</u>

(3) Deposits

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$107,140,700, and the bank balance was \$108,979,696. 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – 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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(4) Loans Receivable

At September 30, 2017, the DeSoto County Convention and Visitors Bureau had \$5,995,333 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, 2017, the DeSoto County Regional Utility Authority had \$3,379,968 in loans payable for a previous loan the County made to the Authority for acquisition and construction costs designed to facilitate county growth. During July 2013, the County and Authority entered into an agreement to repay the original loan totaling \$3,900,000 with no interest. Agreement terms include monthly payments of \$10,834 paid beginning October 1, 2014 and concluding September 1, 2044.

On September 30, 2017, the Fairhaven Fire Department had \$176,124 in loans payable for a previous loan the County made to the Department. On August 20, 2015, DeSoto County entered into an agreement with Fairhaven Fire Department to construct a fire facility. The County loaned \$204,820 to be paid back annually beginning July 1, 2016. Agreement terms indicate no interest annual payments of \$13,548.03 to conclude with a final payment to be made July 1, 2030.

The following is a summary of loan repayments, equal to the annual debt service requirements of the County:

Description	Date of Loan	Interest Rate	Maturity Date	Amount
DeSoto County Convention and Visitors Bureau	Oct-13	0.00%	Oct-43	\$ 5,995,333
DeSoto County Regional Utility Authority	Jul-13	0.00%	Sep-44	3,379,968
Fairhaven Fire Department Project	Aug-15	0.00%	Jul-30	176,124
Total				<u>\$ 9,551,425</u>

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(5) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 25,000
Road Maintenance Fund	General Fund	228,760
Bridge and Culvert Fund	General Fund	86,665
Other Governmental Funds	General Fund	189,052
Total		<u>\$ 529,477</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 7,234
Countywide Road Maintenance	General Fund	40,517
Other Governmental Funds	General Fund	2,353,970
Other Governmental Funds	Other Governmental Funds	2,477,597
Total		<u>\$ 4,879,318</u>

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

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(6) Intergovernmental Receivables

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

Primary Government

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 1,125,338
Motor Vehicle Fuel Tax	52,495
Motor Vehicle Licenses	112,804
Federal DUI Grant	39,084
Federal EMA Grant	45,479
Federal EWP Grant	48,763
State-Aid Road Funds	67,938
Solid Waste Grant	57,598
Sheriff Inmate Canteen Funds	16,093
State Court Cost Distributions	40,719
Local Equipment and Support Match	19,973
Other	3,262
Total Governmental Funds	1,629,546
Overweight Fines	22,178
Harvest Permits	1,267
Total Long-term Receivables	23,445
Total Governmental Activities	\$ 1,652,991

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(7) Capital Assets

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

Primary Government:	Balance 10/1/2016	Increases	Decreases	Completed Construction	Adjustments	Balance 9/30/2017
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 3,679,672	557,411	208,920		114,123	\$ 4,142,286
Construction-in-progress	9,605,185	6,326,368		(10,139,920)	753,084	6,544,717
Total non-depreciable capital assets	13,284,857	6,883,779	208,920	(10,139,920)	867,207	10,687,003
<u>Depreciable capital assets:</u>						
Infrastructure	149,821,209	3,218,466		778,283	223,877	154,041,835
Buildings	86,987,043	144,470	233,973	250,777	(10,428,117)	76,720,200
Improvements other than buildings	1,383,862			71,309	(390,087)	1,065,084
Equipment and machinery	24,068,453	3,322,855	2,707,313	9,039,551	1,198,723	34,922,269
Total depreciable capital assets	262,260,567	6,685,791	2,941,286	10,139,920	(9,395,604)	266,749,388
<u>Less accumulated depreciation for:</u>						
Infrastructure	81,465,037	3,572,562			917,372	85,954,971
Buildings	16,883,109	1,574,499	187,178		(474,580)	17,795,850
Improvements other than buildings	374,029	37,078			10,476	421,583
Equipment and machinery	17,877,968	2,091,214	2,255,092		(361,210)	17,352,880
Total accumulated depreciation	116,600,143	7,275,353	2,442,270	-0-	92,058	121,525,284
Total depreciable capital assets, net	145,660,424	(589,562)	499,016	10,139,920	(9,487,662)	145,224,104
Governmental activities capital assets, net	\$ 158,945,281	6,294,217	707,936	-0-	(8,620,455)	\$ 155,911,107

Adjustments were made to reverse duplicate entries to record construction-in-progress and buildings in prior years, and to correct other errors discovered by management.

Depreciation expense was charged to the following functions:

Governmental Activities	Amount
General government	\$ 397,893
Public safety	1,095,040
Public works	5,623,934
Health and welfare	137,522
Culture and recreation	20,964
Total depreciation expense	\$ 7,275,353

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(7) Capital Assets (Continued)

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Fogg Road Bridge	\$ 1,474,530	FY 2020
Juvenile Court	527,949	FY 2018
Starlanding Road Bridge	1,075,160	FY 2020
DHS Economic Assistance Renovation	50,000	FY 2018
Aviation Building	6,491	FY 2018
Nail Road Hacks Crossing	76,050	FY 2019
Sheriff's Office Firing Range	156,708	FY 2019
Chancery Court	669,050	FY 2018
Chancery Land Records	105,891	FY 2018
Ingrams Mill Road Bridge	1,100,440	FY 2020
Craft at Bethel Widening	1,175,498	FY 2019
Starlanding Road Project	1,017,905	Not Determined
Holly Springs Road Bridge	3,999,962	FY 2022
MDOT LPA Overlook	206,799	April 2018
Johnson Creek Greenway	890,248	FY 2020
Armory Road	745,741	FY 2020
ACI Volunteer Fire Department	117,426	FY 2018
IT Improvements	986,400	FY 2020
Hwy 301 Bethel Stateline Road Overlay	68,379	FY 2020
Commerce Street / Della to Jaybird - MPO	3,500,000	FY 2020
COE Feasibility Study	22,000	Not Determined
Bridge Upgrade Project	2,836,316	Not Determined
Love Volunteer Fire Department	123,592	FY 2018
Total	\$ <u>20,932,535</u>	

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(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 Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

- 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:

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(8) Claims and Judgments (Continued)

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 \$5,905,122.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2017, the amount of these liabilities was \$974,504. 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
2015-2016	\$ 776,612	4,797,257	4,682,216	891,653
2016-2017	\$ 891,653	4,999,325	4,916,474	974,504

(9) Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities			
General Obligation Bonds:			
2007 Loan Refunding Bonds	\$ 535,000	4.0%	July-18
2009 Refunding Bonds	4,040,000	2.25 - 4.0%	October-20
2009 Refunding Bonds	22,365,000	2.5 - 5.0%	November-28
2010 Refunding Bonds	1,635,000	2.0 - 2.125%	November-18
2012 Refunding Bonds	10,175,000	2.0 - 4.0%	July-24
2013 General Obligation Bonds	8,865,000	2.25 - 3.125%	June-33
2015 General Obligation Refunding Bonds	11,535,000	1.5 - 5.0%	July-24
2016 General Obligation Refunding Bonds (Non-Cap)	8,020,000	2.0 - 4.0%	November-28
Total General Obligation Bonds	<u>\$ 67,170,000</u>		
Other Loans:			
Civic Center Tourism Center	<u>\$ 311,757</u>	2.0%	April-29

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(9) Long-term Debt (Continued)

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
2018	\$ 7,935,000	2,416,531	24,505	6,010
2019	8,480,000	2,177,003	24,835	5,518
2020	7,945,000	1,922,356	25,336	5,017
2021	6,800,000	1,627,981	25,848	4,506
2022	7,105,000	1,345,280	26,369	3,984
2023-2027	21,020,000	3,253,163	140,048	11,717
2028-2032	7,200,000	583,956	44,816	712
2033-2037	685,000	21,406	-0-	-0-
Total	\$ <u>67,170,000</u>	<u>13,347,676</u>	<u>311,757</u>	<u>37,464</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 2.85% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. As of September 30, 2017, \$8,125,000 of bonds outstanding are defeased.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(9) Long-term Debt (Continued)

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

<u>Primary Government:</u>	<u>Balance Oct. 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept. 30, 2017</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds \$	76,860,000		9,690,000	67,170,000	7,935,000
Unamortized premiums	3,303,835		358,564	2,945,271	358,564
Other loans	335,520		23,763	311,757	24,505
Compensated absences	1,517,516	321,556		1,839,072	
Totals	\$ 82,016,871	321,556	10,072,327	72,266,100	8,318,069

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.

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

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

<u>Component Units:</u>	<u>Balance Oct. 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept. 30, 2017</u>	<u>Amount due within one year</u>
Bonds payable \$	33,555,000		2,425,000	31,130,000	2,470,000
Unamortized premiums	1,977,040		151,493	1,825,547	151,494
Capital leases	1,918,027		350,487	1,567,540	366,020
Loans payable	6,245,154		249,821	5,995,333	249,820
Compensated absences	113,140	38,792		151,932	
Totals	\$ 43,808,361	38,792	3,176,801	40,670,352	3,237,334

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(10) Defined Benefit Pension Plan

Plan Description. 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 by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$4,158,765, \$4,002,356, and \$3,824,965, respectively, equal to the required contributions for each year.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(10) Defined Benefit Pension Plan (Continued)

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

At September 30, 2017, the County reported a liability for its proportionate share of the net pension liability of \$70,907,420. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2017, the County's proportion was 0.426552 percent, which was an increase of 0.039263 from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$11,755,943.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,018,713	\$ 517,391
Net difference between projected and actual earnings on pension plan investments	965,924	-0-
Changes of assumptions	1,576,002	120,828
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	3,883,054	150,448
Contributions subsequent to the measurement date	<u>976,798</u>	<u>-0-</u>
	<u>\$ 8,420,491</u>	<u>\$ 788,667</u>

Deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date consisting of \$976,798 will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	<u>Amount</u>
2018	\$ 4,602,733
2019	2,749,685
2020	672,281
2021	<u>(1,369,673)</u>
	<u>\$ 6,655,026</u>

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(10) Defined Benefit Pension Plan (Continued)

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

Inflation	3.00 percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(10) Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 92,999,815	70,907,420	52,565,931

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

(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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(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)
- \$136,780,000 Mississippi Development Bank Special Obligation Bonds, Series 2010B (DeSoto County, Mississippi Highway Construction Project)
- \$82,940,000 Mississippi Development Bank Special Obligation Bonds, Series 2014 (DeSoto County, Mississippi Highway Construction Project)
- \$24,155,000 Mississippi Development Bank Special Obligation Refunding Bonds, Series 2015A (DeSoto County, Mississippi Highway Refunding Project)
- \$43,785,000 Mississippi Development Bank Special Obligation Bonds, Series 2017A (DeSoto County, Mississippi Highway Construction Project)

Under the Cooperative Agreement, the Commission (MDOT) agrees to pay to the Trustee amounts sufficient to pay the principal and interest on the bonds listed. Nothing in the bonds or any other document executed by the County will obligate the County financially in any way or be a charge against its general credit or taxing powers. The total amount outstanding as of September 30, 2017 is as follows:

Issue	Outstanding Amount
Mississippi Development Bank, Series 2007*	\$ 535,000
Mississippi Development Bank, Series 2010B Taxable	136,780,000
Mississippi Development Bank, Series 2014	70,070,000
Mississippi Development Bank, Series 2015 Refunding	23,915,000
Mississippi Development Bank, Series 2017A	41,665,000
Total Outstanding Amount	\$ 272,965,000

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

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(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 \$1,337,475. Complete financial statements for the First Regional Library can be obtained from P.O. Box 386, Hernando, Mississippi 38632.

(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 2017, and \$123,499 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 .75 mill tax, which resulted in \$17,384 to help support the district in fiscal year 2017.

Region IV Community Mental Health District, composed of Alcorn, DeSoto, Prentiss, Tippah, Tishomingo counties, provides community based health programming for both youth and adults and provides an array of counseling services for anyone in need. Region IV Community Mental Health District currently operates within the DeSoto County School District and provides in-school counseling and therapy to students in need of services. In accordance with state law, the DeSoto County Board of Supervisors allocated \$200,000 in fiscal year 2017 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.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(15) Jointly Governed Organizations (Continued)

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 \$6,629,445 for maintenance and support of the college in fiscal year 2017.

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 2017.

(16) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,148,015) includes the effect of deferring the recognition of differences between expected and actual experience relating to the defined benefit pension plan. The \$1,018,713 balance of deferred outflows of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 2 years, and the \$517,391 balance of deferred inflows of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on pension plan investments. The \$965,924 balance of the net deferred outflows of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 4 years.

Unrestricted net position also includes the effect of deferring the recognition of changes in actuarial assumptions utilized in developing the net pension liability. The \$1,576,002 balance of deferred outflows of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 3 years, and the \$120,828 balance of deferred inflows of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 2 years.

Unrestricted net position also includes the effect of deferring the recognition of the changes in proportionate share of the net pension liability. The \$3,883,054 balance of deferred outflows of resources at September 30, 2017 will be recognized as expense and decrease unrestricted net position over the next 3 years, and the \$150,448 balance of deferred inflows of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 2 years.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(17) Tax Abatements

There are currently a number of agencies and chambers of commerce with economic development directives and targeted industries in DeSoto County, Mississippi. These efforts to bring businesses and industries into DeSoto County afford the County the opportunity to develop these partnerships that help raise the prominence of the region and attract prospective projects. Some of the largest industrial development sites in the County are nearing capacity and the I-69/269 corridor will provide the opportunity to develop sites with the access and visibility that have made other sites in DeSoto County very successful at attracting new companies. Due to the pro-business attitude and wise infrastructure planning of the local elected officials as well as the ability to offer various incentives to entice businesses and industries to locate in DeSoto County, the County operates strongly with a well diverse base of approximately 185 manufacturers and distributors.

Facts and Assumptions

DeSoto County provides tax incentives and abatements under four programs: Property tax reductions not to exceed ten years for new enterprises, property tax reductions not to exceed ten years for additions to or expansions of facilities or properties, fee in lieu of personal and real property taxes and tax increment financing. Various Mississippi Code sections allow the County to offer the before mentioned incentives. In order to qualify for any incentive there is an application process, presentation to the Board of Supervisors and ultimately a recommendation by the Board of Supervisors to grant the incentive.

- Mississippi Code Section 27-31-101, allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation, however they do not have the authority to exempt ad valorem taxes for school districts and shall not exceed a period longer than ten years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: Warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3 and telecommunications enterprises meeting minimum criteria.
- Mississippi Code Section 27-31-105, allows County Board of Supervisors, at their discretion, to grant tax exemptions for any enterprise who makes additions to or expansions of the facilities or properties or replaces equipment used in conjunction with or necessary to the operation of such enterprises from ad valorem taxation with the exception of school district taxes and not to exceed a period longer than ten years. The initial request for exemption must be made in writing by June 1st of the year immediately following the year in which the additions, expansions or replacements are completed. The time of the exemption shall commence from the date of completion of the additions, expansions or replacements and shall extend for a period not to exceed ten years, however the Board of Supervisors in lieu of granting the exemption for one period of ten years, may grant the exemption in consecutive periods of five years each, not to exceed ten years.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(17) Tax Abatements (Continued)

- Mississippi Code Section 27-31-104, allows County Board of Supervisors, at their discretion, to grant a fee in lieu of taxes for certain projects. The County Board of Supervisors are authorized to enter into an agreement with a private company having a minimum capital investment of one hundred million dollars or a qualified business meeting minimum criteria established by the Mississippi Development Authority. The Board of Supervisors may enter into a fee in lieu agreement on behalf of the County and the County school district. Any grant of fee in lieu of ad valorem taxes shall be in a written agreement negotiated by the enterprise and the Board of Supervisors with final approval given by the Mississippi Development Authority. The minimum sum allowable as a fee in lieu shall not be less than one-third of the ad valorem levy, including ad valorem taxes for school district purposes.
- Mississippi Code Section 21-45-1, allows County Board of Supervisors, at their discretion, to enter into agreements with municipalities and enterprises for tax increment financing incentives. Any redevelopment project may contain a provision that county ad valorem taxes, if any, levied upon taxable property in a redevelopment project shall be divided according to a tax increment financing plan. After adoption of a redevelopment plan containing a tax increment financing plan, property taxable at the time of the certification shall be included in the assessed value at its most recently determined valuation, the "original assessed value." Each year thereafter the assessed value of the real and personal property within the redevelopment area will be captured and will either show an increase or decrease from the original assessed value. This new value will be the "current assessed value." Any amount by which the current assessed value exceeds the original assessed value is the amount for purposes of tax increment financing that a portion will be captured and used for retiring redevelopment bonds. Only a portion of the current assessed value is authorized to be utilized for the redevelopment project, the remainder of the taxes will be settled to the various County tax levy funds.

Tax Abatement Program	Amount of Taxes Abated during the Fiscal Year	Company Reported Capital Investment	Employees – Retained or New	Estimated Overall Payroll
Personal/Real Tax Exemptions	\$ 2,582,588.53	\$ 687,904,383	8,804	\$ 328,391,543
Fee in Lieu	\$ 978,111.39	\$ 75,278,087	155	\$ 8,500,000
Tax Increment Financing	\$ 12,518.84	\$ 5,800,000	30	\$ 250,000

These incentives have served many purposes, including but not limited to: the amount of dollars through infrastructure improvements, the overall number of new businesses and industries that have located or relocated to DeSoto County, the number of jobs that have been and continue to be created in DeSoto County which in turn allows us to boast one of the lowest unemployment rates throughout the nation, and most importantly an excellent quality of life for all citizens throughout the County while maintaining a low tax bill with no increase in taxes for over fifteen years.

DeSoto County
Notes to Financial Statements
For the Year Ended September 30, 2017

(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 April 2, 2018, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require 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, 2017

Emergency Communications District of DeSoto County
Notes to Financial Statements
Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies

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

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

Financial Reporting Entity

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

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

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

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

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

Emergency Communications District of Desoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Government-wide Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows report information on all activities of the District.

The Statement of Net Position presents the District’s assets and liabilities, with the difference reported as net position. Net position for the District is reported as unrestricted net position, which often has constraints on resources imposed by management which can be removed or modified.

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

Measurement Focus and Basis of Accounting

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

The Districts financial statements are reported 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. Revenues and expenses are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with the District’s primary operations. All other revenues and expenses are reported as nonoperating.

Emergency Communications District of Desoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements on the accrual basis of accounting, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Capital Assets

As a component unit of DeSoto County, Mississippi, all capital assets purchased by the District are the property of DeSoto County. The County reports capital assets in its financial records.

Compensated Absences

As a component unit of DeSoto County, Mississippi, all employees of the District are considered employees of DeSoto County. The County reports unpaid vacation leave as compensated absences in its financial records.

Long-term Liabilities

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

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

Budgetary Comparison

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

Emergency Communications District of Desoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position is classified as follows:

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

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

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

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

Note 2: Cash and Cash Equivalents

The carrying amount of the District’s total deposits with financial institutions at September 30, 2017 was \$3,243,584, and the bank balance was \$3,249,653. The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Emergency Communications District of Desoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 3: Accounts Receivable

The District has accounts receivable in the amount of \$442,579 which consists of telephone service charges to multiple telephone service providers in the DeSoto County area. These receivables are generally collected with 60-90 days of the month for which the service is provided.

Note 4: Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 9/30/2016	Additions	Reductions	Balance 9/30/2017	Amounts due within one year
Series 2015 General Obligation Bonds	\$ 6,160,000		355,000	5,805,000	365,000
Bond Premium	106,773		7,626	99,147	7,627
Total	\$ 6,266,773	-0-	362,626	5,904,147	372,627

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

Year Ending September 30,	Principal	Interest	Total
2018	\$ 365,000	\$ 163,062	\$ 528,062
2019	375,000	151,963	526,963
2020	390,000	140,488	530,488
2021	400,000	128,637	528,637
2022	415,000	116,413	531,413
2023-2027	2,295,000	400,681	2,695,681
2028-2030	1,565,000	71,475	1,636,475
Total	\$ 5,805,000	\$ 1,172,719	\$ 6,977,719

Emergency Communications District of Desoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 5: Defined Benefit Pension Plan

Plan Description. The District 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.

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

Emergency Communications District of DeSoto County
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 5: Defined Benefit Pension Plan (Continued)

The District's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$13,876, \$11,014, and \$15,318, respectively, equal to the required contributions for each year.

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

Note 6: Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

It is the policy of the District to purchase commercial insurance for the risks of employee dishonesty and injuries to employees. The county provided commercial insurance coverage for the property and equipment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 7: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Emergency Communications District of DeSoto County evaluated the activity of the District through February 16, 2018, (the date the financial statements were available to be issued) and determined that there were no subsequent events requiring disclosure in the notes to the financial statements.

Component Unit
DeSoto County Convention and Visitors Bureau

Notes to the Financial Statements
For the year ended September 30, 2017

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements
Year Ended September 30, 2017

Note 1: Summary of Significant Accounting Policies

General Statement

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

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

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

Reporting Entity

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

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

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

Encumbrance Accounting

The Bureau does not use the encumbrance method of accounting.

Basis of Accounting

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

Government-Wide Financial Statements

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

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

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

Fund Financial Statements

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

Governmental Funds

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

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

Revenue Recognition

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

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

Expenditure Recognition

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

Inventory

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

Prepaid Expenses

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

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Capital Assets and Depreciation

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

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

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

Deferred Outflows/Inflows of Resources

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

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

See Note 7 for further details.

Compensated Absences

Employees are granted vacation and sick leave benefits in accordance with administrative policy. Vacation days earned may be carried forward. In the event of termination, an employee is reimbursed for up to 30 days of accumulated vacation. The remainder may be applied toward the employees' retirement. Employees may also apply unused accumulated sick leave towards their retirement. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements.

Long-Term Liabilities

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

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

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Pensions

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

Fund Balances

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

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

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

Net Position

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

Use of Estimates

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

Note 2: Cash and Cash Equivalents

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

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

The carrying amount of the Bureau's total deposits with financial institutions at September 30, 2017 was \$10,393,502, and the bank balance was \$10,120,097. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Bureau's deposits might not be recovered. The Bureau does not have a formal policy for custodial credit risk. As of September 30, 2017, the Bureau was not exposed to custodial credit risk.

Note 3: Contract Revenue

In December 2011, the Bureau entered into a five year agreement with Landers Auto Group, renaming the DeSoto Civic Center the "Landers Center", effective January 1, 2012. Landers Auto Group paid \$50,000 upon execution of the agreement, and paid \$50,000 every six months after the commencement date, for a total of \$500,000 over five years, with the option to renew for an additional five years. In 2016, Ritchey Management II, LLC (Landers Auto Group) exercised their option to extend the naming rights contract for another 5 years.

Note 4: A Summary of Changes in Capital Assets

Changes in capital assets for the year ended September 30, 2017 were as follows:

	Balance Sept. 30, 2016	Additions	Deletions	Balance Sept. 30, 2017
Assets not being depreciated:				
Land	\$ 6,328,825	\$	\$	\$ 6,328,825
Construction	-0-	128,511		128,511
Assets being depreciated:				
Buildings & improvements	48,018,153	1,916,377		49,934,530
Machinery & equipment	2,060,533	290,679	88,650	2,262,562
Furniture & fixtures	197,292	6,625	3,900	200,017
Total Assets	<u>56,604,803</u>	<u>2,342,192</u>	<u>92,550</u>	<u>58,854,445</u>
Less accumulated depreciation for:				
Buildings & improvements	14,349,634	1,285,664		15,635,298
Machinery & equipment	1,272,092	279,219	75,472	1,475,839
Furniture & fixtures	180,462	1,140	3,900	177,702
Total Accumulated Depreciation	<u>15,802,188</u>	<u>1,566,023</u>	<u>79,372</u>	<u>17,288,839</u>
Total Assets, Net	<u>\$ 40,802,615</u>	<u>\$ 776,169</u>	<u>\$ 13,178</u>	<u>\$ 41,565,606</u>

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

Note 5: Long-Term Debt

Changes in long-term debt for the year ended September 30, 2017 were as follows:

	Balance at Sept. 30, 2016	Additions	Reductions	Balance at Sept. 30, 2017	Current
Bonds payable - DeSoto County	\$ 27,395,000	\$	\$ 2,070,000	\$ 25,325,000	\$ 2,105,000
Bond premium	1,870,267		143,867	1,726,400	143,867
Capital leases	1,918,027		350,487	1,567,540	366,020
Loans payable - DeSoto County	6,245,154		249,821	5,995,333	249,820
Compensated absences	113,140	38,792		151,932	
Totals	<u>\$ 37,541,588</u>	<u>\$ 38,792</u>	<u>\$ 2,814,175</u>	<u>\$ 34,766,205</u>	<u>\$ 2,864,707</u>

“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.

Prior Year Defeasance of Debt In prior years, the Desoto County Convention and Visitors Bureau defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Bureau’s financial statements. On June 30, 2017 \$2,960,000 of bonds outstanding are defeased.

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

Year Ending September 30,	Principal	Interest	Total
2018	\$ 2,354,820	\$ 1,067,938	\$ 3,422,758
2019	2,434,820	998,750	3,433,570
2020	2,534,820	898,300	3,433,120
2021	2,649,820	781,625	3,431,445
2022	2,769,820	670,250	3,440,070
2023-2027	11,014,102	1,927,151	12,941,253
2028-2032	5,314,102	186,151	5,500,253
2033-2037	1,249,102		1,249,102
2038-2042	998,927		998,927
Total	<u>\$ 31,320,333</u>	<u>\$ 6,530,165</u>	<u>\$ 37,850,498</u>

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

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, 2017 were as follows:

	<u>Payments</u>
2018 \$	421,524
2019	421,524
2020	421,524
2021	212,946
2022	30,353
2023-2027	152,310
2028-2032	48,058
Total minimum lease payments	1,708,239
Interest	(140,699)
Present value of minimum lease payments \$	<u><u>1,567,540</u></u>

Note 6: Contingencies

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

Note 7: Pension Obligations

General Information about the Pension Plan

Plan Description. The Bureau contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 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

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the Bureau is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$225,558, \$212,360, and \$192,593, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the Bureau reported a liability of \$3,595,806 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the Bureau's proportion was 0.021631%, which was an increase of 0.001530% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Bureau recognized pension expense of \$384,956. At September 30, 2017 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	\$ 73,688	
Net difference between projected and actual earnings on pension plan investments	577,542	
Changes of assumptions	71,419	5,694
Changes in the proportion and differences between the Bureau's contributions and proportionate share of contributions		426,387
Contributions subsequent to the measurement date	61,536	
Totals	\$ 784,185	432,081

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

\$61,536 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	Deferred Outflows	Deferred Outflows	Total
2018	\$ 300,200	\$ (191,590)	\$ 108,610
2019	212,027	(176,940)	35,087
2020	140,963	(63,551)	77,412
2021	69,459	-0-	69,459
Totals	\$ 722,649	\$ (432,081)	\$ 290,568

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

Inflation	3.00 percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

DeSoto County Convention and Visitors Bureau
Notes to Financial Statements (Continued)
Year Ended September 30, 2017

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

Sensitivity to the 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 percent, 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 percent) or 1-percentage-point higher (8.75 percent) 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	\$ 4,716,140	\$ 3,595,806	\$ 2,665,686

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report, publicly available at www.pers.ms.gov.

Note 8: Risk Management

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

Note 9: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the DeSoto County Convention and Visitors Bureau evaluated the activity of the Bureau through January 18, 2018, (the date the financial statements were available to be issued) and determined that there were no subsequent events requiring disclosure in the notes to the financial statements.

DeSoto County, Mississippi

Required Supplementary Information
For the year ended September 30, 2017

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 38,887,200	40,608,114	40,608,114	-0-
Licenses, commissions and other revenue	3,024,500	3,938,667	3,938,667	-0-
Fines and forfeitures	1,297,500	1,411,709	1,411,709	-0-
Intergovernmental revenues	3,418,700	3,372,533	3,372,533	-0-
Charges for services	1,093,000	1,953,326	1,953,326	-0-
Interest income	70,000	158,413	158,413	-0-
Miscellaneous revenues	920,100	479,301	479,301	-0-
Total Revenues	<u>48,711,000</u>	<u>51,922,063</u>	<u>51,922,063</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	17,289,770	15,713,470	15,713,470	-0-
Public safety	24,163,214	23,797,557	23,797,557	-0-
Public works	413,233	402,960	402,960	-0-
Health and welfare	1,870,505	1,667,960	1,667,960	-0-
Culture and recreation	1,337,475	1,337,475	1,337,475	-0-
Conservation of natural resources	347,700	326,386	326,386	-0-
Economic Development	20,000	946,369	946,369	-0-
Debt service:				
Principal	23,823	23,763	23,763	-0-
Interest	62,931	81,632	81,632	-0-
Total Expenditures	<u>45,528,651</u>	<u>44,297,572</u>	<u>44,297,572</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>3,182,349</u>	<u>7,624,491</u>	<u>7,624,491</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of cap assets		46,300	46,300	-0-
Compensation for loss of cap assets		4,663	4,663	-0-
Transfers in	20,000	7,234	7,234	-0-
Transfers out	(2,850,534)	(2,394,487)	(2,394,487)	-0-
Total Other Financing Sources and Uses	<u>(2,830,534)</u>	<u>(2,336,290)</u>	<u>(2,336,290)</u>	<u>-0-</u>
Net Change in Fund Balance	<u>351,815</u>	<u>5,288,201</u>	<u>5,288,201</u>	<u>-0-</u>
Fund Balances - Beginning, As Originally Reported	1,996,706	11,856,014	38,112,242	26,256,228
Restatement - Amendment to Actual	<u>36,115,536</u>	<u>26,256,228</u>	<u>-0-</u>	<u>(26,256,228)</u>
Fund Balances - Beginning, As Restated	<u>38,112,242</u>	<u>38,112,242</u>	<u>38,112,242</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 38,464,057</u>	<u>43,400,443</u>	<u>43,400,443</u>	<u>-0-</u>

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

DeSoto County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Road Maintenance Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 2,727,400	2,897,749	2,897,749	-0-
Road and bridge privilege taxes	2,000,000	2,049,090	2,049,090	-0-
Intergovernmental revenues	2,955,000	2,668,056	2,668,056	-0-
Charges for services	70,000	131,664	131,664	-0-
Interest income	18,000	45,426	45,426	-0-
Miscellaneous revenues	151,500	22,611	22,611	-0-
Total Revenues	<u>7,921,900</u>	<u>7,814,596</u>	<u>7,814,596</u>	<u>-0-</u>
EXPENDITURES				
Public works	9,458,838	7,832,653	7,832,653	-0-
Total Expenditures	<u>9,458,838</u>	<u>7,832,653</u>	<u>7,832,653</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(1,536,938)</u>	<u>(18,057)</u>	<u>(18,057)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of cap assets	-0-	262,159	262,159	-0-
Transfers in	75,000	40,517	40,517	-0-
Transfers out	-0-	(11,000)	(11,000)	-0-
Total Other Financing Sources and Uses	<u>75,000</u>	<u>291,676</u>	<u>291,676</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(1,461,938)</u>	<u>273,619</u>	<u>273,619</u>	<u>-0-</u>
Fund Balances - Beginning, As Originally Reported	616,149	1,926,240	14,802,736	12,876,496
Restatement - Amendment to Actual	<u>14,186,587</u>	<u>12,876,496</u>	<u>-0-</u>	<u>(12,876,496)</u>
Fund Balances - Beginning, As Restated	<u>14,802,736</u>	<u>14,802,736</u>	<u>14,802,736</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 13,340,798</u>	<u>15,076,355</u>	<u>15,076,355</u>	<u>-0-</u>

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

DeSoto County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Bridge and Culvert Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
REVENUES				
Property taxes	\$ 6,128,900	6,462,867	6,462,867	-0-
Charges for services	30,000	-0-	-0-	-0-
Interest income	30,000	60,704	60,704	-0-
Miscellaneous revenues	581,000	-0-	-0-	-0-
Total Revenues	<u>6,769,900</u>	<u>6,523,571</u>	<u>6,523,571</u>	<u>-0-</u>
EXPENDITURES				
Public works	<u>9,274,948</u>	<u>3,626,498</u>	<u>3,626,498</u>	<u>-0-</u>
Total Expenditures	<u>9,274,948</u>	<u>3,626,498</u>	<u>3,626,498</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(2,505,048)</u>	<u>2,897,073</u>	<u>2,897,073</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of cap assets	-0-	264,625	264,625	-0-
Compensation for loss of cap assets	<u>-0-</u>	<u>8,094</u>	<u>8,094</u>	<u>-0-</u>
Total Other Financing Sources and Uses	<u>-0-</u>	<u>272,719</u>	<u>272,719</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(2,505,048)</u>	<u>3,169,792</u>	<u>3,169,792</u>	<u>-0-</u>
Fund Balances - Beginning, As Originally Reported	(27,996,824)	190,660	17,646,882	17,456,222
Restatement - Amendment to Actual	<u>45,643,706</u>	<u>17,456,222</u>	<u>-0-</u>	<u>(17,456,222)</u>
Fund Balances - Beginning, As Restated	<u>17,646,882</u>	<u>17,646,882</u>	<u>17,646,882</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 15,141,834</u>	<u>20,816,674</u>	<u>20,816,674</u>	<u>-0-</u>

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

DeSoto County
Schedule of the County's Proportionate
Share of the Net Pension Liability
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.426552%	0.387289%	0.388673%	0.394375%
County's proportionate share of the net pension liability (asset)	\$ 70,907,420	69,179,485	60,081,181	47,869,904
County's covered payroll	\$ 27,363,530	24,705,549	24,213,403	24,033,175
County's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	280.02%	248.13%	199.18%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

* 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 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

DeSoto County
Schedule of County Contributions
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,158,765	4,002,356	3,824,965	3,629,162
Contributions in relation to the contractually required contribution	4,158,765	4,002,356	3,824,965	3,629,162
Contribution deficiency (excess)	\$ <u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
County's covered payroll	26,404,842	25,411,784	24,285,492	23,042,298
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

DeSoto County
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017

UNAUDITED

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

UNAUDITED

C. Budget/GAAP Reconciliation (Continued)

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

	Governmental Fund Types		
	General Fund	Road Maintenance Fund	Bridge and Culvert Fund
Budget (Cash Basis)	\$ 5,288,201	\$ 273,619	\$ 3,169,792
Increase (Decrease)			
Net adjustments for revenue accruals	1,049,446	121,635	48,763
Net adjustments for expenditure accruals	(647,813)	(118,769)	(121,031)
GAAP Basis	\$ <u>5,689,834</u>	\$ <u>276,485</u>	\$ <u>3,097,524</u>

Pension Schedules

A. Changes of Assumptions

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for both healthy and disabled lives.

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

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

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

2016

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

2015

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

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

DeSoto County
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017

UNAUDITED

A. Changes of Assumptions (Continued)

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

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

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

B. Changes in benefit provisions

2016

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

Component Unit
DeSoto County Convention and Visitors Bureau

Required Supplementary Information
For the year ended September 30, 2017

**DeSoto County Convention and Visitors Bureau
Schedule of the Bureau's Proportionate
Share of the Net Pension Liability
Last Ten Fiscal Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bureau's proportion of the net pension liability (asset)	0.021631%	0.020101%	0.019219%
Bureau's proportionate share of the net pension liability (asset)	\$ 3,595,806	3,590,541	2,970,878
Bureau's covered payroll	\$ 1,387,660	1,285,881	1,200,717
Bureau's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.23%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the 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 9/30/15, and, until a full 10-year trend is compiled, the Bureau has only presented information for the years in which information is available.

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

**DeSoto County Convention and Visitors Bureau
Schedule of Bureau Contributions
Last Ten Fiscal Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 225,558	212,360	192,617
Contributions in relation to the contractually required contribution	225,558	212,360	192,617
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
Bureau's covered payroll	1,432,114	1,348,317	1,222,965
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the Bureau has only presented information for the years in which information is available.

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

**DeSoto County Convention and Visitors Bureau
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017**

UNAUDITED

Pension Schedules

A. Changes of Assumptions

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for both healthy and disabled lives.

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

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

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

2016

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

2015

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

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

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

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

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

B. Changes in benefit provisions

2016

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

SUPPLEMENTARY INFORMATION

DeSoto County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Number	Federal Expenditures
U. S. Department of Justice			
<i>Passed through the Mississippi Department of Public Safety:</i>			
Byrne Memorial Justice Assistance Grant Program	16.738	15DC1171	\$ 18,650
Byrne Memorial Justice Assistance Grant Program	16.738	16DC1171	26,591
Byrne Memorial Justice Assistance Grant Program	16.738	15LB1171	3,705
Total U. S. Department of Justice			<u>48,946</u>
U.S. Department of Transportation - Federal Highway Administration			
<i>Passed through the Mississippi Department of Transportation:</i>			
Highway Planning and Construction	20.205	N/A	20,770
<i>Passed through the Mississippi Department of Public Safety:</i>			
State and Community Highway Safety	20.600	OP-2017-OP-11-71	21,700
National Priority Public Safety Programs	20.616	MSX-2017-MD-11-71	146,553
Total U.S. Department of Transportation - Federal Highway Administration			<u>189,023</u>
U.S. Department of Health and Human Services			
Direct Award			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) * (*)	93.104	15SM62466A	628,649
Total U. S. Department of Health and Human Services			<u>628,649</u>
U.S. Department of Homeland Security			
<i>Passed through the Mississippi Emergency Management Agency:</i>			
Emergency Management Performance Grants	97.042		122,147
Homeland Security Grant Program	97.067	15HS017T	36,387
Homeland Security Grant Program	97.067	16HS017T	8,730
Homeland Security Grant Program	97.067	S15HS017T	5,780
Homeland Security Grant Program	97.067	A15HS017T	48,313
Homeland Security Grant Program	97.067	B15HS017T	24,715
Total U.S. Department of Homeland Security			<u>246,072</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,112,690</u></u>

* Denotes major federal program

(*) The County provided \$602,879 in federal funds to Region IV
Community Mental Health District (subrecipient)

The accompanying notes are an integral part of this schedule.

DeSoto County
Component Units - Combining Statement of Net Position
September 30, 2017

	Emergency Communications District	Convention and Visitors Bureau	Total
ASSETS			
Cash	\$ 3,243,584	10,393,502	13,637,086
Accounts receivable	442,579	254,762	697,341
Intergovernmental receivables		694,226	694,226
Inventories		90,801	90,801
Prepaid items		64,593	64,593
Capital assets:			
Land and construction in progress		6,457,336	6,457,336
Other capital assets, net		35,108,270	35,108,270
Total Assets	3,686,163	53,063,490	56,749,653
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions		784,186	784,186
Deferred amount on refunding		263,103	263,103
Total Deferred Outflows of Resources	-0-	1,047,289	1,047,289
LIABILITIES			
Claims payable	26,019	775,721	801,740
Accrued liabilities		294,365	294,365
Accrued interest payable	14,045	465,397	479,442
Unearned revenue		73,515	73,515
Long-term liabilities			
Due within one year:			
Capital debt		2,614,887	2,614,887
Non-capital debt	372,627	249,820	622,447
Due in more than one year:			
Capital debt		26,004,053	26,004,053
Non-capital debt	5,531,520	5,897,445	11,428,965
Net pension liability		3,595,806	3,595,806
Total Liabilities	5,944,211	39,971,009	45,915,220
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions		432,081	432,081
Total Deferred Inflows of Resources	-0-	432,081	432,081
NET POSITION			
Net investment in capital assets	-0-	13,209,769	13,209,769
Unrestricted	(2,258,048)	497,920	(1,760,128)
Total Net Position	\$ (2,258,048)	13,707,689	11,449,641

DeSoto County
Component Units - Combining Statement of Revenues, Expenses and Changes in Net Position
September 30, 2017

	Emergency Communications District	Convention and Visitors Bureau	Total
REVENUES			
Tourism tax	\$	\$ 8,545,836	\$ 8,545,836
Telephone service charges	1,864,039		1,864,039
Ticket sales (net of cost)		596,905	596,905
Event revenue		3,763,559	3,763,559
Sign sales		310,400	310,400
Luxury suite sales		2,350	2,350
Grant revenue		20,000	20,000
Other		49,354	49,354
Unrestricted interest income	2,723	51,344	54,067
Total Revenues	<u>1,866,762</u>	<u>13,339,748</u>	<u>15,206,510</u>
EXPENSES			
General operating expenses		3,925,916	3,925,916
Depreciation expense		1,566,023	1,566,023
Event expenses		2,560,634	2,560,634
Tourism expenses		663,277	663,277
Interest expense	167,148	1,118,145	1,285,293
Personal services	128,741		128,741
Telephone equipment service	194,830		194,830
Maintenance and repairs	48,800		48,800
Professional services	13,933		13,933
Tower utilities	31,487		31,487
Office expenditures	33,721		33,721
Insurance expense	15,102		15,102
Travel expense	2,817		2,817
Subscriptions and seminars	3,404		3,404
Capital expenditures	1,643,234		1,643,234
Pension expense		384,956	384,956
Total Expenses	<u>2,283,217</u>	<u>10,218,951</u>	<u>12,502,168</u>
Changes in Net Position	(416,455)	3,120,797	2,704,342
Net Position - Beginning	<u>(1,841,593)</u>	<u>10,586,892</u>	<u>8,745,299</u>
Net Position - Ending	<u>\$ (2,258,048)</u>	<u>\$ 13,707,689</u>	<u>\$ 11,449,641</u>

DeSoto County
Notes to the Supplementary Information
For the Year Ended September 30, 2017

Schedule of Expenditures of Federal Awards

(1) Significant Accounting Policies

- (A) The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements/or Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of the County.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- (B) The County did not assign identifying numbers to the subrecipient.
- (C) The County did not elect to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.
- (D) The amount of funds passed through to Region IV Community Mental Health District (the subrecipient) amounted to \$602,879.

OTHER INFORMATION

DeSoto County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017

UNAUDITED

Name	Position	Insurance Company	Bond
Jessie Medlin	District 1 Supervisor	RLI Insurance Co.	\$ 100,000
Mark Gardner	District 2 Supervisor	Travelers Casualty and Surety Company	100,000
William M. Russell	District 3 Supervisor	State Farm Insurance Company	100,000
Lee Caldwell	District 4 Supervisor	Travelers Casualty and Surety Company	100,000
Michael Lee	District 5 Supervisor	Liberty Mutual	100,000
Vanessa Lynchard	County Administrator	Travelers Casualty and Surety Company	100,000
Misty Heffner	Chancery Clerk	State Farm Insurance Company	100,000
Pat Mcleod	Purchase Clerk	Western Surety Company	75,000
Karen McNeil	Asst. Purchase Clerk	Western Surety Company	50,000
Angela Irving	Asst. Purchase Clerk	Western Surety Company	50,000
Ann Richmond	Receiving Clerk	Western Surety Company	75,000
Jason Patrick	Asst. Receiving Clerk	Western Surety Company	50,000
Jamee Bradshaw	Asst. Receiving Clerk	Western Surety Company	50,000
Janet Knight	Asst. Receiving Clerk	Western Surety Company	50,000
Carla Osborne	Asst. Receiving Clerk	Western Surety Company	50,000
Rhonda Ramey	Asst. Receiving Clerk	Western Surety Company	50,000
Pam Sing	Asst. Receiving Clerk	Western Surety Company	50,000
Sherry Marshall	Asst. Receiving Clerk	Western Surety Company	50,000
Lorrie Bay	Asst. Receiving Clerk	Western Surety Company	50,000
Gail Bernard	Asst. Receiving Clerk	Western Surety Company	50,000
Amy Cooper	Asst. Receiving Clerk	Western Surety Company	50,000
Danny Klein	Asst. Receiving Clerk	Western Surety Company	50,000
Barry Chatham	Asst. Receiving Clerk	Western Surety Company	50,000
Colleen Magee	Asst. Receiving Clerk	Western Surety Company	50,000
Vickie Patton	Asst. Receiving Clerk	Western Surety Company	50,000
Reby Johnson	Asst. Receiving Clerk	Western Surety Company	50,000
Dixie Lamb	Asst. Receiving Clerk	Western Surety Company	50,000
Felicia Hopper	Asst. Receiving Clerk	Western Surety Company	50,000
Debbie Rutherford	Asst. Receiving Clerk	Western Surety Company	50,000
Vickie Tillman	Asst. Receiving Clerk	Western Surety Company	50,000
Rikki Ogle	Asst. Receiving Clerk	Western Surety Company	50,000
Amy Lay	Asst. Receiving Clerk	Western Surety Company	50,000
Margaret Windham	Asst. Receiving Clerk	Western Surety Company	50,000
Deborah Logan	Asst. Receiving Clerk	Western Surety Company	50,000
Angela Gunter	Asst. Receiving Clerk	Western Surety Company	50,000
Heather Hearn	Asst. Receiving Clerk	Western Surety Company	50,000
Cindy Laughter	Asst. Receiving Clerk	Western Surety Company	50,000
Amanda Jenkins	Asst. Receiving Clerk	Western Surety Company	50,000
Cyndie White	Asst. Receiving Clerk	Western Surety Company	50,000
Mindy Chamberlain	Asst. Receiving Clerk	Western Surety Company	50,000
Marilyn Culver	Asst. Receiving Clerk	Western Surety Company	50,000
Dianne Bunyard	Asst. Receiving Clerk	Western Surety Company	50,000
Brandi Johnson	Asst. Receiving Clerk	Western Surety Company	50,000
Rebecca Minter	Asst. Receiving Clerk	Western Surety Company	50,000
Kim Cox	Asst. Receiving Clerk	Western Surety Company	50,000
Lynn Ford	Asst. Receiving Clerk	Western Surety Company	50,000
Angie Tapley	Inventory Control Clerk	Western Surety Company	75,000
Kim Northcutt	Asst. Inventory Clerk	Western Surety Company	50,000
Amy L. Henley	Asst. Inventory Clerk	Western Surety Company	50,000
Cindy Camry	Asst. Inventory Clerk	Western Surety Company	50,000
Andy Swims	Road Manager	Liberty Mutual	50,000
Lawrence Vaughn	Constable District 1	Travelers Casualty and Surety Company	50,000
Joshua Wilson	Constable District 2	Travelers Casualty and Surety Company	50,000
Keith Combes	Constable District 3	Travelers Casualty and Surety Company	50,000
Bobby G. Holloway, Jr.	Constable District 4	Travelers Casualty and Surety Company	50,000
Lee Hodge	Constable District 5	Travelers Casualty and Surety Company	50,000
Dale K. Thompson	Circuit Clerk	Liberty Mutual	100,000
Andrea Victoria Griffith	Deputy Circuit Clerk	Ole Republic	100,000
Rebecca Wilkie Smith	Deputy Circuit Clerk	Bayside Surety Brokerage	50,000
Vivian Embry	Deputy Circuit Clerk	Western Surety / Brierfield	50,000

DeSoto County
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017

UNAUDITED

Name	Position	Insurance Company	Bond
Evelyn Bearden	Deputy Circuit Clerk	Liberty Mutual	\$ 100,000
Teresa Johnson	Deputy Circuit Clerk	Liberty Mutual	100,000
Allison Pullen Pannell	Deputy Circuit Clerk	Liberty Mutual	100,000
Marla Treadway	Deputy Circuit Clerk	Liberty Mutual	100,000
Brandi Sharpe Johnson	Deputy Circuit Clerk	Liberty Mutual	100,000
Autumn Zacharias	Deputy Circuit Clerk	Liberty Mutual	100,000
Rhonda Vance	Deputy Circuit Clerk	Liberty Mutual	100,000
Diane Bunyard	Deputy Circuit Clerk	Liberty Mutual	100,000
Sheryl D. Franks	Deputy Circuit Clerk	Liberty Mutual	100,000
Brittany Riley Griffith	Deputy Circuit Clerk	Liberty Mutual	100,000
Bill Rasco	Sheriff	Brierfield Insurance Company	100,000
Ken Adams	Justice Court Judge District 1	Travelers Casualty and Surety Company	50,000
Larry Vaughn	Justice Court Judge District 2	Travelers Casualty and Surety Company	50,000
William Lantrip	Justice Court Judge District 3	Travelers Casualty and Surety Company	50,000
Brad Russell	Justice Court Judge District 4	Travelers Casualty and Surety Company	50,000
Karen Sanders	Justice Court Judge District 5	Travelers Casualty and Surety Company	50,000
Pat Sanford	Justice Court Clerk	Western Surety Company	50,000
Deborah J. Rutherford	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Vickie Tillman	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Patricia Yow	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Charlene Tully	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Stephanie Rozell	Dep. Justice Court Clerk	Western Surety Company	50,000
Candie Hubbard	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Lori Karus	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Meagan Blackwood	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Kailey Gilmore	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Sheniqua Hawkins	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Marion Sowell/PT	Dep. Justice Court Clerk	St. Paul Travelers	50,000
Joey Treadway	Tax Collector	State Farm Insurance Company	100,000
Tammie R. Rhoda	Deputy Tax Collector	State Farm Insurance Company	50,000
Heather Hearn	Deputy Tax Collector	State Farm Insurance Company	50,000
Britni L. MacMillan	Deputy Tax Collector	State Farm Insurance Company	50,000
Erin Shook	Deputy Tax Collector	Western Surety	50,000
Elizabeth Riley	Deputy Tax Collector	Western Surety	50,000
Alicia Malone	Deputy Tax Collector	State Farm Insurance Company	50,000
Hunter Scruggs	Deputy Tax Collector	State Farm Insurance Company	50,000
Whitley Doyle	Deputy Tax Collector	State Farm Insurance Company	50,000
Christopher Riley	Deputy Tax Collector	Western Surety	50,000
Kimberly Buchanan	Deputy Tax Collector	State Farm Insurance Company	50,000
Wontasha Milam	Deputy Tax Collector	State Farm Insurance Company	50,000
Abigail Beecham	Deputy Tax Collector	Western Surety	50,000
Cindy Laughter	Deputy Tax Collector	State Farm Insurance Company	50,000
Sarah Trest	Deputy Tax Collector	State Farm Insurance Company	50,000
Ashley Richmann	Deputy Tax Collector	State Farm Insurance Company	50,000
Janice Hill	Deputy Tax Collector	State Farm Insurance Company	50,000
Stacy McAlexander	Deputy Tax Collector	State Farm Insurance Company	50,000
Whitney Rice	Deputy Tax Collector	State Farm Insurance Company	50,000
Amanda M. Jenkins	Deputy Tax Collector	State Farm Insurance Company	50,000
Suzanne Reilly	Deputy Tax Collector	State Farm Insurance Company	50,000
Brittney Morgan	Deputy Tax Collector	State Farm Insurance Company	50,000
Brianna Madero	Deputy Tax Collector	Western Surety	50,000
Parker Pickle	Tax Assessor	State Farm Fire & Casualty Co.	50,000
Andy Swims	County Engineer	Liberty Mutual	50,000
Jeffrey Pounders	Coroner	CNA Surety Co	10,000
Jamee Lee Bradshaw	EMS	Old Republic Surety Company	50,000
Andrea M. Freeze	CFO	Western Surety	50,000
Monica F. Mock	Director of Animal Control	Liberty Mutual	50,000
Jason Patrick	Asst. Director of Animal Control	Western Surety	50,000
Robert S. Jarman	Director of Facilities Management	Liberty Mutual	50,000

SPECIAL REPORTS

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

Members of the Board of Supervisors
DeSoto County, Mississippi

We have audited, 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 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, 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeSoto County, Mississippi's financial statements are free of 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 the Report

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

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

Tupelo, Mississippi
April 2, 2018

J. E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

Members of the Board of Supervisors
DeSoto County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the 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 the County's major federal programs for the year ended September 30, 2017. The County'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that 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 of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control over Compliance

Management of the County 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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



Tupelo, Mississippi
April 2, 2018

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825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

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FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

**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, 2017. 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.

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, 2017.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of DeSoto County, Mississippi, 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.

J. E. Vance & Company

Tupelo, Mississippi
April 2, 2018

DeSoto County
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2017

Schedule 1

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

DeSoto County
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/07/16	Service call	\$ 5,593.00	Upchurch Services	Clogged drain / damaged pump
12/13/16	Service call	10,515.00	JWC Environmental	Grinder in sewer pit damaged
02/25/17	Saturday service call	225.00	Quarles Fire	Alarm was sounding
02/25/17	Saturday service call	420.50	Upchurch Services	Medical line at jail clogged
				Rolling narcotics lab wrecked on
03/16/17	Hazmat clean up	3,580.00	DMT Waste Disposal	roadway
05/14/17	Sunday service call	716.00	Hobart Corp	Freezer at jail not cooling
08/21/17	Well tank repairs	802.50	Mason Water Well	ACI VFD had no water

DeSoto County**Schedule 3****Schedule of Purchases Made Noncompetitively from a Sole Source
For the Year Ended September 30, 2017**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
08/08/16	Refurbished election equipment	\$ 222,030.30	Election Systems & Software
10/19/16	Body wire for undercover officers	6,100.00	Advanced Covert Technologies
11/04/16	Taser equipment	5,282.64	Taser International
11/21/16	Taser equipment	5,282.64	Taser International
			Axon Enterprises (formerly Taser
07/31/17	Taser equipment	10,794.00	International
07/25/17	Service call to chiller plant #2	11,347.00	Ewing Kessler

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POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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, 2017, 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 April 2, 2018, on the financial statements of DeSoto County, Mississippi.

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

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.



Tupelo, Mississippi
April 2, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DeSoto County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 1: 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(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards

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

CFDA Number

Name of Federal Program or Cluster

93.104

Comprehensive Community Mental Health Services for
Children with Serious Emotional Disturbances (SED)

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

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements.

Section 3: Federal Award Findings and Questioned Costs

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