

DESOTO COUNTY, MISSISSIPPI
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019



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INDEPENDENT AUDITORS' 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, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of DeSoto County, Mississippi (the County), as of and for the year ended September 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the DeSoto County Convention and Visitor Bureau and the Emergency Communication District of DeSoto County, discretely presented component units, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the DeSoto County Convention and Visitor Bureau and the Emergency Communication District of DeSoto County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the County as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 schedule of the County's proportionate share of the net pension liability and contributions, and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021 on our consideration of the County'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 the 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 the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
May 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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, 2019. 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 \$19,375,687 which represents a 77% increase from the prior fiscal year.

The County had \$103,718,961 in total revenues. Property tax and road and bridge tax revenues account for \$72,693,847 and 2,558,916, respectively, or 70% and 2%, respectively, of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,822,416, or 3% of total revenues. Charges for services account for \$20,852,028 or 20% of total revenue. Other revenues such as fines, fees, interest income etc. account for the remaining 5% of total revenues.

The County had \$84,343,274 in total expenses; \$23,674,445 of these expenses were offset by charges for services, grants or outside contributions. General revenues of \$80,044,516 were adequate to cover the remaining amount of expenses.

Among major funds, the General Fund had \$63,521,775 in revenues and \$47,893,074 in expenditures. The General Fund also had net other financing uses of \$13,214,344. The General fund balance increased \$2,414,357 from the prior year.

Among major funds, the Road Maintenance Fund had \$7,865,443 in revenues and \$7,121,139 in expenditures. The Road Maintenance Fund also had net other financing uses of \$23,694. The Road Maintenance fund balance increased \$720,610 from the prior year.

Among major funds, the Bridge and Culvert Fund had \$7,783,629 in revenues and \$7,790,492 in expenditures. The Bridge and Culvert Fund also had net other financing sources of \$5,477,701. The Bridge and Culvert fund balance increased \$5,470,838 from the prior year.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

Among major funds, the Debt Service Fund had \$12,521,329 in revenues and \$9,811,206 in expenditures. The Debt Service Fund also had net other financing uses of \$177,900. The Debt Service Fund fund balance increased \$2,532,223 from the prior year. Debt service fund was presented as a minor fund for fiscal year ending September 30, 2018.

Capital Assets, net of accumulated depreciation, increased by \$5,221,622, or 3% from the prior year.

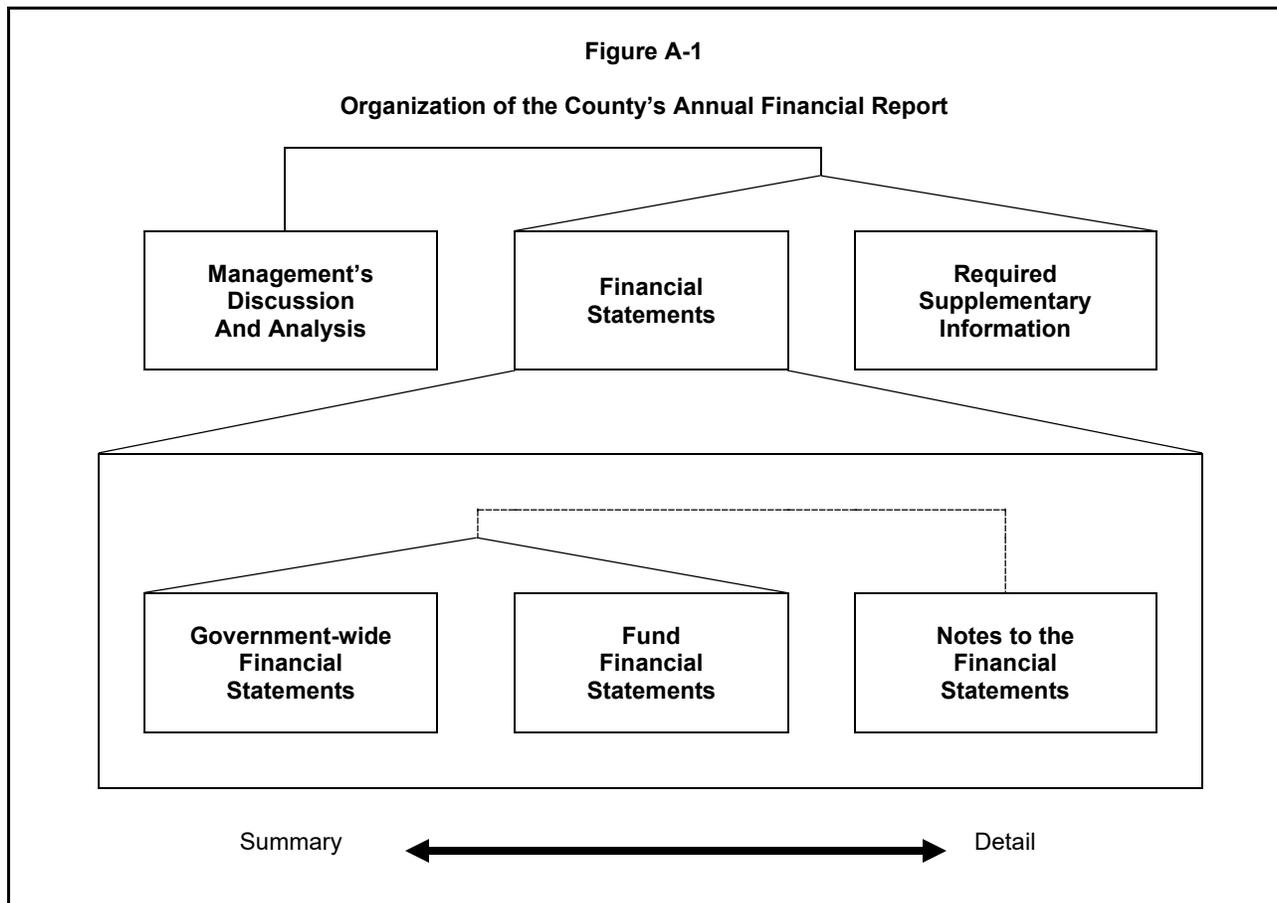
Long-term liabilities decreased by \$ 3,816,225 or 3% from the prior year.

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.



**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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

| FIGURE A-2 | | | | |
|---|---|--|--|--|
| Major Features of the County's Government-wide and Fund Financial Statements | | | | |
| | Government-wide Statements | Fund Financial Statements | | |
| | | Governmental Funds | Fiduciary Funds | Proprietary Fund |
| Scope | Entire County (except fiduciary funds) | The activities of the County that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the County administers resources on behalf of someone else, such as student activities and scholarship monies | The County has one type of Proprietary fund, which is the Internal Service Fund type. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various activities |
| Required financial statements | Statement of Net Position Statement of Activities | Balance sheet Statement of Revenues, Expenditures, and Changes in Fund Balances | Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position | Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows |
| Accounting Basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset, deferred outflows, liability, deferred inflows information | All assets, deferred outflows, liabilities, deferred inflows and both financial and capital, short-term and long-term | Generally assets, deferred outflows expected to be used up and liabilities, deferred inflows that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows and liabilities, deferred inflows and both short-term and long-term; funds do not currently contain capital assets although they can | All assets, deferred outflows and liabilities, deferred inflows |
| Type of inflow/outflow information | All revenues earned and expenses incurred during the 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 have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid | All revenues earned and expenses incurred during the year, regardless of when cash is received or paid |

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 of the 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 County 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 County's 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 16-17 of this report.

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

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 the 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 20 and 22, 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 18 and 21 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 23-25 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 26 and 27.

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 30-61 of this report.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 81-83 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 County. This required supplementary information can be found on page 84 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 County. This required supplementary information can be found on page 85 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 \$190,261,401 as of September 30, 2019.

By far, the largest portion of the County's net position \$134,096,459 (70%) 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.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
|---------------------------------------|-----------------------|-----------------------|---------------|
| Assets | | | |
| Current Assets | \$ 225,633,699 | \$ 207,556,209 | 9% |
| Capital Assets, Net | 160,495,569 | 155,273,947 | 3% |
| Total Assets | <u>386,129,268</u> | <u>362,830,156</u> | 6% |
| Deferred Outflows of resources | <u>3,263,892</u> | <u>5,479,842</u> | -40% |
| Liabilities | | | |
| Current Liabilities | 8,863,299 | 9,844,724 | -10% |
| Long-Term Liabilities | 54,521,632 | 63,970,295 | -15% |
| Net Pension Liability | 76,645,412 | 71,012,973 | 7% |
| Total Liabilities | <u>140,030,343</u> | <u>144,827,992</u> | -3% |
| Deferred Inflows of Resources | <u>59,101,416</u> | <u>52,596,292</u> | 11% |
| Net Position | | | |
| Net Investment in Capital Assets | 134,096,459 | 122,851,909 | 8% |
| Restricted | 80,325,752 | 55,187,335 | 46% |
| Unrestricted | (24,160,810) | (7,153,530) | -238% |
| Total Net Position | <u>\$ 190,261,401</u> | <u>\$ 170,885,714</u> | 11% |

Additional information on net position:

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

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Total Unrestricted Net Position - Governmental Activities | \$ (24,160,810) | \$ (7,153,530) |
| Unrestricted Decrease in Net position Resulting from Recognition of the Net pension Liability | | |
| Unrestricted Net Position, Exclusive of the Net Pension Liability Effect | <u>75,620,272</u> | <u>69,105,531</u> |
| Total | <u>\$ 51,459,462</u> | <u>\$ 61,952,001</u> |

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

Changes in Net Position – DeSoto County's total revenues for the fiscal year ended September 30, 2019 were \$103,718,961. The total cost for all services provided was \$84,343,274. The increase in net position was \$19,375,687.

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> | <u>Change</u> |
|---------------------------------------|----------------------|----------------------|---------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 20,852,028 | \$ 13,423,669 | 55% |
| Operating Grants | 2,182,983 | 4,489,240 | -51% |
| Capital Grants | 639,434 | 4,117,481 | -84% |
| General Revenues: | | | |
| Property Taxes | 72,693,847 | 64,791,754 | 12% |
| Road and Bridge Privilege Taxes | 2,558,916 | 2,287,536 | 12% |
| Unrestricted Grants and Contributions | 1,270,268 | 2,408,632 | -47% |
| Other General Revenue | <u>3,521,485</u> | <u>2,184,926</u> | 61% |
| Total Revenues | <u>103,718,961</u> | <u>93,703,238</u> | 11% |
| Expenses | | | |
| General Government | 24,725,513 | 22,027,525 | 12% |
| Public Safety | 26,342,309 | 26,555,455 | -1% |
| Public Works | 19,423,244 | 17,606,916 | 10% |
| Health and Welfare | 2,255,273 | 2,416,565 | -7% |
| Culture and Recreation | 1,391,789 | 1,786,819 | -22% |
| Conservation of Natural Resources | 1,202,171 | 299,186 | 302% |
| Economic Development | 365,547 | 599,078 | -39% |
| Interest on Long-Term Debt | 1,237,688 | 1,315,103 | -6% |
| Pension Expense | <u>7,399,740</u> | <u>10,166,516</u> | -27% |
| Total Expenses | <u>84,343,274</u> | <u>82,773,163</u> | 2% |
| Change in Net Position | <u>\$ 19,375,687</u> | <u>\$ 10,930,075</u> | 77% |

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 | \$ 24,725,513 | \$ 8,437,767 |
| Public Safety | 26,342,309 | 20,929,552 |
| Public Works | 19,423,244 | 17,712,908 |
| Health and Welfare | 2,255,273 | 2,224,311 |
| Culture and Recreation | 1,391,789 | 1,159,145 |
| Conservation of Natural Resources | 1,202,171 | 1,202,171 |
| Economic Development | 365,547 | 365,547 |
| Interest on Long-Term Debt | 1,237,688 | 1,237,688 |
| Pension Expense | 7,399,740 | 7,399,740 |
| Total | <u>\$ 84,343,274</u> | <u>\$ 60,668,829</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 2019 fiscal year, its governmental funds reported a combined fund balance of \$139,784,887 an increase of \$17,818,633 or 15% from the previous year.

The General Fund is the principal operating fund of the County. The fund balance in the General Fund increased \$2,414,357 for fiscal year 2019. This increase was similar to the prior year and is a function of budgetary control by the County.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 County 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 County 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 LONG-TERM LIABILITIES

Capital Assets – As of September 30, 2019, DeSoto County's total capital assets was \$293,296,200. 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 \$8,400,723 or 3%.

Total accumulated depreciation as of September 30, 2019 was \$132,800,631, including \$6,225,051 of depreciation expense for the year. The balance in total net capital assets was \$160,495,569 at year-end.

Additional information on DeSoto County's capital assets can be found in note 6 on page 43 of this report.

Long-term Liabilities – At September 30, 2019, DeSoto County had \$52,926,287 in long-term debt outstanding. This includes general obligation bonds of \$50,755,000, unamortized premiums of \$1,906,822, a note payable of \$264,465, of which, \$8,495,827 is due within one year.

The remaining long-term liability, \$78,240,757, consisted of compensated absences, \$1,595,345, and net pension liability, \$76,645,412.

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 8 on pages 46 to 48 of this report.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 2019 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%, 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 County of Supervisors that has allowed the county to keep the tax millage rate low from year to year. In the 2018 fiscal year, the County of Supervisors financed the County's operations without raising the tax rate. Due to the County 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.

De Soto County Tax Millage Rates 2008-2018

| Fiscal Year | General County | Road/ Bridge | Debt Service | Solid Waste | Total |
|----------------|-------------------|-----------------|-----------------|----------------|-------|
| 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 |
| 2018 | 27.09 | 6.97 | 5.59 | 1.37 | 41.02 |
| 2019 | 27.09 | 6.97 | 5.59 | 1.37 | 41.02 |

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

**DESOTO COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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.

BASIC FINANCIAL STATEMENTS

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

| | Primary Government | | Component Units |
|---|----------------------------|----|--------------------|
| | Governmental Activities | | Units |
| ASSETS | | | |
| Cash | \$ 134,569,728 | \$ | 18,003,369 |
| Property Tax Receivable, Net | 60,380,376 | | - |
| Receivable from Component Unit | 18,105,000 | | - |
| Accounts Receivable, Net | 107,630 | | 1,401,535 |
| Fines Receivable, Net | 1,337,469 | | - |
| Loans Receivable | 9,089,527 | | - |
| Intergovernmental Receivables | 1,562,269 | | - |
| Other Receivables | 36,068 | | - |
| Inventories | - | | 75,517 |
| Prepaid Items | 445,632 | | 519,865 |
| Capital Assets: | | | |
| Land and Construction in Progress | 13,895,440 | | - |
| Other Capital Assets, Net | 146,600,129 | | 40,694,438 |
| Subtotal Capital Assets | 160,495,569 | | 40,694,438 |
| Total Assets | 386,129,268 | | 60,694,724 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 1,946,180 | | 607,717 |
| Deferred Amount on Refunding | 1,317,712 | | 87,695 |
| Total Deferred Outflows of Resources | 3,263,892 | | 695,412 |

See accompanying Notes to Basic Financial Statements.

DESOTO COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2019

| | <u>Primary Government</u> | |
|--|------------------------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Component Units</u> |
| LIABILITIES | | |
| Accounts Payable and Accrued Payroll | \$ 3,363,093 | \$ 2,320,362 |
| Accrued Liabilities | - | 144,884 |
| Intergovernmental Payables | 2,318,395 | - |
| Accrued Interest Payable | 520,663 | 410,070 |
| Unearned Revenue | - | 84,610 |
| Amounts Held in Custody for Others | 2,661,148 | - |
| Long-Term Liabilities: | | |
| Compensated Absence | 1,595,345 | 154,032 |
| Net Pension Liability | 76,645,412 | 4,551,219 |
| Due With One Year: | | |
| Capital | 5,420,474 | 2,859,546 |
| Non-Capital | 3,075,353 | 249,820 |
| Due in More than One Year: | | |
| Capital | 22,296,348 | 25,027,519 |
| Non-Capital | 22,134,112 | 5,245,871 |
| Total Liabilities | <u>140,030,343</u> | <u>41,047,933</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pensions | 921,040 | 42,011 |
| Property Tax for Future Reporting Period | 58,180,376 | - |
| Total Deferred Inflows of Resources | <u>59,101,416</u> | <u>42,011</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 134,096,459 | 17,956,266 |
| Restricted: | | |
| General Government | 18,064,622 | - |
| Public Safety | 1,419,415 | - |
| Public Works | 48,959,162 | - |
| Health and Welfare | 131,743 | - |
| Culture and Recreation | 618,794 | - |
| Debt Service | 11,132,016 | - |
| Unrestricted | (24,160,810) | 2,343,926 |
| Total Net Position | <u>\$ 190,261,401</u> | <u>\$ 20,300,192</u> |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019**

| Functions/Programs | Expenses | Program Revenues | | | Primary Government 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 | \$ 24,725,513 | \$ 15,607,077 | \$ 677,779 | \$ 2,890 | \$ (8,437,767) | \$ - |
| Public Safety | 26,342,309 | 4,463,937 | 735,200 | 213,620 | (20,929,552) | - |
| Public Works | 19,423,244 | 781,014 | 515,232 | 414,090 | (17,712,908) | - |
| Health and Welfare | 2,255,273 | - | 22,128 | 8,834 | (2,224,311) | - |
| Culture and Recreation | 1,391,789 | - | 232,644 | - | (1,159,145) | - |
| Conservation of Natural Resources | 1,202,171 | - | - | - | (1,202,171) | - |
| Economic Development and Assistance | 365,547 | - | - | - | (365,547) | - |
| Interest on Long-Term Debt | 1,237,688 | - | - | - | (1,237,688) | - |
| Pension Expense | 7,399,740 | - | - | - | (7,399,740) | - |
| Total Governmental Activities | <u>84,343,274</u> | <u>20,852,028</u> | <u>2,182,983</u> | <u>639,434</u> | <u>(60,668,829)</u> | |
| Component Units: | | | | | | |
| Emergency Communications District | 1,497,533 | 1,757,839 | - | - | | 260,306 |
| Convention and Visitors Bureau | 15,151,191 | 9,540,188 | 19,593 | - | | (5,591,410) |
| Total | <u>\$ 16,648,724</u> | <u>\$ 11,298,027</u> | <u>\$ 19,593</u> | <u>\$ -</u> | | <u>\$ (5,331,104)</u> |
| General Revenues: | | | | | | |
| Property Taxes | | | | | 72,693,847 | - |
| Road and Bridge Privilege Taxes | | | | | 2,558,916 | - |
| Tourism Tax | | | | | - | 9,706,077 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 1,270,268 | - |
| Unrestricted Interest Income | | | | | 2,316,752 | 109,014 |
| Loss on disposal of assets | | | | | - | (296,509) |
| Miscellaneous | | | | | 1,204,733 | 349,139 |
| Total General Revenues | | | | | <u>80,044,516</u> | <u>9,867,721</u> |
| Changes in Net Position | | | | | | |
| Net Position - Beginning | | | | | 19,375,687 | 4,536,617 |
| | | | | | 170,885,714 | 15,763,575 |
| Net Position - Ending | | | | | <u>\$ 190,261,401</u> | <u>\$ 20,300,192</u> |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

| | Major Funds | | | | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund | Debt Service | | |
| ASSETS | | | | | | |
| Cash | \$ 63,241,019 | \$ 13,665,109 | \$ 30,477,370 | \$ 10,993,211 | \$ 15,879,998 | \$ 134,256,707 |
| Property Tax Receivable | 40,518,952 | 2,827,528 | 6,333,690 | 8,678,827 | 2,021,379 | 60,380,376 |
| Due from Component Unit | - | - | - | 18,105,000 | - | 18,105,000 |
| Accounts Receivable, Net of Allowance for Uncollectibles of \$438,227 | 105,935 | - | - | - | - | 105,935 |
| Fines Receivable, Net of Allowance for Uncollectibles of \$4,741,933 | 1,337,469 | - | - | - | - | 1,337,469 |
| Intergovernmental Receivables | 1,419,398 | - | - | - | 142,871 | 1,562,269 |
| Loans Receivable | 9,089,527 | - | - | - | - | 9,089,527 |
| Other Receivables | 36,068 | - | - | - | - | 36,068 |
| Due from Other Funds | - | 430,326 | 99,452 | 138,805 | 637,989 | 1,306,572 |
| Prepaid Items | 445,632 | - | - | - | - | 445,632 |
| Total Assets | \$ 116,194,000 | \$ 16,922,963 | \$ 36,910,512 | \$ 37,915,843 | \$ 18,682,237 | \$ 226,625,555 |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

| | Major Funds | | | | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund | Debt Service | | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable and Accrued Payroll | \$ 1,471,408 | \$ 215,699 | \$ 299,004 | \$ - | \$ 839,662 | \$ 2,825,773 |
| Intergovernmental Payables | 2,275,395 | 43,000 | - | - | - | 2,318,395 |
| Due to Other Funds | 1,306,572 | - | - | - | - | 1,306,572 |
| Amounts Held in Custody for Others | 2,606,579 | - | - | - | 54,569 | 2,661,148 |
| Total Liabilities | <u>7,659,954</u> | <u>258,699</u> | <u>299,004</u> | <u>-</u> | <u>894,231</u> | <u>9,111,888</u> |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable Revenue: | | | | | | |
| Property Taxes | 38,318,952 | 2,827,528 | 6,333,690 | 8,678,827 | 2,021,379 | 58,180,376 |
| Fines Receivable | 1,337,469 | - | - | - | - | 1,337,469 |
| Accounts Receivable | 105,935 | - | - | - | - | 105,935 |
| Accounts Receivable- Component Unit | - | - | - | 18,105,000 | - | 18,105,000 |
| Total Deferred Inflows of Resources | <u>39,762,356</u> | <u>2,827,528</u> | <u>6,333,690</u> | <u>26,783,827</u> | <u>2,021,379</u> | <u>77,728,780</u> |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Loans Receivable | 9,089,527 | - | - | - | - | 9,089,527 |
| Prepaid Insurance | 445,632 | - | - | - | - | 445,632 |
| Restricted for: | | | | | | |
| General Government | - | - | - | - | 8,752,067 | 8,752,067 |
| Public Safety | - | - | - | - | 1,419,415 | 1,419,415 |
| Public Works | - | 13,836,736 | 30,277,818 | - | 4,844,608 | 48,959,162 |
| Health and Welfare | - | - | - | - | 131,743 | 131,743 |
| Culture and Recreation | - | - | - | - | 618,794 | 618,794 |
| Debt Service | - | - | - | 11,132,016 | - | 11,132,016 |
| Unassigned | 59,236,531 | - | - | - | - | 59,236,531 |
| Total Fund Balances | <u>68,771,690</u> | <u>13,836,736</u> | <u>30,277,818</u> | <u>11,132,016</u> | <u>15,766,627</u> | <u>139,784,887</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 116,194,000</u> | <u>\$ 16,922,963</u> | <u>\$ 36,910,512</u> | <u>\$ 37,915,843</u> | <u>\$ 18,682,237</u> | <u>\$ 226,625,555</u> |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

| | | |
|--|--------------------|-----------------------|
| Total Fund Balances for Governmental Funds | | \$ 139,784,887 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation of \$132,800,631 | | 160,495,569 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | |
| Due from Component Unit | 18,105,000 | |
| Accounts Receivable | 105,935 | |
| Fines Receivable | <u>1,337,469</u> | 19,548,404 |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | | |
| Long-term debt | (52,926,287) | |
| Compensated absences | <u>(1,595,345)</u> | (54,521,632) |
| Net pension obligations not due and payable in the current period and, therefore, are not reported in the funds. | | (76,645,412) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | | (520,663) |
| Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position | | (222,604) |
| Deferred amounts on refunding of debt is not a financial resource and therefore not reported in the funds | | 1,317,712 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred Outflows of Resources | 1,946,180 | |
| Deferred Inflows of Resources | <u>(921,040)</u> | <u>1,025,140</u> |
| Total Net Position of Governmental Activities | | <u>\$ 190,261,401</u> |

See accompanying Notes to Basic Financial Statements.

DESOTO COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

| | Major Funds | | | | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance Fund | Bridge and Culvert Fund | Debt Service | | |
| REVENUES | | | | | | |
| Property Taxes | \$ 48,984,897 | \$ 3,261,200 | \$ 7,246,809 | \$ 10,140,645 | \$ 3,060,296 | \$ 72,693,847 |
| Road and Bridge Privilege Taxes | - | 2,558,916 | - | - | - | 2,558,916 |
| Licenses, Commissions, and Other Revenue | 3,786,218 | 8,531 | - | - | 716,492 | 4,511,241 |
| Fines and Forfeitures | 1,646,973 | - | - | - | 104,958 | 1,751,931 |
| Intergovernmental Revenues | 5,464,056 | 1,574,077 | - | 2,185,000 | 3,136,235 | 12,359,368 |
| Charges for Services | 1,837,182 | 1,300 | - | - | 212,869 | 2,051,351 |
| Interest Income | 1,075,150 | 247,457 | 488,574 | 195,684 | 302,113 | 2,308,978 |
| Miscellaneous Revenues | 727,299 | 213,962 | 48,246 | - | 371,632 | 1,361,139 |
| Total Revenues | 63,521,775 | 7,865,443 | 7,783,629 | 12,521,329 | 7,904,595 | 99,596,771 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 16,070,980 | - | - | - | 2,112,252 | 18,183,232 |
| Public Safety | 26,613,072 | - | - | - | 3,283,910 | 29,896,982 |
| Public Works | 1,362,214 | 7,121,139 | 7,790,492 | - | 3,908,582 | 20,182,427 |
| Health and Welfare | 1,760,240 | - | - | - | 576,013 | 2,336,253 |
| Culture and Recreation | 1,395,000 | - | - | - | 734 | 1,395,734 |
| Conservation of Natural Resources | 295,667 | - | - | - | 950,736 | 1,246,403 |
| Economic Development and Assistance | 365,547 | - | - | - | - | 365,547 |
| Debt Service: | | | | | | |
| Principal | 22,949 | - | - | 8,480,000 | - | 8,502,949 |
| Interest | 7,405 | - | - | 1,331,206 | - | 1,338,611 |
| Total Expenditures | 47,893,074 | 7,121,139 | 7,790,492 | 9,811,206 | 10,832,227 | 83,448,138 |
| Excess of Revenues Over (Under) Expenditures | 15,628,701 | 744,304 | (6,863) | 2,710,123 | (2,927,632) | 16,148,633 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from Sale of Capital Assets | - | - | - | - | 3,000,000 | 3,000,000 |
| Transfers In | 1,327,699 | 70,825 | 5,605,000 | 2,171,144 | 7,101,271 | 16,275,939 |
| Transfers Out | (14,542,043) | (94,519) | (127,299) | (2,349,044) | (493,034) | (17,605,939) |
| Total Other Financing Sources (Uses) | (13,214,344) | (23,694) | 5,477,701 | (177,900) | 9,608,237 | 1,670,000 |
| NET CHANGE IN FUND BALANCES | 2,414,357 | 720,610 | 5,470,838 | 2,532,223 | 6,680,605 | 17,818,633 |
| Fund Balances - Beginning of Year | 66,357,333 | 13,116,126 | 24,806,980 | 8,599,793 | 9,086,022 | 121,966,254 |
| FUND BALANCES - END OF YEAR | \$ 68,771,690 | \$ 13,836,736 | \$ 30,277,818 | \$ 11,132,016 | \$ 15,766,627 | \$ 139,784,887 |

See accompanying Notes to Basic Financial Statements.

DESOTO COUNTY, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 17,818,633

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 outlay of \$11,446,673 exceeded depreciation of \$6,225,051 5,221,622

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 | (129,037) | |
| Fines Receivable | <u>(95,246)</u> | (224,283) |

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 repayments of \$8,502,949 (of which \$2,145,206 was paid by the Desoto Convention and Visitor Bureau) and amortization of \$679,886, 9,182,835

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:

| | | |
|---|------------------|-------------|
| Decrease in Long-Term Receivables | (156,406) | |
| Decrease in Prepaid Insurance | (499,761) | |
| Decrease in Receivable from Component Unit | (5,115,000) | |
| Increase in Accrued Interest Payable | (99,080) | |
| Decrease in Compensated Absences | 265,829 | |
| Amortization of Deferred Amounts on Refunding | <u>(499,371)</u> | (6,103,789) |

An internal service fund is used by management to charge the cost of health insurance to individual funds. The net loss is reported within governmental activities (4,591)

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:

| | | |
|--|--------------------|-------------|
| Decrease in Deferred Outflow of Resources- Pension | (1,716,579) | |
| Decrease in Deferred Inflow of Resources- Pension | 834,277 | |
| Increase in Net Pension Liability | <u>(5,632,439)</u> | (6,514,741) |

Difference due to rounding 1

Change in Net Position of Governmental Activities \$ 19,375,687

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019**

| | Internal Service Fund |
|-------------------------------|--------------------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 313,021 |
| Accounts Receivable | 1,695 |
| Total Assets | 314,716 |
| LIABILITIES | |
| Current Liabilities: | |
| Claims and Judgements Payable | 537,320 |
| Total Liabilities | 537,320 |
| NET POSITION | |
| Restricted for: | |
| Health Insurance | (222,604) |
| Total Net Position | \$ (222,604) |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Internal Service Fund |
|-------------------------------|--------------------------|
| OPERATING REVENUES | |
| Premiums | 5,832,879 |
| OPERATING EXPENSES | |
| Claim Payments | 7,175,244 |
| Total Operating Expenses | 7,175,244 |
| OPERATING LOSS | (1,342,365) |
| NONOPERATING REVENUES | |
| Interest Income | 7,774 |
| Total Nonoperating Revenues | 7,774 |
| TRANSFERS IN | 1,330,000 |
| CHANGE IN NET POSITION | (4,591) |
| NET POSITION | |
| Beginning of Year | (218,013) |
| End of Year | \$ (222,604) |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Internal Service Fund |
|--|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Receipts/Premiums from Customers | \$ 5,832,879 |
| Cash Payments for Claims and Benefits | <u>(7,618,118)</u> |
| Net Cash Used by Operating Activities | <u>(1,785,239)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on Deposits | <u>7,774</u> |
| Net Cash Provided by Investing Activities | <u>7,774</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Operating Transfers In | <u>1,330,000</u> |
| Net Cash Provided by Financing Activities | <u>1,330,000</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (447,465) |
| Cash and Cash Equivalents - Beginning of Year | <u>760,486</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 313,021</u></u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating Loss | (1,342,365) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | |
| Effect of Changes in Assets and Liabilities: | |
| Decrease in Accounts Receivable | (1,695) |
| Decrease in Claims Payable | <u>(441,179)</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ (1,785,239)</u></u> |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

| | Private Purpose Trust Funds | Agency Funds |
|---|--------------------------------|-----------------|
| ASSETS | | |
| Cash | \$ 71,993 | \$ 483,735 |
| Due From Other Fund | - | 314,922 |
| Intergovernmental Receivable | 872,072 | - |
| Total Assets | 944,065 | 798,657 |
| LIABILITIES | | |
| Due to Other Government | 872,072 | - |
| Amounts Held in Custody for Others | - | 798,657 |
| Total Liabilities | 872,072 | \$ 798,657 |
| NET POSITION | | |
| Reserved for Liability Insurance | 26,597 | |
| Held in Trust for Individuals, Organizations, and Other Governments | 45,396 | |
| Total Net Position | \$ 71,993 | |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

| | Private Purpose Trust Funds |
|---------------------------------------|--------------------------------|
| ADDITIONS | |
| Interest Income | \$ 1,253 |
| Total Additions | 1,253 |
| CHANGES IN NET POSITION | 1,253 |
| Net Position - Beginning of Year | 70,740 |
| NET POSITION - END OF YEAR | \$ 71,993 |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT NET POSITION
SEPTEMBER 30, 2019**

| | Emergency Communications District | Convention and Visitors Bureau | Total |
|---------------------------------------|---|--------------------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 3,825,483 | \$ 14,177,886 | \$ 18,003,369 |
| Accounts Receivable | 347,849 | 1,053,686 | 1,401,535 |
| Inventories | - | 75,517 | 75,517 |
| Prepaid Items | 497,230 | 22,635 | 519,865 |
| Capital Assets: | | | |
| Other Capital Assets, Net | - | 40,694,438 | 40,694,438 |
| Total Assets | <u>4,670,562</u> | <u>56,024,162</u> | <u>60,694,724</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | - | 607,717 | 607,717 |
| Deferred Amount on Refunding | - | 87,695 | 87,695 |
| Total Deferred Outflows of Resources | <u>-</u> | <u>695,412</u> | <u>695,412</u> |
| LIABILITIES | | | |
| Claims Payable | 566,463 | 1,753,899 | 2,320,362 |
| Accrued Liabilities | - | 144,884 | 144,884 |
| Accrued Interest Payable | 12,195 | 397,875 | 410,070 |
| Unearned Revenue | - | 84,610 | 84,610 |
| Compensated Absence | - | 154,032 | 154,032 |
| Long-Term Liabilities: | | | |
| Due With One Year: | | | |
| Capital Debt | 397,626 | 2,461,920 | 2,859,546 |
| Noncapital Debt | - | 249,820 | 249,820 |
| Due in More than One Year: | | | |
| Capital Debt | 4,751,267 | 20,276,252 | 25,027,519 |
| Noncapital Debt | - | 5,245,871 | 5,245,871 |
| Net Pension Liability | - | 4,551,219 | 4,551,219 |
| Total Liabilities | <u>5,727,551</u> | <u>35,320,382</u> | <u>41,047,933</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | - | 42,011 | 42,011 |
| Total Deferred Inflows of Resources | <u>-</u> | <u>42,011</u> | <u>42,011</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | - | 17,956,266 | 17,956,266 |
| Unrestricted | (1,056,989) | 3,400,915 | 2,343,926 |
| Total Net Position | <u>\$ (1,056,989)</u> | <u>\$ 21,357,181</u> | <u>\$ 20,300,192</u> |

See accompanying Notes to Basic Financial Statements.

**DESOTO COUNTY, MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019**

| Component Units | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Totals |
|----------------------------------|-------------------|-------------------------|--|--|-----------------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Emergency Communication District | Convention and Visitors Bureau | |
| Emergency Communication District | \$ 1,497,533 | \$ 1,757,839 | \$ - | \$ 260,306 | \$ - | \$ 260,306 |
| Convention and Visitors Bureau | 15,151,191 | 9,540,188 | 19,593 | - | (5,591,410) | (5,591,410) |
| Total Governmental Activities | <u>16,648,724</u> | <u>11,298,027</u> | <u>19,593</u> | <u>260,306</u> | <u>(5,591,410)</u> | <u>(5,331,104)</u> |
| General Revenues: | | | | | | |
| Tourism Tax | | | | - | 9,706,077 | 9,706,077 |
| Unrestricted Interest Income | | | | 18,592 | 90,422 | 109,014 |
| Loss on disposal of assets | | | | - | (296,509) | (296,509) |
| Miscellaneous | | | | - | 349,139 | 349,139 |
| Total General Revenues | | | | <u>18,592</u> | <u>9,849,129</u> | <u>9,867,721</u> |
| Changes in Net Position | | | | 278,898 | 4,257,719 | 4,536,617 |
| Net Position - Beginning | | | | <u>(1,335,887)</u> | <u>17,099,462</u> | <u>15,763,575</u> |
| Net Position - Ending | | | | <u>\$ (1,056,989)</u> | <u>\$ 21,357,181</u> | <u>\$ 20,300,192</u> |

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accompanying financial statements of Desoto County (hereinafter referred to as "Desoto County" or "the County") have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards County (GASB). A summary of the County's more significant accounting policies follows:

Financial Reporting Entity

The County is a political subdivision of the state of Mississippi. The County is governed by an elected five-member County 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.

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

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

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units

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

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

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

DeSoto County Convention and Visitors Bureau (The Bureau) was created in 1998 by the DeSoto County Board of Supervisors under the provisions of House Bill 1831, under Chapter 1001 of the Local and Private Laws of 1996 of the State of Mississippi. The Bureau promotes tourism locally through revenues derived from a 2% tourism tax levied by the DeSoto County Board of Supervisors. The Bureau is governed by a seven-member County 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 County 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 statements information for the DeSoto County Convention and Visitors Bureau and DeSoto County Emergency Communications District, component units 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.

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.

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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, proprietary 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.

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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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 those related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major governmental funds:

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

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

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

Debt Service Funds – This fund is used to account for the principal and interest payments for long-term debt.

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.

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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Type

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

Fiduciary Fund Types

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

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

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.

Deposits and Investments

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of 14 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.

Receivables

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

The County's receivables include related party transactions with the DeSoto Convention Center and Visitor Bureau (the Bureau), component unit. As of September 30, 2019, the following transactions existed:

- Outstanding long term debt for 2009 bonds issued by the County on behalf of the Bureau. The Bureau is contractually obligated to repay the long-term debt. As of September 30, 2019, the outstanding debt was \$18,105,000.
- Outstanding loan receivable with the Bureau. As of September 30, 2019, the outstanding loan balance was \$5,516,510. (see note 3)

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

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 individual 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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

The following schedule details those thresholds and estimated useful lives:

| | <u>Capitalization Thresholds</u> | <u>Estimated Useful Life</u> |
|--------------------------------------|--------------------------------------|----------------------------------|
| Land | \$ - | N/A |
| Infrastructure | - | 20 to 50 Years |
| Buildings | 50,000 | 40 Years |
| Mobile Equipment | 5,000 | 5 to 10 Years |
| Furniture and Equipment | 5,000 | 3 to 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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.

In addition to liabilities, the statement of financial position reports 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 are 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.

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

Court Fines
Ambulance Charges
Due from Component Unit- 2009 Bonds

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.

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.

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, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

Fund Financial Statements (continued)

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 expenses/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.

Property Tax Revenues

Numerous statutes exist under which the County 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 County 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.

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.

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave for eligible employees. The maximum amount of personal leave allowed to be accrued for compensating absence is 240 hours. Employee personal leave exceeding 240 hours is counted towards the employee's retirement days. The County allows employees to accrue sick leave but does not pay-out sick leave upon the employee's separation from the County. 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.

NOTE 2 DEPOSITS

Primary Government

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$135,125,456 and the bank balance was \$141,781,715. 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.

NOTE 3 LOANS RECEIVABLE

At September 30, 2019, the DeSoto County Convention and Visitors Bureau had \$5,516,510 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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 LOANS RECEIVABLE (CONTINUED)

At September 30, 2019, the DeSoto County Regional Utility Authority had \$3,119,952 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, 2019, the Fairhaven Fire Department had \$74,028 in loans payable for a previous loan the County made to the Department. On August 20, 2015, DeSoto County entered into an agreement with Fairhaven Fire Department to construct a fire facility. The County loaned \$204,820 to be paid back annually beginning July 1, 2016. Agreement terms indicate no interest annual payments of \$13,548.03 to conclude with a final payment to be made July 1, 2030.

On September 30, 2019, The City of Horn Lake had \$379,037 in loans payable for a loan the County made to the city for refunding of voided tax sale. During August 2018, the County and the City entered into an agreement to repay the original loan totaling \$479,403 with no interest. Agreement terms include annual payments of \$119,851 beginning February 2019 and concluding February 2022.

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

| Description | Date of Loan | Maturity Date | Amount |
|--|-----------------|------------------|---------------------|
| DeSoto County Convention and Visitors Bureau | 10-2013 | 10-2043 | \$ 5,516,510 |
| DeSoto County Regional Utility Authority | 07-2013 | 09-2044 | 3,119,952 |
| Fairhaven Fire Department Project | 08-2015 | 07-2030 | 74,028 |
| City of Horn Lake | 08-2018 | 02-2022 | 379,037 |
| Total | | | <u>\$ 9,089,527</u> |

NOTE 4 INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund balances at September 30, 2019:

Due From/To Other Funds:

| | <u>Due From</u> | <u>Due To</u> |
|---------------------|------------------|------------------|
| General Fund | 1,306,572 | - |
| Special Revenue | - | 637,989 |
| Road Maintenance | - | 430,326 |
| Bridges and Culvert | - | 99,452 |
| Debt Service | - | 138,805 |
| Total | <u>1,306,572</u> | <u>1,306,572</u> |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

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

| Transfer In | Amount | Transfer From | Amount |
|---|----------------------|---------------------------------|----------------------|
| Governmental funds: | | Governmental funds: | |
| General Fund | \$ 881,010 | General Fund- Special Levy | \$ 881,010 |
| General Fund | 46,971 | Other Governmental Funds | 46,971 |
| General Fund | 177,900 | Debt Service | 177,900 |
| General Fund | 127,299 | Bridges and Culvert | 127,299 |
| General Fund | 94,519 | Roads Maintenance | 94,519 |
| Roads Maintenance | 11,583 | General Fund | 11,583 |
| Roads Maintenance | 59,242 | Other Governmental Funds | 59,242 |
| Bridges and Culvert | 5,605,000 | General Fund | 5,605,000 |
| Debt Service | 2,171,144 | Debt Service | 2,171,144 |
| Other Governmental Funds | 6,714,450 | General Fund | 6,714,450 |
| Other Governmental Funds | 386,821 | Other Governmental Funds | 386,821 |
| Total Governmental Funds | 16,275,939 | | |
| Internal Service Fund | 1,330,000 | General Fund | 1,330,000 |
| Total Governmental and Internal Service Fund | \$ 17,605,939 | Total Governmental Funds | \$ 17,605,939 |

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.

NOTE 5 INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables at September 30, 2019 consisted of the following:

Primary Government

| | Amount |
|-----------------------------------|--------------|
| Governmental Funds: | |
| Due from State Government: | |
| State of Mississippi | \$ 792,236 |
| Due From Local Government: | 532,607 |
| Due From Federal Government: | |
| Federal DUI Grant | 74,823 |
| Federal EMPG Grant | 120,021 |
| Federal Youth Drug Court Grants | 19,732 |
| Federal Occupant Protection Grant | 7,961 |
| Federal Public Safety Grants | 14,889 |
| Total Governmental Funds | \$ 1,562,269 |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2019:

| <u>Primary Government</u> | Balance Beginning of Year | Increases | Decreases | Transfer | Balance End of Year |
|--|---------------------------------|---------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Nondepreciable: | | | | | |
| Land | \$ 4,395,734 | \$ - | \$ - | \$ - | \$ 4,395,734 |
| Construction in Progress | 6,038,294 | 3,617,958 | - | (156,546) | 9,499,706 |
| Total Nondepreciable | <u>10,434,028</u> | <u>3,617,958</u> | <u>-</u> | <u>(156,546)</u> | <u>13,895,440</u> |
| Depreciable: | | | | | |
| Infrastructure | 158,564,727 | 752,699 | 9,850 | 156,546 | 159,464,122 |
| Buildings | 78,568,979 | 4,010,389 | 1,577,788 | - | 81,001,580 |
| Improvements Other Than Buildings | 1,065,084 | 40,871 | - | - | 1,105,955 |
| Mobile Equipment | 36,262,659 | 3,024,756 | 1,458,312 | - | 37,829,103 |
| Total Depreciable | <u>274,461,449</u> | <u>7,828,715</u> | <u>3,045,950</u> | <u>156,546</u> | <u>279,400,760</u> |
| Accumulated Depreciation: | | | | | |
| Buildings | 19,193,836 | 1,518,292 | 1,577,788 | - | 19,134,340 |
| Improvements Other Than Buildings | 458,661 | 4,573 | - | - | 463,234 |
| Mobile Equipment | 20,868,018 | 2,243,068 | 1,458,312 | - | 21,652,774 |
| Infrastructure | 89,101,015 | 2,459,118 | 9,850 | - | 91,550,283 |
| Total Accumulated Depreciation | <u>129,621,530</u> | <u>6,225,051</u> | <u>3,045,950</u> | <u>-</u> | <u>132,800,631</u> |
| Total Depreciable Capital Assets, Net | <u>144,839,919</u> | <u>1,603,664</u> | <u>-</u> | <u>156,546</u> | <u>146,600,129</u> |
| Total Capital Assets, Net | <u>\$ 155,273,947</u> | <u>\$ 5,221,622</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 160,495,569</u> |

Depreciation expense was charged to the following functions:

| | |
|-----------------------------------|---------------------|
| <u>Governmental Activities</u> | |
| General Government | \$ 241,772 |
| Public Safety | 2,151,272 |
| Public Works | 3,819,887 |
| Health and Welfare | 678 |
| Culture and Recreation | 3,917 |
| Conservation of Natural Resources | 7,525 |
| Total | <u>\$ 6,225,051</u> |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Commitments with respect to unfinished capital projects at September 30, 2019, consisted of the following:

| <u>Description of Commitment</u> | <u>Remaining Financial Commitment</u> | <u>Expected Date of Completion</u> |
|---------------------------------------|---|--|
| ACI Volunteer Fire Department | 16,000 | Not Determined |
| Starlanding Road Bridge | 62,407 | Not Determined |
| Feasibility study- Phase 1: Nail Road | 74,510 | Not Determined |
| Fogg Road Bridge | 78,215 | Not Determined |
| Hawks Crossing Park | 80,135 | Not Determined |
| Ingrams Mill Road Bridge | 80,408 | FY 2020 |
| Sheriff's Office Firing Range | 140,478 | FY 2020 |
| Ingrams Mill Road | 179,500 | Not Determined |
| Craft Rod Box Bridge Replacement | 217,124 | Not Determined |
| Commerce Street | 224,186 | Not Determined |
| Lewisburg Sidewalk | 254,579 | Not Determined |
| New Road & Bridge Building/Shop | 271,534 | Not Determined |
| Starlanding Road Project | 343,102 | Not Determined |
| Armory Road | 993,201 | Not Determined |
| Craft at Bethel Widening | 1,134,788 | Not Determined |
| Johnson Creek Greenway | 1,355,230 | Not Determined |
| IT Software Upgrade | 3,892,494 | Not Determined |
| Swinnea Road | 4,791,536 | Not Determined |
| Craft Road- Hawks to Polk Lane | 5,947,779 | FY 2020 |
| Agriculture Education Project | 8,800,000 | Not Determined |
| Nail Road Hacks Crossing | 9,249,153 | Not Determined |
| Holly Springs Road Bridge | 17,753,705 | FY 2022 |
| Total | <u>\$ 55,940,064</u> | |

NOTE 7 CLAIMS AND JUDGEMENTS

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 Lipscomb and Pitts effective from January 1, 2019, to January 1, 2020. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 CLAIMS AND JUDGMENTS (CONTINUED)

Risk Financing (Continued)

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:

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, 2019, the amount of these liabilities was \$537,320. An analysis of claims activities is presented below:

| | <u>Beginning of Year</u> | <u>Claims and Changes</u> | <u>Payments</u> | <u>End of Year</u> |
|--------------|------------------------------|-------------------------------|-----------------|------------------------|
| 2017 to 2018 | \$ 974,504 | \$ 5,034,269 | \$ 5,030,274 | \$ 978,499 |
| 2018 to 2019 | 978,499 | 7,176,939 | 7,618,118 | 537,320 |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 LONG-TERM LIABILITIES

Debt outstanding as of September 30, 2019, consisted of the following:

| Primary Government Governmental Activities | Amount Outstanding | Interest Rate Percentage | Final Maturity Date |
|---|-----------------------|-----------------------------|------------------------|
| General Obligation Bonds: | | | |
| 2009 Refunding Bonds | \$ 1,415,000 | 3.25-4.00% | October 2020 |
| 2009 Refunding Bonds | 18,105,000 | 2.50-5.00% | November 2028 |
| 2012 Refunding Bonds | 7,480,000 | 2.00-4.00% | July 2024 |
| 2013 General Obligation Bonds | 7,970,000 | 2.50-3.13% | June 2033 |
| 2015 General Obligation Refunding Bonds | 8,945,000 | 2.00-5.00% | July 2024 |
| 2016 General Obligation Refunding Bonds (Noncap) | <u>6,840,000</u> | 2.00-4.00% | November 2028 |
| Total General Obligation Bonds | <u>\$ 50,755,000</u> | | |
| Other Loans: | | | |
| Civic Center Tourism Center | <u>\$ 264,465</u> | 2.00% | April 2029 |

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 |
| 2020 | 7,945,000 | 3,427,557 | 30,353 | 4,617 |
| 2021 | 6,800,000 | 2,827,783 | 30,353 | 4,127 |
| 2022 | 7,560,000 | 2,778,290 | 30,353 | 4,028 |
| 2023 | 7,420,000 | 1,878,957 | 30,353 | 3,597 |
| 2024 | 6,440,000 | 1,291,170 | 30,353 | 2,954 |
| 2025-2029 | 11,970,000 | 3,156,130 | 112,700 | 6,290 |
| 2030-2033 | 2,620,000 | 202,924 | - | - |
| Total | <u>\$ 50,755,000</u> | <u>\$ 15,562,811</u> | <u>\$ 264,465</u> | <u>\$ 25,613</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, 2019, the amount of outstanding debt was equal to 3.29% of the latest property assessments.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

| <u>Governmental Activities</u> | <u>Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>End of Year</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|---------------------|---------------------|------------------------|--------------------------------|
| Bond Payable | \$ 59,235,000 | \$ - | \$ 8,480,000 | \$ 50,755,000 | \$ 7,945,000 |
| Unamortized Premiums | 2,586,708 | - | 679,886 | 1,906,822 | 520,474 |
| Other Loans | 287,414 | - | 22,949 | 264,465 | 30,353 |
| Compensated Absences | 1,861,174 | - | 265,829 | 1,595,345 | - |
| Net Pension Liability | 71,012,973 | 5,632,439 | - | 76,645,412 | - |
| Total | <u>\$ 134,983,269</u> | <u>\$ 5,632,439</u> | <u>\$ 9,448,664</u> | <u>\$ 131,167,044</u> | <u>\$ 8,495,827</u> |

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

Component Units

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 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.

DeSoto County provides to the Convention and Visitors Bureau refunding bond funds for improvements at the DeSoto Civic Center in Southaven. DeSoto County is ultimately responsible for the Series 2009B bonds issue included in the Convention and Visitors Bureau's financial statements. DeSoto County maintains a bond fund in its name for the payment of the principal and interest on the Bonds, and the payment of Agent's fees in connection with this. The Convention and Visitors Bureau 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 Convention and Visitors Bureau 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. For FY 2019, the Convention and Visitors Bureau total bond principal payments was \$2,185,000.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in component units' long-term liabilities and obligations for the year ended September 30, 2019:

| Combined Component Units | Beginning of Year | Increases | Decreases | End of Year | Due Within One Year |
|--------------------------|----------------------|-------------------|---------------------|----------------------|------------------------|
| Bonds Payable | \$ 28,660,000 | \$ - | \$ 2,560,000 | \$ 26,100,000 | \$ 2,675,000 |
| Unamortized Premiums | 1,674,053 | - | 151,494 | 1,522,559 | 151,493 |
| Capital Leases | 1,201,521 | - | 937,015 | 264,506 | 33,053 |
| Loans Payable | 5,745,512 | - | 249,821 | 5,495,691 | 249,820 |
| Compensated Absences | 150,935 | 3,097 | - | 154,032 | - |
| Net Pension Liability | 3,837,559 | 713,660 | - | 4,551,219 | - |
| Total | <u>\$ 41,269,580</u> | <u>\$ 716,757</u> | <u>\$ 3,898,330</u> | <u>\$ 38,088,007</u> | <u>\$ 3,109,366</u> |

NOTE 9 DEFINED BENEFIT PENSION PLAN

General Information About the 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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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' County 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% 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% 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% 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% 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, 2019, 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, 2019 was 17.40% of annual covered payroll. The rate increase from 15.75% effective July 1, 2019. 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, 2019, 2018 and 2017 were \$4,611,088, \$4,336,581, and \$4,158,765, respectively, equal to the required contributions for each year.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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

At September 30, 2019, the County reported a liability for its proportionate share of the net pension liability of \$76,645,412. The net pension liability was measured as of June 30, 2019, 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 September 30, 2019, the County's proportion was 0.43568%, which was an increase of 0.00874% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$7,399,740.

At September 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 45,342 | \$ 82,501 |
| Changes in Assumptions | 751,437 | - |
| Change in Proportion | | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 838,539 |
| County's Contributions Subsequent to the Measurement Date | 1,149,401 | - |
| Total | <u>\$ 1,946,180</u> | <u>\$ 921,040</u> |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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

Deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date consisting of \$1,149,401 will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------------|
| 2020 | \$ 383,459 |
| 2021 | (1,085,406) |
| 2022 | 227,771 |
| 2023 | 349,915 |
| Total | <u>\$ (124,261)</u> |

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75% general, 3.10% wage |
| Salary increases | 3.00-18.25% including inflation |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |
| Amortization period | 38.4 yers |
| Asset valuation method | 5-year smoothed market |

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy." The actuarial assumptions used in the valuation were based on the results of an actuarial experience study ending June 30, 2018.

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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

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

Actuarial Assumptions (Continued). The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

| Asset Class | Target Allocation | Expected Real Rate of Return |
|----------------------|-------------------|------------------------------|
| Domestic Equity | 27% | 4.90% |
| International Equity | 22% | 4.75% |
| Global Equity | 12% | 5.00% |
| Debt Securities | 20% | 1.50% |
| Real Estate | 10% | 4.00% |
| Private Equity | 8% | 6.25% |
| Cash Equivalents | 1% | 0.25% |
| Total | <u>100 %</u> | |

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease 6.75% | Discount Rate 7.75% | 1% Increase 8.75% |
|---|----------------------|------------------------|----------------------|
| County's Proportionate Share of Net Pension Liability | \$ 100,753,049 | \$ 76,645,412 | \$ 56,746,721 |

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

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10 CONTINGENCIES

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

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

NOTE 11 NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states that absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in event of default.

DeSoto County 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:

- \$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)

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

**NOTE 11 NO COMMITMENT DEBT (NOT INCLUDED IN FINANCIAL STATEMENTS)
(CONTINUED)**

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, 2019 is as follows:

| <u>Issue</u> | <u>Outstanding Amount</u> |
|---|-------------------------------|
| Mississippi Development Bank, Series 2010B Taxable | \$ 136,780,000 |
| Mississippi Development Bank, Series 2014 | 61,955,000 |
| Mississippi Development Bank, Series 2015 Refunding | 22,960,000 |
| Mississippi Development Bank, Series 2017A | 39,480,000 |
| Total Outstanding Amount | <u>\$ 261,175,000</u> |

NOTE 12 RELATED ORGANIZATIONS

The DeSoto County, Mississippi County of Supervisors is responsible for appointing a voting majority of the Members of the County 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.

NOTE 13 JOINTLY GOVERNED ORGANIZATIONS AND JOINT VENTURES

The county participates in the following jointly governed organizations:

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 County appointed by the County of Supervisors of the participating counties, one from each county. Each County appropriates funds annually as determined by each County 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 \$1,395,000. Complete financial statements for the First Regional Library can be obtained from P.O. Box 386, Hernando, Mississippi 38632.

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 4 of 30 members of the County of directors. DeSoto County appropriated \$210,935 for the operation of the district in fiscal year 2019, and \$126,208 for the cost of the county- wide transportation service for disabled and elderly citizens.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 13 JOINTLY GOVERNED ORGANIZATIONS

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 21 members of the County of commissioners. DeSoto County levied a .75 mill tax, which resulted in \$19,619 to help support the district in fiscal year 2019.

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 2019 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 County of Directors, with each Director appointed by the participating Counties of Supervisors from each county.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The DeSoto County Board of Supervisors appoints two of the 23 members of the college County of trustees. DeSoto County levied 4.11 mills of tax, which resulted in \$7,407,888 for maintenance and support of the college in fiscal year 2019.

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 30 County members. DeSoto County did not appropriate any funds for support of the agency in fiscal year 2019.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 14 EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$24,160,810) includes the effect of deferring the recognition of differences between expected and actual experience relating to the defined benefit pension plan. The \$45,342 of deferred outflows of resources at September 30, 2019 will be recognized as expense and decrease unrestricted net position over the next two years, and the \$82,501 balance of deferred inflows of resources at September 30, 2019 will be recognized as revenue and increase unrestricted net position over the next three 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 \$838,539 balance of the net deferred inflows of resources at September 30, 2019 will be recognized as revenue and increase unrestricted net position over the next four 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 \$751,437 balance of deferred outflows of resources at September 30, 2019 will be recognized as expense and decrease unrestricted net position over the next three years.

NOTE 15 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 10 years for new enterprises, property tax reductions not to exceed 10 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 County of Supervisors and ultimately a recommendation by the County of Supervisors to grant the incentive.

DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 15 TAX ABATEMENTS (CONTINUED)

- 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 10 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 10 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 10 years, however the County of Supervisors in lieu of granting the exemption for one period of 10 years, may grant the exemption in consecutive periods of five years each, not to exceed 10 years.
- 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 County 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 County 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.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 15 TAX ABATEMENTS (CONTINUED)

Facts and Assumptions (Continued)

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.

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 15 years.

The charts below identifies the total tax abatements issued during fiscal year 2019 and details of specific abatements determined as significant to the County:

| Tax Abatement Program | Amount of Taxes Abated During the Fiscal Year | Company Reported Capital in Investment | Employees Retained or New | Estimated Overall Payroll |
|------------------------------|---|--|---------------------------|---------------------------|
| Personal/Real Tax Exemptions | \$ 5,216,068 | \$ 910,482,668 | 8,568 | \$ 286,019,805 |
| Fee in Lieu | \$ 3,531,906 | \$ 75,278,087 | 475 | \$ 10,500,000 |
| Tax Increment Financing | \$ 10,420 | \$ 5,800,000 | 30 | \$ 250,000 |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 15 TAX ABATEMENTS (CONTINUED)

Tax Abatement: Schedule of Personal and Property Tax Exemptions

| <u>Company Name</u> | <u>Abatement Effect on Tax Revenue</u> | | | <u>Abatement Criteria</u> | <u>County Code Section</u> | <u>Abatement Value Based On</u> |
|--|--|---------------------|---------------------|--------------------------------|----------------------------|---------------------------------|
| | <u>Personal</u> | <u>Real</u> | <u>Total</u> | | | |
| Amerisourcebergen Drug Corporation | \$ 158,656 | \$ 60,293 | \$ 218,949 | Distribution | New | Approved Value |
| Kaz USA, Inc. | 7,314 | 143,424 | 150,738 | Distribution | New | Approved Value |
| Sephora USA, Inc. | 48,177 | 94,514 | 142,691 | Distribution | New | Approved Value |
| Synnex Corporation | 28,576 | 97,936 | 126,512 | Distribution | New | Approved Value |
| Milwaukee Electric Tool | 1,774 | 115,945 | 117,719 | Distribution | Expanded | Approved Value |
| Prologis | - | 100,851 | 100,851 | Distribution | New | Approved Value |
| Intuitive Surgical Inc. | 9,058 | 89,270 | 98,328 | Manufacturing/ Distribution | New | Approved Value |
| Genco-Nortex Security and Control | - | 95,514 | 95,514 | Distribution | New | Approved Value |
| Syncreon technology (America) | 4,617 | 88,186 | 92,803 | Distribution | New | Approved Value |
| Remainder (*) | - | - | 4,071,963 | | | |
| Total Tax Abatements: Reduction of Personal and Property Taxes | <u>\$ 557,616</u> | <u>\$ 1,832,493</u> | <u>\$ 5,216,068</u> | | | |

Notes to the Schedule:

1. Type of Abatement: Personal and Property Tax Exemptions
2. County Code Section: 27-31-105 (expanded), 27-31-101 (new)

(*) the County did not list all abatements issued during the fiscal year to the volume. Contact the County for a full listing of abatements issued during fiscal year 2019.

Tax Abatement: Schedule of Fee In Lieu of Taxes Personal and Property Taxes

| <u>Company Name</u> | <u>Abatement Effect on Tax Revenue</u> | | | <u>Abatement Criteria</u> | <u>Abatement Value Based On</u> |
|--|--|-------------------|---------------------|----------------------------------|---|
| | <u>Personal</u> | <u>Real</u> | <u>Total</u> | | |
| View, Inc. | \$ 353,677 | \$ 108,871 | \$ 462,548 | Minimum Capital Investment | Not less than 1/3 of the assessed value |
| View, Inc. | 197,790 | - | 197,790 | | |
| McKesson Corporation | 128,133 | 166,192 | 294,325 | | |
| Teleflex Medical Inc. | 17,184 | 156,852 | 174,036 | | |
| Remainder (*) | - | - | 2,403,207 | | |
| Total Tax Abatements: Fee In Lieu of Personal and Property Taxes | <u>\$ 696,784</u> | <u>\$ 431,915</u> | <u>\$ 3,531,906</u> | | |

Notes to the Schedule:

1. Type of Abatement: Fee In Lieu of Taxes Personal and Property Taxes
2. County Code Section: 27-31-104

(*) the County did not list all abatements issued during the fiscal year to the volume. Contact the County for a full listing of abatements issued during fiscal year 2019.

**DESOTO COUNTY, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 15 TAX ABATEMENTS (CONTINUED)

Tax Abatement: Schedule of Tax Increment Financing

| <u>Company Name</u> | <u>Abatement Effect on Tax Revenue</u> | <u>Abatement Criteria</u> | <u>Abatement Value Based On</u> |
|---------------------|--|-------------------------------|---|
| Hampton Inn | \$ 10,420 | Improved Amounts | The difference between the original and improved |

Notes to the Schedule:

1. Type of Abatement: Tax Increment Financing
2. County Code Section: 21-45-1

NOTE 16 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 May 13, 2021.

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

During the period from January 1, 2020 through July 31, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended September 30, 2019 as these events occurred subsequent to year end and are still developing.

DeSoto County refunded Series 2009 General Obligation Refunding Bonds on behalf of the Convention and Visitors Bureau. The bonds refunding was for \$15,335,000 with an interest rate of 2.5% - 5.0%. The Series 2019 Bonds were issued under the Act for the purpose of (a) currently refunding and defeasing a portion of County's outstanding \$37,205,000 (original principal amount) General Obligation Refunding Bonds, Series 2009B, dated December 14, 2009, and (b) paying the costs incident to the sale and issuance of the Series 2019 Bonds, as authorized by the Act. The Convention and Visitors Bureau is primarily responsible for repaying the debt. The bonds proceeds were issued October 31, 2019, after fiscal year 2019.

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS**

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 County of Commissioners appointed by the County 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 County (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.

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

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.

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**DECRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

NOTE 2 CASH AND CASH EQUIVALENTS

The carrying amount of the District’s total deposits with financial institutions at September 30, 2019 was \$3,825,483 and the bank balance was \$3,830,447. 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).

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 ACCOUNTS RECEIVABLE

The District has accounts receivable in the amount of \$347,849 which consists of telephone service charges to multiple telephone service providers in the DeSoto County area. These receivables are generally collected with 60 to 90 days of the month for which the service is provided.

NOTE 4 PREPAID EXPENSES

The District has prepaid expenses in the amount of \$497,230. These prepaid expenses are amounts paid in advance for the annual service contract's pertaining to the District's Emergency communications equipment.

NOTE 5 LONG-TERM LIABILITY

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

| Component Units | Beginning of Year | Increases | Decreases | End of Year | Due Within One Year |
|----------------------|----------------------|-----------|------------|----------------|------------------------|
| Bonds Payable | \$ 5,440,000 | \$ - | \$ 375,000 | \$ 5,065,000 | \$ 390,000 |
| Unamortized Premiums | 91,520 | | 7,627 | 83,893 | 7,626 |
| Total | \$ 5,531,520 | \$ - | \$ 382,627 | \$ 5,148,893 | \$ 397,626 |

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 |
|---------------------------|--------------|------------|--------------|
| 2020 | \$ 390,000 | \$ 140,488 | \$ 530,488 |
| 2021 | 400,000 | 128,637 | 528,637 |
| 2022 | 415,000 | 116,413 | 531,413 |
| 2023 | 430,000 | 103,738 | 533,738 |
| 2024 | 445,000 | 92,281 | 537,281 |
| 2025-2029 | 2,445,000 | 268,038 | 2,713,038 |
| 2030 | 540,000 | 8,100 | 548,100 |
| Total | \$ 5,065,000 | \$ 857,695 | \$ 5,922,695 |

NOTE 6 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.

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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' County 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% 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% 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% 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% 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, 2019, 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, 2019 was 17.4%, increased from 15.75% on July 1, 2019. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature.

The District's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018, and 2017 were \$14,539, \$14,155, and \$13,876, 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.

**DESCRETELY PRESENTED COMPONENT UNIT
EMERGENCY COMMUNICATIONS DISTRICT FOR DESOTO COUNTY MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 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 8 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 March 18, 2020, (the date the financial statements were available to be issued) and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS**

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 County of Directors that is appointed by the DeSoto County, Mississippi County 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 County (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Financial Reporting Entity

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

Financial accountability 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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

| | |
|-------------------------------|----------------|
| Equipment Under Capital Lease | 5 to 7 Years |
| Buildings | 20 to 50 Years |
| Improvements/Infrastructure | 5 to 50 Years |
| Equipment | 2 to 15 Years |
| Furniture and fixtures | 2 to 15 Years |

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 reports 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.

Deferred Amount on Refunding – For current refundings reported in the governmental activities is 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.

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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 CASH AND CASH EQUIVALENTS

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

The carrying amount of the Bureau's total deposits with financial institutions at September 30, 2019 was \$14,177,886 and the bank balance was \$14,223,778. 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, 2019, 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 five years.

**DECRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 SUMMARY OF CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2019 were as follows:

| <u>Component Unit:</u> | <u>Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>End of Year</u> |
|---------------------------------------|------------------------------|-----------------------|-------------------|------------------------|
| Nondepreciable: | | | | |
| Land | \$ 6,328,825 | \$ - | \$ - | \$ 6,328,825 |
| Construction in Progress | - | - | - | - |
| Total Nondepreciable | <u>6,328,825</u> | <u>-</u> | <u>-</u> | <u>6,328,825</u> |
| Depreciable: | | | | |
| Intangible | 300,000 | - | 300,000 | - |
| Buildings and Improvements | 51,437,964 | 377,227 | 7,250 | 51,807,941 |
| Machinery and Equipment | 2,663,296 | 279,010 | 78,605 | 2,863,701 |
| Furniture and Fixtures | 195,281 | - | 3,026 | 192,255 |
| Total Depreciable | <u>54,596,541</u> | <u>656,237</u> | <u>388,881</u> | <u>54,863,897</u> |
| Accumulated Depreciation: | | | | |
| Intangible | 5,000 | - | 5,000 | - |
| Buildings and Improvements | 16,974,407 | 1,367,567 | 6,201 | 18,335,773 |
| Machinery and Equipment | 1,729,772 | 338,343 | 78,363 | 1,989,752 |
| Furniture and Fixtures | 174,209 | 1,358 | 2,808 | 172,759 |
| Total Accumulated Depreciation | <u>18,883,388</u> | <u>1,707,268</u> | <u>92,372</u> | <u>20,498,284</u> |
| Total Depreciable Capital Assets, Net | <u>35,713,153</u> | <u>(1,051,031)</u> | <u>296,509</u> | <u>34,365,613</u> |
| Total Capital Assets, Net | <u>\$ 42,041,978</u> | <u>\$ (1,051,031)</u> | <u>\$ 296,509</u> | <u>\$ 40,694,438</u> |

NOTE 5 LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2019 were as follows:

| <u>Component Units</u> | <u>Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>End of Year</u> | <u>Due Within One Year</u> |
|------------------------|------------------------------|-------------------|---------------------|------------------------|--------------------------------|
| Bonds Payable | \$ 23,220,000 | \$ - | \$ 2,185,000 | \$ 21,035,000 | \$ 2,285,000 |
| Unamortized Premiums | 1,582,533 | - | 143,867 | 1,438,666 | 143,867 |
| Capital Leases | 1,201,521 | - | 937,015 | 264,506 | 33,053 |
| Loans Payable | 5,745,512 | - | 249,821 | 5,495,691 | 249,820 |
| Compensated Absences | 150,935 | 3,097 | - | 154,032 | - |
| Net Pension Liability | 3,837,559 | 713,660 | - | 4,551,219 | - |
| Total | <u>\$ 35,738,060</u> | <u>\$ 716,757</u> | <u>\$ 3,515,703</u> | <u>\$ 32,939,114</u> | <u>\$ 2,711,740</u> |

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

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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, 2019 \$2,960,000 of bonds outstanding are defeased. The defeased bonds were called on November 1, 2019.

Annual debt service requirements to maturity for the debt reported in the statement of net position are as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 2,534,820 | \$ 898,000 | \$ 3,432,820 |
| 2021 | 2,649,820 | 781,250 | 3,431,070 |
| 2022 | 2,769,820 | 663,050 | 3,432,870 |
| 2023 | 2,889,820 | 543,500 | 3,433,320 |
| 2024 | 1,919,820 | 452,094 | 2,371,914 |
| 2025-2029 | 10,769,102 | 1,008,708 | 11,777,810 |
| 2030-2034 | 1,249,102 | 109,000 | 1,358,102 |
| 2035-2039 | 1,249,102 | - | 1,249,102 |
| 2040-2044 | 499,285 | - | 499,285 |
| Total | <u>\$ 26,530,691</u> | <u>\$ 4,455,602</u> | <u>\$ 30,986,293</u> |

Capital leases are comprised of leases for a score County, 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, 2019 were as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> |
|---|-------------------|
| 2020 | \$ 30,353 |
| 2021 | 30,354 |
| 2022 | 30,353 |
| 2023 | 30,353 |
| 2024 | 30,353 |
| 2025-2029 | 139,117 |
| Total minimum least payments | \$ 290,883 |
| Interest | (26,377) |
| Present Value of minium lease payments | <u>\$ 264,506</u> |

**DECRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 County 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.

Contributions. At September 30, 2019, 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, 2019 was 17.40% 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, 2019, 2018 and 2017 were \$282,452, \$230,562, and \$225,558, respectively, equal to the required contributions for 2019, 2018, and 2017. In 2019 and 2018, the employer's share of contributions was over funded \$5,288 and under funded by \$5,817, respectively.

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' County 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% 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% 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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 PENSION OBLIGATIONS (CONTINUED)

Benefits Provided (continued)

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% 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% compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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

At September 30, 2019, the Bureau reported a liability of \$4,551,219 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Bureau's proportion was 0.0259%, which was an increase of 0.0028% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the Bureau recognized pension expense of \$397,201. At September 30, 2019 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 | \$ 6,497 | \$ - |
| Changes in Assumptions | 44,509 | - |
| Net Difference Between Projected and Actual | | |
| Earnings on Pension Plan Investments | 209,848 | (31,341) |
| Changes in Proportionate Share of Contributions | 269,208 | 73,352 |
| Bureaus's Contributions Subsequent to the Measurement Date | 77,655 | - |
| Total | <u>\$ 607,717</u> | <u>\$ 42,011</u> |

**DECRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 PENSION OBLIGATIONS (CONTINUED)

General Information about the Pension Plan (Continued)

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

\$77,655 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30.</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Amount</u> |
|----------------------------|---|--|-------------------|
| 2020 | \$ 259,780 | \$ (65,189) | \$ 194,591 |
| 2021 | 184,052 | (1,122) | 182,930 |
| 2022 | 86,230 | 3,521 | 89,751 |
| 2023 | - | 20,779 | 20,779 |
| Total | <u>\$ 530,062</u> | <u>\$ (42,011)</u> | <u>\$ 488,051</u> |

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75% |
| Salary Increases | 3.00% to 18.25%, Including Inflation |
| Investment Rate of Return | 7.75%, Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study ending June 30, 2018.

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

**DECRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 PENSION OBLIGATIONS (CONTINUED)

General Information about the Pension Plan (Continued)

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

Actuarial Assumptions (Continued).

| Asset Class | Target Allocation | Expected Real Rate of Return |
|----------------------|----------------------|---------------------------------|
| Domestic Equity | 27% | 4.90% |
| International Equity | 22% | 4.75% |
| Global Equity | 12% | 5.00% |
| Debt Securities | 20% | 1.50% |
| Real Estate | 10% | 4.00% |
| Private Equity | 8% | 6.25% |
| Cash Equivalents | 1% | 0.25% |
| Total | <u>100 %</u> | |

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%) through June 30, 2019. 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%, as well as what the Bureau's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease 6.75% | Discount Rate 7.75% | 1% Increase 8.75% |
|--|----------------------|------------------------|----------------------|
| Bureau's Proportionate Share of Net Pension Liability | \$ 5,982,736 | \$ 4,551,219 | \$ 3,369,631 |

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.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

The Bureau has evaluated subsequent events through, January 31, 2020, the date the financial statements were available to be issued. On August 1, 2019, the Bureau agreed to terms on the advanced refunding of General Obligation Refund Bonds. The bonds were sold on October 31, 2019 for \$16,106,000.

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance Positive (Negative) |
|---|---------------------|---------------------|--------------------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 42,890,700 | \$ 42,939,590 | 46,078,906 | \$ 3,139,316 |
| Licenses, Commissions, and Other Revenue | 2,929,300 | 3,049,908 | 3,512,296 | 462,388 |
| Fines and Forfeitures | 1,337,000 | 1,337,000 | 1,384,244 | 47,244 |
| Intergovernmental Revenues | 3,787,348 | 4,324,478 | 4,490,364 | 165,886 |
| Charges for Services | 1,269,000 | 1,290,450 | 1,658,481 | 368,031 |
| Interest Income | 400,000 | 400,000 | 1,074,732 | 674,732 |
| Miscellaneous Revenues | 913,000 | 1,088,570 | 1,382,280 | 293,710 |
| Total Revenues | <u>53,526,348</u> | <u>54,429,996</u> | <u>59,581,303</u> | <u>5,151,307</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 17,741,343 | 18,151,396 | 17,976,652 | 174,744 |
| Public Safety | 26,562,479 | 26,663,512 | 26,394,164 | 269,348 |
| Public Works | 506,005 | 506,810 | 469,103 | 37,707 |
| Health and Welfare | 1,796,400 | 1,824,596 | 1,723,569 | 101,027 |
| Culture and Recreation | 1,395,000 | 1,395,000 | 1,395,000 | - |
| Conservation of Natural Resources | 348,407 | 348,407 | 294,904 | 53,503 |
| Economic Development | 373,855 | 382,755 | 365,297 | 17,458 |
| Debt Service | | | | - |
| Principal | 24,794 | 24,794 | 24,794 | - |
| Interest | 5,560 | 5,560 | 5,560 | - |
| Total Expenditures | <u>48,753,843</u> | <u>49,302,830</u> | <u>48,649,043</u> | <u>653,787</u> |
| Excess of Revenues Over (Under) Expenditures | 4,772,505 | 5,127,166 | 10,932,260 | 5,805,094 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 33,674 | 526,033 | 1,358,052 | 832,019 |
| Transfers Out | (44,806,209) | (45,653,199) | (14,541,669) | 31,111,530 |
| Total Other Financing Sources (Uses) | <u>(44,772,535)</u> | <u>(45,127,166)</u> | <u>(13,183,617)</u> | <u>31,943,549</u> |
| NET CHANGE IN FUND BALANCES | (40,000,030) | (40,000,000) | (2,251,357) | 37,748,643 |
| Fund Balances - Beginning of Year | <u>46,466,555</u> | <u>45,506,520</u> | <u>51,935,478</u> | <u>6,428,958</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 6,466,525</u> | <u>\$ 5,506,520</u> | <u>\$ 49,684,121</u> | <u>\$ 44,177,601</u> |

See Accompanying Notes to Required Supplementary Information.

**DESOTO COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
ROAD MAINTENANCE FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance Positive (Negative) |
|---|-----------------------|-----------------------|--------------------------------|------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 3,020,000 | \$ 3,020,000 | \$ 3,212,810 | \$ 192,810 |
| Road and Bridge Privilege Taxes | 2,000,000 | 2,000,000 | 2,314,458 | 314,458 |
| Licenses, Commissions, and Other Revenue | 5,000 | 5,000 | 8,086 | 3,086 |
| Intergovernmental Revenues | 5,634,009 | 5,634,009 | 1,437,043 | (4,196,966) |
| Charges for Services | 10,000 | 10,000 | 1,300 | (8,700) |
| Interest Income | 250,000 | 250,000 | 247,457 | (2,543) |
| Miscellaneous Revenues | 428,372 | 439,527 | 213,962 | (225,565) |
| Total Revenues | <u>11,347,381</u> | <u>11,358,536</u> | <u>7,435,116</u> | <u>(3,923,420)</u> |
| EXPENDITURES | | | | |
| Public Works | 17,159,557 | 18,226,512 | 7,476,965 | 10,749,547 |
| Total Expenditures | <u>17,159,557</u> | <u>18,226,512</u> | <u>7,476,965</u> | <u>10,749,547</u> |
| Excess of Revenues Over (Under) Expenditures | (5,812,176) | (6,867,976) | (41,849) | 6,826,127 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 90,000 | 70,825 | (19,175) |
| Transfers Out | (7,287,679) | (6,231,879) | (94,519) | 6,137,360 |
| Other Financing Sources | - | 9,855 | - | (9,855) |
| Total Other Financing Sources (Uses) | <u>(7,287,679)</u> | <u>(6,132,024)</u> | <u>(23,694)</u> | <u>6,108,330</u> |
| NET CHANGE IN FUND BALANCES | (13,099,855) | (13,000,000) | (65,543) | 12,934,457 |
| Fund Balances - Beginning of Year | <u>5,674,674</u> | <u>5,674,674</u> | <u>13,701,652</u> | <u>8,026,978</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (7,425,181)</u> | <u>\$ (7,325,326)</u> | <u>\$ 13,636,109</u> | <u>\$ 20,961,435</u> |

See Accompanying Notes to Required Supplementary Information.

**DESOTO COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
BRIDGE AND CULVERT FUND
YEAR ENDED SEPTEMBER 30, 2019**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance Postive (Negative) |
|---|------------------------|------------------------|--------------------------------|-----------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 6,790,000 | \$ 6,790,000 | 7,147,357 | \$ 357,357 |
| Intergovernmental | 1,500,000 | 1,500,000 | - | (1,500,000) |
| Interest Income | 350,000 | 350,000 | 488,574 | 138,574 |
| Miscellaneous Revenues | 500,000 | 500,000 | 48,246 | (451,754) |
| Total Revenues | <u>9,140,000</u> | <u>9,140,000</u> | <u>7,684,177</u> | <u>(1,455,823)</u> |
| EXPENDITURES | | | | |
| Public Works | 54,243,759 | 55,474,253 | 7,693,805 | 47,780,448 |
| Total Expenditures | <u>54,243,759</u> | <u>55,474,253</u> | <u>7,693,805</u> | <u>47,780,448</u> |
| Excess of Revenues Over (Under) Expenditures | (45,103,759) | (46,334,253) | (9,628) | 46,324,625 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 5,105,000 | 5,605,000 | 5,605,000 | - |
| Transfers Out | (4,501,241) | (3,643,448) | (127,299) | 3,516,149 |
| Other Financing Sources | 22,000,000 | - | - | - |
| Total Other Financing Sources (Uses) | <u>22,603,759</u> | <u>1,961,552</u> | <u>5,477,701</u> | <u>3,516,149</u> |
| NET CHANGE IN FUND BALANCES | (22,500,000) | (44,372,701) | 5,468,073 | 49,840,774 |
| Fund Balances - Beginning of Year | <u>(7,942,387)</u> | <u>1,049,519</u> | <u>18,141,198</u> | <u>17,091,679</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (30,442,387)</u> | <u>\$ (43,323,182)</u> | <u>\$ 23,609,271</u> | <u>\$ 66,932,453</u> |

See Accompanying Notes to Required Supplementary Information.

DESOTO COUNTY, MISSISSIPPI
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> | <u>2014*</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| County's proportion of the net pension liability (asset) | 0.435684% | 0.426941% | 0.426552% | 0.388673% | 0.388673% | 0.394375% |
| County's proportionate share the net pension liability (asset) | 76,645,412 | 71,012,973 | 70,907,420 | 69,179,485 | 60,081,181 | 47,869,904 |
| County's covered payroll | 28,588,547 | 27,267,103 | 27,363,530 | 24,705,549 | 24,213,403 | 24,033,175 |
| County's proportionate share the net pension liability (asset) as a percentage of its covered payroll | 268.10% | 260.43% | 259.13% | 280.02% | 248.13% | 199.18% |
| Plan Fiduciary net position as a percentage of the Total pension liability | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

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

**DESOTO COUNTY, MISSISSIPPI
SCHEDULE OF COUNTY CONTRIBUTIONS
LAST 10 FISCAL YEARS***

| | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> | <u>2014*</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 4,611,088 | \$ 4,336,581 | \$ 4,158,765 | \$ 4,002,356 | \$ 3,824,965 | \$ 3,629,162 |
| Contributions in relation to the Contractually required contribution | 4,611,088 | 4,336,581 | 4,158,765 | 4,002,356 | 3,824,965 | 3,629,162 |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered payroll | \$ 27,267,103 | \$ 27,533,828 | \$ 26,404,842 | \$ 25,411,784 | \$ 24,285,492 | \$ 23,042,298 |
| Contributions as a percentage of covered payroll | 16.91% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

Notes to Schedule:

Valuation date: June 30, 2018
measurement date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Inflation 2.75% general, 3.10% wage
Salary increases 3.00-18.25% including inflation
Investment rate of return 7.75%, net of pension plan investment expense, including inflation
Retirement age 45

The 2019 contributions as percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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

**DESOTO COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

NOTE 1 BUDGETARY COMPARISON SCHEDULE

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 County of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the sheriff, the tax assessor and the tax 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 County 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.

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.

Budget/GAAP Reconciliation

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

- a. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

The following schedule reconciles the budgetary basis schedule 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) | \$ (2,251,357) | \$ (65,543) | \$ 5,468,073 |
| Increase (Decrease) | | | |
| Net Adjustment for Revenue Accruals | 3,910,119 | 430,327 | 99,452 |
| Net Adjustment for Expenditure Accruals | 755,595 | 355,826 | (96,687) |
| GAAP Basis | <u>\$ 2,414,357</u> | <u>\$ 720,610</u> | <u>\$ 5,470,838</u> |

**DESOTO COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019**

NOTE 2 PENSION SCHEDULES

Changes of Assumptions

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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%.

DESOTO COUNTY, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

NOTE 2 PENSION SCHEDULES (CONTINUED)

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.

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 1% and a maximum rate of 5%.

**DESCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
REQUIRED SUPPLEMENTARY INFORMATION**

**DESOTO COUNTY, MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS***

| | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Bureau's proportion of the net pension liability (asset) | 0.026000% | 0.023000% | 0.022000% | 0.020000% | 0.019000% |
| Bureau's proportionate share the net pension liability (asset) | 4,551,219 | 3,837,559 | 3,595,806 | 3,590,541 | 2,970,878 |
| Bureau's covered payroll | 1,684,910 | 1,473,347 | 1,387,660 | 1,285,881 | 1,220,717 |
| Bureau's proportionate share the net pension liability (asset) as a percentage of its covered payroll | 270.12% | 260.47% | 259.13% | 279.23% | 243.37% |
| Plan Fiduciary net position as a percentage of the Total pension liability | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% |

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

**DESOTO COUNTY, MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS***

| | <u>2019*</u> | <u>2018*</u> | <u>2017*</u> | <u>2016*</u> | <u>2015*</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 277,164 | \$ 236,379 | \$ 225,558 | \$ 212,360 | \$ 192,617 |
| Contributions in relation to the | | | | | |
| Contractually required contribution | <u>282,452</u> | <u>230,562</u> | <u>225,558</u> | <u>212,228</u> | <u>192,593</u> |
| Contribution deficiency (excess) | <u>(5,288)</u> | <u>5,817</u> | <u>-</u> | <u>132</u> | <u>24</u> |
| | | | | | |
| Bureau's covered payroll | \$ 1,713,021 | \$ 1,500,822 | \$ 1,432,120 | \$ 1,348,300 | \$ 1,222,965 |
| | | | | | |
| Contributions as a percentage of covered payroll | 16.49% | 15.36% | 15.75% | 15.74% | 15.75% |

Notes to Schedule:

Valuation date: June 30, 2018
measurement date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Inflation 2.75% general, 3.10% wage
Salary increases 3.00-18.25% including inflation
Investment rate of return 7.75%, net of pension plan investment expense, including inflation
Retirement age 45

The 2019 contributions as percentage of covered payroll will be an average of the former contribution rate of 15.75% and the current contribution rate of 17.40%.

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

**DISCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 PENSION SCHEDULES (CONTINUED)

Changes of Assumptions

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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%.

**DISCRETELY PRESENTED COMPONENT UNIT
DESOTO COUNTY CONVENTION AND VISITORS BUREAU
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE 1 PENSION SCHEDULES (CONTINUED)

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.

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 1% and a maximum rate of 5%.