

DeSoto County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

DeSoto County Location in Mississippi



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

DeSoto County, Mississippi
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FINANCIAL STATEMENTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Members of the Board of Supervisors
DeSoto County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the DeSoto County, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the DeSoto County Port Commission, DeSoto County Emergency Communications District, DeSoto County Civic Center, component units, which represent 0 percent, 32 percent, and 68 percent, of the assets, 0 percent, 124 percent, and (24) percent, of net position, and 0 percent, 16 percent, and 84 percent of the revenues of the proprietary component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the reports 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Combining Statements - Component Units are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of

Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Combining Statements - Component Units are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the Schedule of Expenditures of Federal Awards and the accompanying Combining Statements - Component Units are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the DeSoto County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 15, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

INTRODUCTION

The following discussion and analysis of DeSoto County, Mississippi's financial performance provides an overview of the County's financial activities for the year ended September 30, 2013. The intent of this discussion and analysis is to look at the County's performance as a whole. Readers are encourage to review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$15,558,716, which represents a 10% increase from 2012. Total net position for 2012 increased \$10,384,129, which represents an 8% increase from 2011.
- The County had \$81,153,667 in total revenues for 2013. Tax revenues account for \$56,637,639 or 70% of total revenues for 2013. Charges for services account for \$10,051,280 or 12% for 2013. The County had \$71,636,292 in total revenues for 2012. Tax revenues account for \$55,569,914 or 78% of total revenues for 2012. Charges for services accounted for \$8,454,504 or 12% for 2012.
- The County had \$65,594,951 in total expenses for 2013. Expenses in the amount of \$10,989,117 were offset by charges for services, grants, or outside contributions. General revenues of \$62,669,936 and special item of \$7,494,614 were adequate to provide for the remainder of the expenses. For 2012, the County had \$61,252,163 in total expenses. Expenses in the amount of \$9,251,468 were offset by charges for services, grants, or outside contributions. General revenues in the amount of \$62,384,824 were adequate to provide for the remainder of the expenses.
- The General Fund had \$46,016,211 in revenues and \$40,344,375 in expenditures. The General Fund's fund balance increased \$9,611,351 over the prior year. Last year's revenues were \$43,525,079 while expenditures were \$38,529,587.
- Among major funds, the Bridge and Culvert Fund had \$6,254,541 in revenues and \$6,686,378 in expenditures. The Bridge and Culvert Fund's fund balance decreased \$220,836 from 2012. In 2012, the Bridge and Culvert Fund reported \$6,801,657 in revenues and \$4,765,314 in expenditures.
- Long-term debt increased by \$3,456,492, excluding bond discounts and premiums and loss on refunding. In 2012, long-term debt decreased by \$6,270,126 mainly due to the county paying down existing debt and refinancing existing debt to save money for the county.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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. This report also contains Required Supplementary Information, Supplementary Information and Other Information.

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

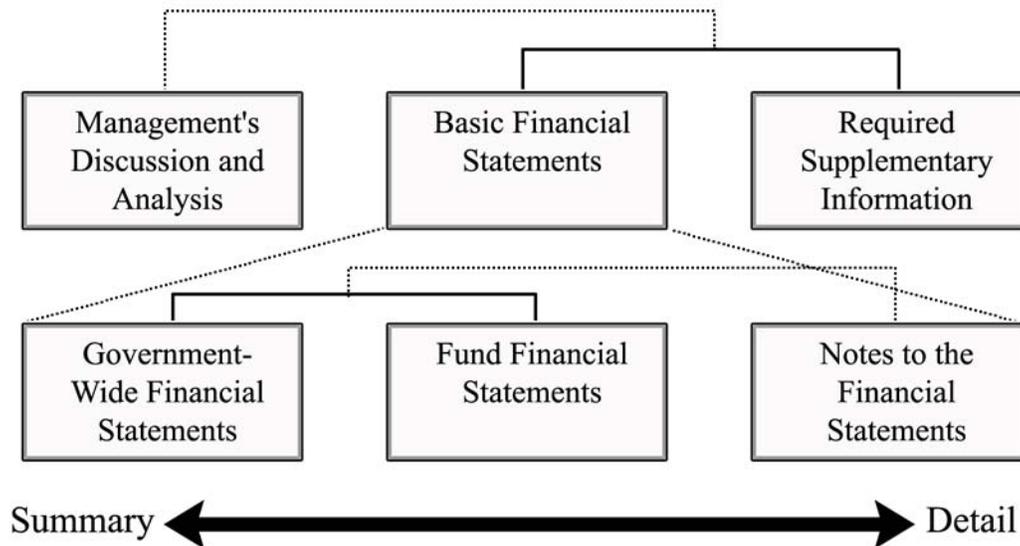


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

The next page 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.

The next page also shows the Major Features of the County's Government-Wide and Fund Financial Statements

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	All activities of the County that are business-type in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Cash Flows	* Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short and long term	All assets, liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when the cash is received or paid	N/A

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements consist of the Statement of Net position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and interest on long-term debt. The business-type activity of the County is for the self-funded health insurance plan for county employees.

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

The County has three (3) component units reported in the DeSoto County's report as follows:

DeSoto County, Mississippi Port Commission	365 Loshier Street, Suite 300 Hernando, MS 38632
DeSoto County Emergency Communications District	P.O. Box 156 Nesbit, MS 38651
DeSoto County Civic Center	4560 Venture Drive Southaven, MS 38671

Information on each may be obtained from the boards of the various component units.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Fund Financial Statements

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

Governmental funds - Most of the County's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the County's near term financing requirements.

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 gain a better understanding of the long-term impact of the County's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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 non-major funds are combined and presented in these reports as other governmental funds.

Proprietary fund - 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 to be a major fund of the County.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 the resources of those funds are not available to support the County's own programs. These funds are reported using the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Bond and notes proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules 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 as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, the Schedule of Expenditures of Federal Awards, required by OMB Circular A-133 can be found in this report.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 exceeded liabilities by \$164,335,079 as of September 30, 2013.

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.

Table 1 presents a summary of the County's net position for the governmental activities at September 30, 2013 and September 30, 2012.

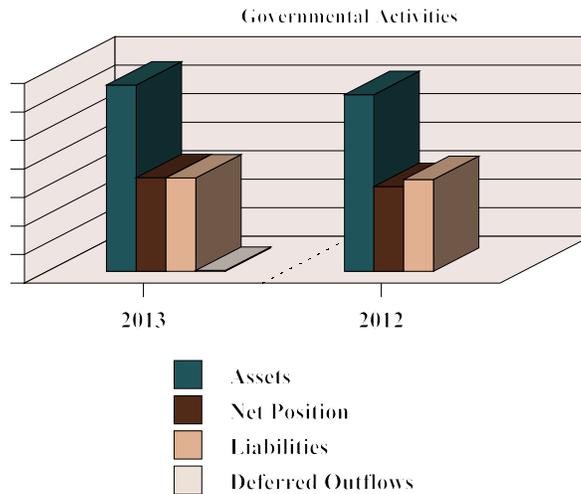
	September 30, 2013	September 30, 2012
Assets:		
Current assets	\$ 183,942,317	164,398,451
Capital assets, net	142,685,237	145,457,723
Total Assets	<u>326,627,554</u>	<u>309,856,174</u>
Liabilities:		
Current liabilities	58,799,669	61,090,258
Long-term debt outstanding	103,492,806	99,989,553
Total Liabilities	<u>162,292,475</u>	<u>161,079,811</u>
Net Position:		
Net Investment in capital assets	74,615,295	82,286,711
Restricted	33,437,326	30,886,276
Unrestricted	56,282,458	35,603,376
Total Net Position	<u>\$ 164,335,079</u>	<u>148,776,363</u>

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

- \$5,616,938 of long-term debt was retired during the year in the governmental activities.
- Capital assets, net of accumulated depreciation, decreased by \$2,772,486 primarily due to retirements of furniture and equipment during the year coupled with the recording of depreciation expense.

DeSoto County, Mississippi
 Management's Discussion and Analysis
 For the Year Ended September 30, 2013

- The cash on hand increased \$12,821,776 due to the decreased expenditures for construction in progress as the construction of a new jail facility for the county was completed during the fiscal year.
- The current liabilities decreased \$2,290,589 due to a decrease in retainage payable for the county's construction of a new jail facility.
- The full amount of the loans receivable from the DeSoto Civic Center was added to the current assets since a repayment plan has been adopted and as of October 2013 payments by the Civic Center were begun to retire the loans receivable.



Changes in Net Position

DeSoto County's total revenues for the fiscal year ended September 30, 2013 were \$81,153,667 and \$71,636,292 for 2012. The total cost of all services provided was \$65,594,951 for 2013 and \$61,252,163 for 2012 and the increase in net position was \$15,558,716 for 2013. The increase in net position was \$10,384,129 for 2012.

The county reported a special item in the amount of \$7,494,614. This is a loan receivable reserve related to the existing loan between the Civic Center and the county. See Note 6.

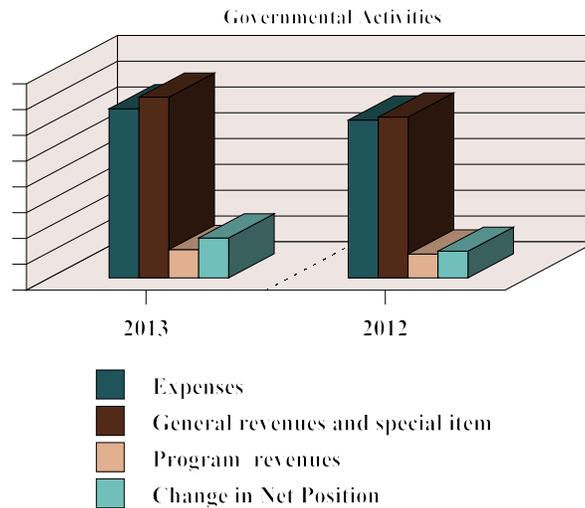
The following table presents a summary of the changes in net position for the governmental activities for the fiscal years ended September 30, 2013 and September 30, 2012.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

	Fiscal Year Ended 09/30/13	Fiscal Year Ended 09/30/12
Revenues:		
Program revenues:		
Charges for services	\$ 10,051,280	8,454,504
Operating grants & contributions	914,883	750,114
Capital grants & contributions	22,954	46,850
General revenues:		
Taxes	56,637,639	55,569,914
Intergovernmental	2,200,574	2,682,456
Grants and contributions	2,683,448	2,542,602
Unrestricted interest income	209,182	198,838
Other	939,093	1,391,014
Special items	7,494,614	
Total Revenues	\$ 81,153,667	71,636,292
Expenses:		
General government	15,246,412	15,915,329
Public safety	25,402,394	23,846,856
Public works	18,506,489	14,389,284
Health & welfare	1,772,049	2,061,673
Culture & recreation	1,806,692	1,528,006
Conservation of natural resources	298,133	321,485
Economic development and assistance	345,803	513,902
Interest on long-term debt	2,216,979	2,675,628
Total Expenses	65,594,951	61,252,163
Increase (Decrease) in Net position	15,558,716	10,384,129
Net position - Beginning	148,776,363	138,392,234
Net position - Ending	\$ 164,335,079	148,776,363

A Special Item was included in the statement of activities to add the full value of the loan receivable back to the net position since the loan is no longer doubtful. The total added to the net position was \$7,494,614, which resulted in an increase by that amount in the net position at the end of the year.

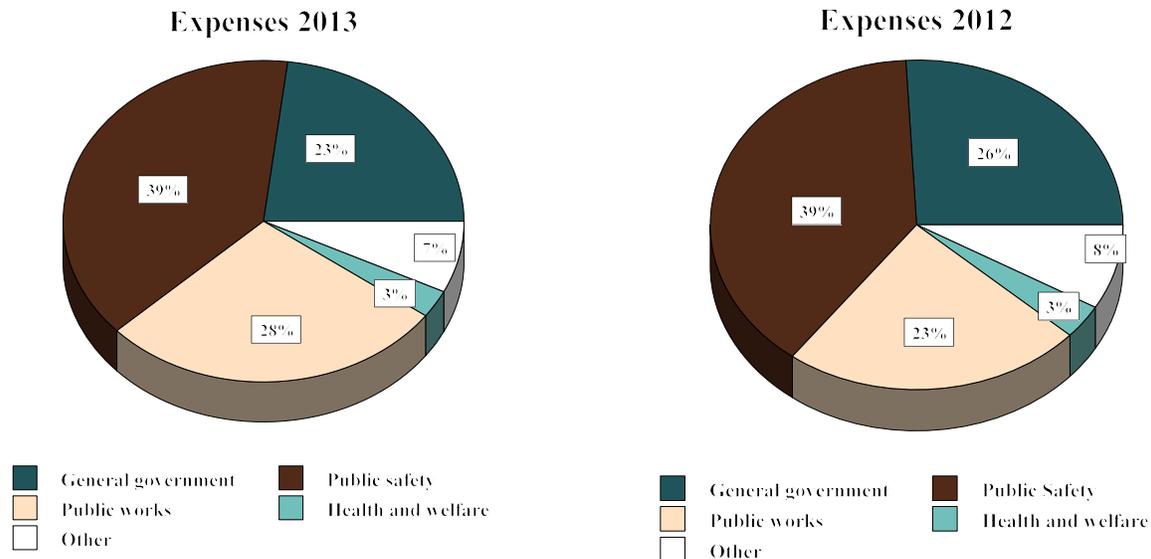
DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013



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

	2013 Total Cost	2013 Net Cost	2012 Total Cost	2012 Net Cost
Governmental Activities:				
General government	\$ 15,246,412	(6,298,327)	15,915,329	(8,608,597)
Public safety	25,402,394	(23,682,862)	23,846,856	(22,335,692)
Public works	18,506,489	(18,184,989)	14,389,284	(13,955,712)
Health and welfare	1,772,049	(1,772,049)	2,061,673	(2,061,673)
Culture and recreation	1,806,692	(1,806,692)	1,528,006	(1,528,006)
Conservation of natural resources	298,133	(298,133)	321,485	(321,485)
Economic development and assistance	345,803	(345,803)	513,902	(513,902)
Interest on long term debt	2,216,979	(2,216,979)	2,675,628	(2,675,628)
Total Expenses	<u>\$ 65,594,951</u>	<u>(54,605,834)</u>	<u>61,252,163</u>	<u>(52,000,695)</u>

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, DeSoto County's governmental funds reported a combined fund balance of \$88,407,626, an increase of \$22,655,443 from the prior year. A main portion of this increase was a special item in the amount of \$7,494,614.

The increase reported in the governmental funds was due primarily to:

- An increase in property tax revenues.
- A decrease in road and bridge privilege taxes.
- A decrease in fines and forfeitures.
- An increase in charges for services.
- An increase in licenses, commissions and other revenue.
- A decrease in general government expenditures.
- A decrease in public works expenditures due to the completion of road projects.
- A decrease in public safety expenditures due to the completion of construction for a new jail facility for the county.
- A decrease in health and welfare expenditures.
- An increase in culture and recreation expenditures due to the expansion of the county park system.
- A decrease in economic development expenditures.
- An decrease in the interest expenditures and a decrease in debt issue costs.
- An increase in the principal retirement costs.

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

- A decrease in the proceeds of debt issuance. In the 2013 fiscal year there was a new debt issue to fund various county facilities projects to expand the county jail facility, remodel some existing facilities and to purchase three buildings for the Sheriff administrative offices, facilities management and emergency management agency.
- A decrease in the payments to the bond refunding escrow agent for the refunding of an existing bond issue to save interest costs over the life of the debt. There was not a refunding bond issue during the 2013 fiscal year.
- A decrease in the premium on bonds issued and a decrease in the loss on bond refunding as there was not a refunding bond issue during the 2013 fiscal year.
- A special item included to add the full amount of the loan receivable from the DeSoto Civic Center. In prior years there was an allowance for doubtful accounts, but an agreement was in place at year end so the full amount of the loan receivable is no longer doubtful.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$9,611,351.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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 the funds are not available, the department who requested the purchase is required to submit a budget amendment to the office of finance and accounting to present to the board of supervisors and post to the accounting records to ensure that the funds are available in the appropriate line item. This ensures that the county complies with state law and State Audit Department guidelines.

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

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities:

Capital Assets - As of September 30, 2013, DeSoto County's total net capital assets were \$240,830,817. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase from the previous year of \$3,919,443. The majority of this increase is attributable to additions to completed construction and equipment and machinery. Total accumulated depreciation as of September 30, 2013 was \$98,145,580, including \$7,870,038 of depreciation expense for the year.

	<u>September 30, 2013</u>	<u>September 30 2012</u>	<u>Change</u>
Land	\$ 3,859,223	3,746,823	3.00%
Construction in progress	6,802,046	20,796,893	-67.29%
Buildings and improvements	58,417,322	42,841,131	36.36%
Improvements other than buildings	561,872	561,872	0.00%
Equipment and machinery	22,676,255	21,440,757	5.76%
Infrastructure	148,514,099	147,530,898	0.67%
Accumulated depreciation	(98,145,580)	(91,460,651)	7.31%
Total Capital Assets, net	<u>\$ 142,685,237</u>	<u>145,457,723</u>	-1.91%

Governmental Activities:

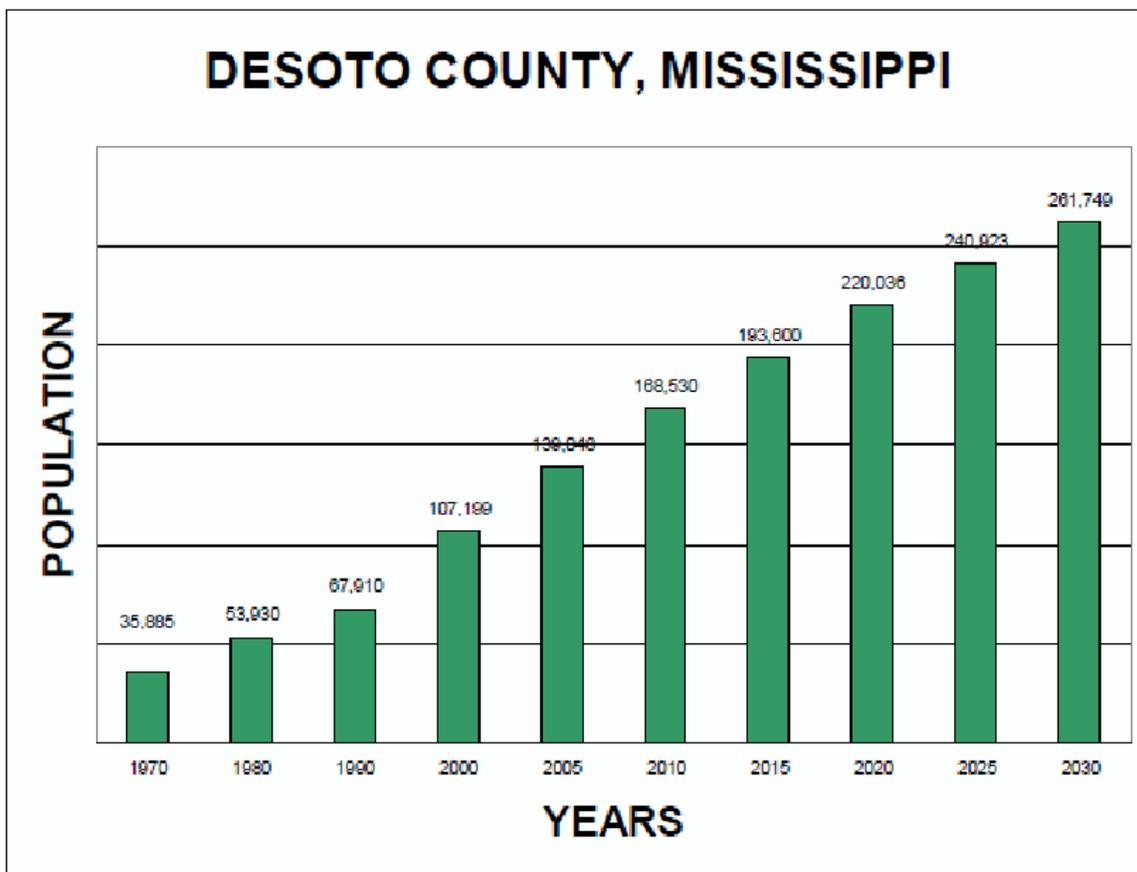
Debt Administration – At September 30, 2013, DeSoto County had \$103,797,619 in long-term debt outstanding excluding bond discounts and premiums and loss on refunding. Of this debt, \$7,791,593 is due within one year.

	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>Change</u>
General obligation bonds payable	\$ 102,195,000	98,825,000	3%
Deferred amount:			
Loss on refunding	(1,556,339)	(1,603,771)	-3%
Bond discount	(24,262)	(26,418)	-8%
Bond premium	1,275,788	1,278,615	0%
Loans payable	404,135	426,073	-5%
Compensated absences	1,198,484	1,090,054	10%
Total Long-Term Debt	<u>\$ 103,492,806</u>	<u>99,989,553</u>	4%

DeSoto County, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 2013 was down due to the general economic downturn experienced throughout the state and country, 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 located to DeSoto County each year. The county averages several industrial expansions annually. Unemployment is at 6.4 percent, the third lowest in the state of Mississippi. This growth has been complimented by conservative, yet progressive leadership. The catalyst of the growth is a strong school system and pro-active leadership from the Board of Supervisors that has allowed the county to keep the tax millage rate low from year to year. In the 2013 fiscal year, the Board of Supervisors financed the county's operations without raising the tax rate. Due to the Board of Supervisors' conservative financial approach, the county has been able to establish substantial cash reserves to ensure the county remains in a good position to endure the economic cycles that come and go from year to year.

DeSoto County, Mississippi
 Management's Discussion and Analysis
 For the Year Ended September 30, 2013

DeSoto County Tax Millage Rates 1991-2014

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

DeSoto County, Mississippi
Statement of Net Position
September 30, 2013

Exhibit 1

	<u>Primary Government</u> Governmental Activities	<u>Component Units</u>
ASSETS		
Cash	\$ 83,169,268	8,234,717
Certificates of deposits	-	2,341,719
Property tax receivable	52,813,040	-
Receivable from component unit	32,735,000	-
Accounts receivable	-	643,849
Fines receivable (net of allowance for uncollectibles of \$3,662,863)	891,555	-
Loans receivable	11,394,614	-
Intergovernmental receivables	1,138,598	-
Other receivables	12,961	427,756
Inventories and prepaid items	-	142,119
Deferred charge - issuance cost	1,489,380	577,912
Restricted assets	297,901	-
Capital assets:		
Land and construction in progress	10,661,269	6,328,825
Other capital assets, net	132,023,968	37,653,912
Total Assets	<u>326,627,554</u>	<u>56,350,809</u>
LIABILITIES		
Claims payable	2,560,928	1,734,433
Liabilities payable from restricted assets	297,901	-
Intergovernmental payables	2,446,531	-
Accrued interest payable	681,269	622,280
Unearned revenue	52,813,040	-
Long-term liabilities		
Due within one year:		
Capital debt	7,791,593	1,996,711
Non-capital debt	-	7,494,614
Due in more than one year:		
Capital debt	61,767,729	35,426,452
Non-capital debt	33,933,484	106,381
Total Liabilities	<u>162,292,475</u>	<u>47,380,871</u>
NET POSITION		
Net investment in capital assets	74,615,295	6,559,574
Restricted:		
Expendable:		
Debt service	3,588,775	-
Public works	29,848,551	-
Unrestricted	56,282,458	2,410,364
Total Net Position	<u>\$ 164,335,079</u>	<u>8,969,938</u>

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

DeSoto County, Mississippi
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 15,246,412	8,948,085	-	-	(6,298,327)	
Public safety	25,402,394	918,486	801,046	-	(23,682,862)	
Public works	18,506,489	184,709	113,837	22,954	(18,184,989)	
Health and welfare	1,772,049	-	-	-	(1,772,049)	
Culture and recreation	1,806,692	-	-	-	(1,806,692)	
Conservation of natural resources	298,133	-	-	-	(298,133)	
Economic development and assistance	345,803	-	-	-	(345,803)	
Interest on long-term debt	2,216,979	-	-	-	(2,216,979)	
Total Governmental Activities	\$ <u>65,594,951</u>	<u>10,051,280</u>	<u>914,883</u>	<u>22,954</u>	<u>(54,605,834)</u>	
Component Units:						
Emergency Commission	\$ 1,859,394	1,728,318	-	-		(131,076)
Civic Center	11,664,371	6,476,542	-	-		(5,187,829)
Port Commission	-	-	-	-		-
Total Component Units	\$ <u>13,523,765</u>	<u>8,204,860</u>	<u>-</u>	<u>-</u>		<u>(5,318,905)</u>
General revenues:						
Property taxes				\$ 54,647,911		-
Road & bridge privilege taxes				1,989,728		-
Intergovernmental				2,200,574	6,711,734	
Grants and contributions not restricted to specific programs				2,683,448		-
Unrestricted interest income				209,182		31,121
Miscellaneous				939,093		293,957
Total General Revenues before Special Items				<u>62,669,936</u>		<u>7,036,812</u>
Special Items - loan receivable reserve				<u>7,494,614</u>		<u>-</u>
Total General Revenues and Special Items				<u>70,164,550</u>		<u>7,036,812</u>
Changes in Net Position				<u>15,558,716</u>		<u>1,717,907</u>
Net Position - Beginning				<u>148,776,363</u>		<u>7,252,031</u>
Net Position - Ending				<u>\$ 164,335,079</u>		<u>8,969,938</u>

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

	Major Funds				
	General Fund	Bridge & Culvert Fund	2014 Facilities Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 24,802,650	17,638,264	12,502,236	25,622,134	80,565,284
Property tax receivable	34,450,000	5,550,000	-	12,813,040	52,813,040
Fines receivable (net of allowance for uncollectibles of \$3,044,784)	891,555	-	-	-	891,555
Loans receivable	11,394,614	-	-	-	11,394,614
Intergovernmental receivables	1,121,220	-	-	17,378	1,138,598
Other receivables	12,961	-	-	-	12,961
Restricted assets	297,901	-	-	-	297,901
Due from other funds	3,203,880	70,146	-	159,060	3,433,086
Total Assets	\$ 76,174,781	23,258,410	12,502,236	38,611,612	150,547,039
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 1,099,845	606,266	9,483	541,706	2,257,300
Liabilities payable from restricted assets	297,901	-	-	-	297,901
Intergovernmental payables	2,446,531	-	-	-	2,446,531
Due to other funds	229,206	-	-	3,203,880	3,433,086
Unearned revenue	35,341,555	5,550,000	-	12,813,040	53,704,595
Total Liabilities	39,415,038	6,156,266	9,483	16,558,626	62,139,413
Fund balances:					
Nonspendable:					
Loans	11,394,614	-	-	-	11,394,614
Restricted for:					
Debt service	-	-	-	4,270,044	4,270,044
Public works	-	17,102,144	-	12,746,407	29,848,551
Assigned to:					
General government	-	-	-	1,791,869	1,791,869
Public safety	-	-	-	1,768,972	1,768,972
Capital projects	-	-	12,492,753	1,475,694	13,968,447
Unassigned	25,365,129	-	-	-	25,365,129
Total Fund Balances	36,759,743	17,102,144	12,492,753	22,052,986	88,407,626
Total Liabilities and Fund Balances	\$ 76,174,781	23,258,410	12,502,236	38,611,612	150,547,039

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

DeSoto County, Mississippi

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 88,407,626
Amounts reported for governmental services in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$98,145,580.	142,685,237
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consists of:	
Fines receivable	891,555
Receivable from component unit	32,735,000
Loss on refunding of debt is recognized in the Statement of Net Position and amortized over the term of the bond.	1,556,339
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(105,049,145)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(681,269)
Bond issue cost is deferred in the Statement of Net Position and is amortized over the term of the bond.	1,489,380
Internal service funds are used by management to charge 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.	<u>2,300,356</u>
Total Net Position - Governmental Activities	<u>\$ 164,335,079</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Bridge & Culvert Fund	2014 Facilities Project Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 35,730,280	6,031,372	-	12,886,259	54,647,911
Road and bridge privilege taxes	-	-	-	1,989,728	1,989,728
Licenses, commissions and other revenue	4,389,577	-	-	496,794	4,886,371
Fines and forfeitures	1,230,197	-	-	135,400	1,365,597
Intergovernmental revenues	3,091,425	114,115	-	2,616,319	5,821,859
Charges for services	1,242,567	59,904	-	2,254,829	3,557,300
Contributed capital	-	-	-	-	-
Interest income	85,052	46,850	8,896	62,159	202,957
Miscellaneous revenues	247,113	2,300	-	107,036	356,449
Total Revenues	<u>46,016,211</u>	<u>6,254,541</u>	<u>8,896</u>	<u>20,548,524</u>	<u>72,828,172</u>
EXPENDITURES					
Current:					
General government	14,310,226	-	-	457,228	14,767,454
Public safety	21,915,853	-	1,788,906	3,680,859	27,385,618
Public works	315,683	6,686,378	-	7,679,133	14,681,194
Health and welfare	1,718,643	-	-	-	1,718,643
Culture and recreation	1,404,400	-	-	325,412	1,729,812
Conservation of natural resources	303,417	-	-	-	303,417
Economic development and assistance	345,803	-	-	-	345,803
Debt service:	-	-	-	-	-
Principal	21,938	-	-	5,595,000	5,616,938
Interest	8,412	-	-	2,100,121	2,108,533
Debt issuance cost	-	-	169,700	-	169,700
Total Expenditures	<u>40,344,375</u>	<u>6,686,378</u>	<u>1,958,606</u>	<u>19,837,753</u>	<u>68,827,112</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,671,836</u>	<u>(431,837)</u>	<u>(1,949,710)</u>	<u>710,771</u>	<u>4,001,060</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	-	-	10,500,000	-	10,500,000
Proceeds from sale of capital assets	115,909	211,001	-	255,734	582,644
Premiums on bonds issued	-	-	77,125	-	77,125
Operating transfers in	6,040	-	3,865,338	1,238,697	5,110,075
Operating transfers out	(3,677,048)	-	-	(1,433,027)	(5,110,075)
Total Other Financing Sources and Uses	<u>(3,555,099)</u>	<u>211,001</u>	<u>14,442,463</u>	<u>61,404</u>	<u>11,159,769</u>
Special Items - loan receivable reserve	7,494,614	-	-	-	7,494,614
Net Changes in Fund Balances	9,611,351	(220,836)	12,492,753	772,175	22,655,443
Fund Balances - Beginning	<u>27,148,392</u>	<u>17,322,980</u>	<u>-</u>	<u>21,280,811</u>	<u>65,752,183</u>
Fund Balances - Ending	<u>\$ 36,759,743</u>	<u>17,102,144</u>	<u>12,492,753</u>	<u>22,052,986</u>	<u>88,407,626</u>

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

DeSoto County, MississippiExhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 22,655,443
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$21,604,788 (less completed construction \$16,068,499) exceeded depreciation of \$7,870,038 in the current period.	(2,333,749)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss on disposal.	(438,737)
Fine revenue recognized on the modified accrual basis in the funds during the current year is not reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	242,012
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt proceeds of \$10,500,000 exceeded debt repayments of \$7,151,938.	(3,348,062)
The repayment of a receivable from component unit reduces the receivable in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of the repayment.	(1,535,000)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following:	
Compensated absences	(108,430)
The amortization of:	
Issuance cost on refunding bonds	30,893
Deferred loss on refunding bond	(47,432)
Discounts on bonds	(2,156)
Amortization of bond premium	79,952
Premium on 2013 bonds	(77,125)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue is reported within governmental activities.	441,107
Change in Net Position of Governmental Activities	\$ <u><u>15,558,716</u></u>

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

DeSoto County, Mississippi
 Statement of Net Position - Proprietary Fund
 September 30, 2013

Exhibit 5

	Internal Service Fund
ASSETS	
Cash	\$ 2,603,984
Total Current Assets	<u>2,603,984</u>
LIABILITIES	
Claims and judgments liability	<u>303,628</u>
Total Current Liabilities	<u>303,628</u>
NET POSITION	
Restricted for:	
Health insurance	<u>2,300,356</u>
Total Net Position	<u>\$ 2,300,356</u>

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

DeSoto County, Mississippi

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2013

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Premiums	\$ 4,809,087
Total Operating Revenues	<u>4,809,087</u>
OPERATING EXPENSES	
Claims payments	3,477,450
Administrative	<u>896,755</u>
Total Operating Expenses	<u>4,374,205</u>
Operating Income (Loss)	<u>434,882</u>
NON-OPERATING REVENUES	
Interest Income	<u>6,225</u>
Total Non-Operating Revenues	<u>6,225</u>
Net Income (Loss)	<u>441,107</u>
NET POSITION	
Beginning	<u>1,859,249</u>
Ending	<u>\$ 2,300,356</u>

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

DeSoto County, Mississippi
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	Internal Service Fund
Cash Flows from Operating Activities	
Receipt for premiums	\$ 4,809,087
Payment for claims	(3,649,101)
Payments to administrator for services	(896,755)
Net Cash Provided (Used) by Operating Activities	<u>263,231</u>
Cash Flows from Investing Activities	
Interest and dividends on investments	<u>6,225</u>
Net Cash Provided (Used) by Investing Activities	<u>6,225</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>269,456</u>
Cash and Cash Equivalents at the Beginning of Year	<u>2,334,528</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 2,603,984</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ <u>434,882</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase (Decrease) in claims and judgments liability	<u>(171,651)</u>
Total Adjustments	<u>(171,651)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 263,231</u>

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

DeSoto County, Mississippi
Statement of Fiduciary Net Position
September 30, 2013

Exhibit 8

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 380,588	\$ 1,024,207
Intergovernmental receivables	-	1,989,803
Total Assets	<u>380,588</u>	<u>3,014,010</u>
LIABILITIES		
Amounts held in custody for others		44,731
Intergovernmental payables		2,969,279
Total Liabilities		<u>\$ 3,014,010</u>
NET POSITION		
Held in trust for:		
Individuals, organizations and other governments	<u>380,588</u>	
Total Net Position	<u>\$ 380,588</u>	

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

DeSoto County, Mississippi
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2013

Exhibit 9

	Private-purpose Trust Funds
ADDITIONS	
Cash	\$ 985
Total Additions	<u>985</u>
REDUCTIONS	
Total Reductions	<u>-</u>
Change in Net Position	<u>985</u>
NET POSITION	
Beginning	<u>379,603</u>
Ending	<u>\$ 380,588</u>

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

DeSoto County, Mississippi

Notes to the Financial Statements
for the year ended September 30, 2013

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Individual Component Unit Disclosure

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. DeSoto County has one blended component unit - The DeSoto County, Mississippi Public Improvement Corporation.

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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, Mississippi Port Commission - created December 5, 1988. It did not have any assets or activity.
- DeSoto County Emergency Communication District - created April 6, 1988. It provides communications referred to as "911".
- DeSoto County Civic Center - established on March 26, 1998. It is designed to promote tourism in DeSoto County and the surrounding areas.

C. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

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

The Statement of Net Position presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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 and major individual Proprietary Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting

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

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. 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 non-operating.

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.

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

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

2014 Facilities Project Fund - The proceeds in this fund are currently set aside for additions to the jail and other county facilities.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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.

E. Account Classifications

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

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

I. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

J. Restricted Assets

Proprietary and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

K. Capital Assets

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

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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

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

L. Long-term Liabilities

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

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, 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.

M. Equity Classifications

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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

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

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

Assigned fund balance includes amounts that are constrained by the county's

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the policy adopted by the county.

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

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

N. Property Tax Revenues

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

O. Intergovernmental Revenues in Governmental Funds

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

P. Compensated absences

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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. The county did not maintain the necessary records to calculate the compensated absences liability.

Q. Changes in Accounting Standards

DeSoto County adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, during the fiscal year changing the source of guidance for accounting and financial reporting. They also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended September 30, 2013. Statement No. 63 added new classifications on the Statement of Net Position. These statements did not significantly impact any amounts reported in the financial statements.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

(2) Deposits

Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$80,565,284 in the governmental funds, \$2,603,984 in the business-type activities and \$1,404,795 in the fiduciary funds. The bank balance was \$85,864,801. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. 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. The county held no investments as of September 30, 2013.

Component Units

The carrying amount of the Emergency Communications District's total deposits with financial institutions at September 30, 2013, was \$1,066,115. The carrying amount of the Civic Center's total deposits with financial institutions at September 30, 2013, was \$7,168,602. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 3,203,880
Bridge and Culvert Fund	General Fund	70,146
Other Governmental Funds	General Fund	159,060
Total		<u>\$ 3,433,086</u>

These are for the settlement of September tax receipts and for federal grant money received. All interfund balances are expected to be repaid within one year.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 6,040
2014 Facilities Project Fund	General Fund	2,475,000
	Other Governmental Funds	1,390,338
Other Governmental Funds	General Fund	1,202,048
	Other Governmental Funds	36,649
Total		<u>\$ 5,110,075</u>

The principal purpose of the interfund transfers was to provide funds as budgeted to pay for operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2013 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Tax Collector - Legislative Tax Credit	\$ 960,736
Federal Grants	177,862
Total	<u>\$ 1,138,598</u>

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

(5) Receivable from Component Unit

As of September 30, 2013, the county had \$32,735,000 in General Obligation Refunding Bonds, Series 2009B with a rate of 2.5% - 5.0%. The Civic Center, a component unit of the county, is servicing these bonds via an interlocal agreement with the county.

(6) Loans Receivable

At September 30, 2013, the Civic Center had \$7,494,614 in loans payable to the county outstanding. At year end the county and the Civic Center had an agreement in place for the Civic Center to repay the loan, with no interest, beginning in November 2013 and ending in October 2043. Since a new agreement was in place at year end, the reserve for doubtful accounts was removed and the full amount of the outstanding loan receivable is shown on the county's financial statements.

At September 30, 2013, the DeSoto County Regional Utility Authority (DCRUA) had \$3,900,000 in loans payable to the county outstanding. The funds were loaned in various years from 1998 to 2005. The loans were made by the County from the general fund as well as the proceeds of a State Development Bank loan. In 2013 DCRUA and the county agreed on a repayment schedule of 30 years at 0% interest with payments beginning on October 1, 2014.

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
Non-depreciable capital assets:				
Land	\$ 3,746,823	112,400		3,859,223
Construction in progress	20,796,893	2,073,652	16,068,499	6,802,046
Total non-depreciable capital assets	<u>24,543,716</u>	<u>2,186,052</u>	<u>16,068,499</u>	<u>10,661,269</u>
Depreciable capital assets:				
Infrastructure	147,530,898	983,201		148,514,099
Buildings and improvements	42,841,131	15,576,191		58,417,322
Improvements other than buildings	561,872			561,872
Equipment and machinery	21,440,757	2,859,344	1,623,846	22,676,255
Total depreciable capital assets	<u>212,374,658</u>	<u>19,418,736</u>	<u>1,623,846</u>	<u>230,169,548</u>

DeSoto County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
Less accumulated depreciation for:				
Infrastructure	64,875,904	4,338,431		69,214,335
Buildings and improvements	12,074,060	1,064,184		13,138,244
Improvements other than buildings	281,657	22,457		304,114
Equipment and machinery	14,229,030	2,444,966	1,185,109	15,488,887
Total accumulated depreciation	<u>91,460,651</u>	<u>7,870,038</u>	<u>1,185,109</u>	<u>98,145,580</u>
Total depreciable capital assets, net	<u>120,914,007</u>	<u>11,548,698</u>	<u>438,737</u>	<u>132,023,968</u>
Governmental activities capital assets, net	\$ <u>145,457,723</u>	<u>13,734,750</u>	<u>16,507,236</u>	<u>142,685,237</u>

Component Units:

The following is a summary of component units' capital assets activity for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Deletions	Balance Sept. 30, 2013
Non-depreciable capital assets:				
Land	\$ 6,328,825			6,328,825
Construction in progress	80,294		80,294	0
Total non-depreciable capital assets	<u>6,409,119</u>	<u>0</u>	<u>80,294</u>	<u>6,328,825</u>
Depreciable capital assets:				
Buildings and improvements	47,381,774	282,747		47,664,521
Equipment and machinery	1,522,583	168,153		1,690,736
Furniture and fixtures	366,591			366,591
Total depreciable capital assets	<u>49,270,948</u>	<u>450,900</u>	<u>0</u>	<u>49,721,848</u>
Less accumulated depreciation for:				
Buildings and improvements	9,427,118	1,204,432		10,631,550
Mobile equipment	886,384	242,439		1,128,823
Furniture and equipment	305,132	2,431		307,563
Total accumulated depreciation	<u>10,618,634</u>	<u>1,449,302</u>	<u>0</u>	<u>12,067,936</u>
Total depreciable capital assets, net	<u>38,652,314</u>	<u>(998,402)</u>	<u>0</u>	<u>37,653,912</u>
Total capital assets, net	\$ <u>45,061,433</u>	<u>(998,402)</u>	<u>80,294</u>	<u>43,982,737</u>

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 646,159
Public safety	1,377,304
Public works	5,711,471
Health and welfare	76,880
Culture and recreation	<u>58,224</u>
 Total depreciation expense	 \$ <u><u>7,870,038</u></u>

Commitments with respect to unfinished capital projects at September 30, 2013 consisted of the following:

Description of Commitment:	Remaining Financial Commitment	Expected Date of Completion
Valleybrook Road	\$ 490,000	7/15/14
Swinnea Road	1,237,264	8/31/15
Nesbit Road bridge	350,000	5/30/14
Fogg Road bridge	1,800,000	5/30/15
Polk Lane	100,000	8/31/14
Chiller Plant	310,778	10/21/13
Eudora Fire Department	<u>63,847</u>	2/28/14
Total	\$ <u><u>4,351,889</u></u>	

(8) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013 to January 1, 2014. The pool may make an

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employees health, accident and dental coverage. Beginning March 1, 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. Each participating public entity, including DeSoto County, pays the premium on a single coverage policy for its respective 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 a minimum uninsured risk retention for all participating entities, including DeSoto County, Mississippi, 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 on two separate stop loss coverage's: specific and aggregate. These coverage's are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000, up to a maximum of \$2,000,000 per individual. The aggregate policy covers all submitted claims in excess of \$4,942,540.

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 (IBNR). At September 30, 2013, the amount of these liabilities was \$303,628. An analysis of claims activities is presented below:

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

		Beginning liability	Current year claims and changes in estimates	Claim payments		End of year liability
2011-2012	\$	549,666	3,589,898	3,664,285	\$	475,279
2012-2013	\$	475,279	3,477,450	3,649,101	\$	303,628

(9) Long-Term Debt

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Walls Sewer District	\$ 40,000	5.4 - 6.4%	10/2014
2004 Public Improvements	1,040,000	3.5 - 5.0%	07/2024
2005 GO Refunding Bonds	3,440,000	3.0 - 4.0%	10/2019
2007 Loan Refunding Bonds	6,180,000	4.0 - 4.375%	07/2024
2009 Refunding Bonds	8,585,000	2.2 - 4.0%	10/2020
2009 General Obligation Bonds	12,655,000	3.0 - 3.875%	07/2024
2009 Refunding bonds	32,735,000	2.5 - 5.0%	11/2028
2009 Refunding bonds	3,700,000	2.0 - 3.5%	12/2021
2010 Refunding bonds	4,675,000	2.0 - 2.125%	11/2018
2010 General Obligation bonds	4,480,000	2.5 - 3.5%	12/2025
2012 Refunding bonds	14,165,000	2.0 - 4.0%	07/2024
2013 General Obligation Bonds	10,500,000	2.25 - 3.125%	06/2033
	<u>\$ 102,195,000</u>		
B. Other Loans:			
Civic Center Tourism Building	\$ <u>404,135</u>	2%	04/2029

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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
2014	\$ 7,770,000	4,220,417	21,593	7,880
2015	8,200,000	3,347,953	22,927	7,426
2016	8,480,000	3,097,252	23,390	6,963
2017	8,770,000	2,831,234	23,862	6,491
2018	8,550,000	2,538,496	24,343	6,010
2019 - 2023	38,240,000	8,222,418	129,289	22,476
2024 - 2028	16,855,000	2,525,015	142,875	8,890
2029 - 2033	5,330,000	350,275	15,856	88
Total	\$ 102,195,000	27,133,060	404,135	66,224

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 by 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, 2013, the amount of outstanding debt was equal to 4.34% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 98,825,000	10,500,000	7,130,000	102,195,000	7,770,000
Other loans	426,073		21,938	404,135	21,593
Compensated absences	1,090,054	108,430		1,198,484	
Total	\$ 100,341,127	10,608,430	7,151,938	103,797,619	7,791,593

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

DeSoto County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2013

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013
Deferred loss on refunding	\$ (1,603,771)		(47,432)	(1,556,339)
Bond discount	(26,418)		(2,156)	(24,262)
Bond premiums	1,278,615	77,125	79,952	1,275,788
Total	\$ <u>(351,574)</u>	<u>77,125</u>	<u>30,364</u>	<u>(304,813)</u>

The following is a summary of changes in component units long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
<u>Component Units:</u>					
Bonds payable	\$ 34,270,000		1,535,000	32,735,000	1,580,000
Bond premium	1,914,716		108,894	1,805,822	108,894
Capital leases	3,177,150		294,809	2,882,341	307,817
Loans payable	7,494,614			7,494,614	7,494,614
Compensated absences	101,792	64,160	59,571	106,381	
Total	\$ <u>46,958,272</u>	<u>64,160</u>	<u>1,998,274</u>	<u>45,024,158</u>	<u>9,491,325</u>

(10) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Amount
EMA Grants	\$ 1,222
State Aid Road	193,434
New Telephone System	443,801
I-69 Corridor MPO - Funds	14,773

(11) Contingencies

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

county. No provision for any liability that may result has been recognized in the county's financial statements.

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

(12) Related Organization

The DeSoto County, Mississippi Board of Supervisors is responsible for appointing a voting majority of the Members of the Board of the Horn Lake Creek Watershed Drainage District, but 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.

(13) Joint Ventures

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

(14) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

North Delta Planning and Development District operates in a district composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The DeSoto County Board of Supervisors appoints four of 30 members of the board of directors. DeSoto County appropriated \$252,071 for the operation of the district in fiscal year 2013, and \$96,476 for the cost of the county-wide transportation service for disabled and elderly citizens.

Yazoo-Mississippi Water Management District operates in a district composed of the

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

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 appoints one of the 21 members of the board of commissioners. DeSoto County levied a .71 mill tax, which resulted in \$14,235 to help support the district in fiscal year 2013.

Region IV Community Mental Health District, composed of Alcorn, DeSoto, Prentiss, Tippah and Tishomingo counties, provides community based mental health programming for both youth and adults and provides an array of counseling services for anyone in need. Region IV Community Mental Health District currently operates within the DeSoto County School District and provides in-school counseling and therapy to students in need of services. In accordance with state law, the Board of Supervisors allocated \$200,000 in fiscal year 2013, in order to participate as a member of Region IV and for countywide services from the mental health care provider. Region IV is managed by an appointed five member Board of Directors, with each Director appointed by the participating Boards of Supervisors from each county.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The DeSoto County Board of Supervisors appoints two of the 23 members of the college board of trustees. DeSoto County appropriated \$6,163,045 for maintenance and support of the college in fiscal year 2013.

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 board members. DeSoto County did not appropriate any money for support of the agency in fiscal year 2013.

(15) Defined Benefit Pension Plan

Plan Description

DeSoto County contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2013

Funding Policy

PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of the 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 to PERS for the fiscal years ending September 30, 2013, 2012 and 2011 were \$3,250,986, \$2,860,674, and \$2,698,422, respectively, equal to the required contributions for each year.

(16) Special Items

An amount of \$7,494,614 was treated as a Special Item inflow. This was due to a new agreement in place at year end for the loans receivable. The reserve for doubtful accounts was removed and the full amount of the outstanding loan receivable is shown on the county's financial statements.

(17) Subsequent Events

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of DeSoto County evaluated the activity of the county, through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 36,295,000	36,295,000	35,656,680	(638,320)
Charges for Services	5,213,600	3,138,723	3,012,869	(125,854)
Intergovernmental revenues	3,062,000	5,357,507	6,786,959	1,429,452
Use of money and property	193,500	155,000	91,099	(63,901)
Miscellaneous revenues	229,500	664,517	784,330	119,813
Total Revenues	<u>44,993,600</u>	<u>45,610,747</u>	<u>46,331,937</u>	<u>721,190</u>
EXPENDITURES				
Current:				
General government	16,582,587	16,289,633	14,310,223	1,979,410
Public safety	22,359,313	22,475,877	21,915,853	560,024
Public works	165,785	372,411	315,683	56,728
Health and welfare	1,400,357	1,830,678	1,718,643	112,035
Culture and recreation	1,326,475	1,326,475	1,404,400	(77,925)
Conservation of natural resources	312,364	333,746	303,417	30,329
Economic development	356,200	356,200	345,803	10,397
Debt service	30,350	30,354	30,353	1
Total Expenditures	<u>42,533,431</u>	<u>43,015,374</u>	<u>40,344,375</u>	<u>2,670,999</u>
Excess of Revenues over (under) Expenditures	<u>2,460,169</u>	<u>2,595,373</u>	<u>5,987,562</u>	<u>3,392,189</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets			115,909	115,909
Transfers in	1,030,000	1,006,040	6,040	(1,000,000)
Transfers out	<u>(2,755,495)</u>	<u>(3,774,049)</u>	<u>(3,677,048)</u>	<u>97,001</u>
Total Other Financing Sources and Uses	<u>(1,725,495)</u>	<u>(2,768,009)</u>	<u>(3,555,099)</u>	<u>(787,090)</u>
Net Change in Fund Balance	734,674	(172,636)	2,432,463	2,605,099
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>18,103,205</u>	<u>18,103,205</u>
Fund Balances - Ending	<u><u>734,674</u></u>	<u><u>(172,636)</u></u>	<u><u>20,535,668</u></u>	<u><u>20,708,304</u></u>

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

DeSoto County, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge & Culvert Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	5,600,000	5,600,000	6,032,447	432,447
Charges for services	975,000	75,000	59,904	(15,096)
Use of money and property	35,000	35,000	46,850	11,850
Miscellaneous revenues	-	1,125,000	116,415	(1,008,585)
Total Revenues	<u>6,610,000</u>	<u>6,835,000</u>	<u>6,255,616</u>	<u>(579,384)</u>
EXPENDITURES				
Current:				
Public works	<u>20,745,513</u>	<u>20,975,970</u>	<u>6,686,378</u>	<u>14,289,592</u>
Total Expenditures	<u>20,745,513</u>	<u>20,975,970</u>	<u>6,686,378</u>	<u>14,289,592</u>
Excess of Revenues over (under) Expenditures	<u>(14,135,513)</u>	<u>(14,140,970)</u>	<u>(430,762)</u>	<u>13,710,208</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>211,001</u>	<u>211,001</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>211,001</u>	<u>211,001</u>
Net Change in Fund Balance	(14,135,513)	(14,140,970)	(219,761)	13,921,209
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>17,711,478</u>	<u>17,711,478</u>
Fund Balances - Ending	<u>(14,135,513)</u>	<u>(14,140,970)</u>	<u>17,491,717</u>	<u>31,632,687</u>

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

DeSoto County, Mississippi

Notes to the Required Supplementary Information
For the year ended September 30, 2013

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

DeSoto County, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Bridge and Culvert Fund</u>
Budget (Cash Basis)	\$ 2,432,463	(219,761)
Increase (Decrease)		
Net adjustments for revenue accruals	7,178,888	(1,075)
GAAP Basis	<u>\$ 9,611,351</u>	<u>(220,836)</u>

SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
Schedule of Expenditure of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Commerce			
Passed-through the Economic Development Authority			
Economic Development - Support for Planning Organizations	11.302	N/A	\$ 123,962
Total U.S. Department of Commerce			<u>123,962</u>
U.S. Department of Transportation			
Passed-through Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607	13K81171	152,416
Occupant Protection Incentive Grants	20.602	13OP1171	10,350
Total passed-through the Mississippi Department of Public Safety			<u>162,766</u>
Passed-through Mississippi Department of Transportation			
Highway Planning and Construction	20.205	BRIS0740117	20,770
Total U.S. Department of Transportation			<u>183,536</u>
U.S. Department of Homeland Security			
Passed-through Shelby County, Tennessee			
Non-Profit Security Program	97.008	2010 UASI	96,677
Non-Profit Security Program	97.008	2010 UASI (GIS)	39,931
Total passed-through Shelby County, Tennessee			<u>136,608</u>
Passed through the Mississippi Emergency Management Agency			
Emergency Management Performance Grants*	97.042	11EMPL00	13,000
Emergency Management Performance Grants*	97.042	13EMPL00	116,082
State Homeland Security Program (SHSP)*	97.073	10ICO17T	12,182
State Homeland Security Program (SHSP)*	97.073	10LEO17T	14,707
State Homeland Security Program (SHSP)*	97.073	A11HSO17T	6,581
State Homeland Security Program (SHSP)*	97.073	M11HSO17T	1,623
State Homeland Security Program (SHSP)*	97.073	A10HSO17T	65,918
State Homeland Security Program (SHSP)*	97.073	E10HSO17T	11,016
State Homeland Security Program (SHSP)*	97.073	S11HSO17T	26,517
State Homeland Security Program (SHSP)*	97.073	11HSO17T	31,800
Total passed-through Mississippi Emergency Management Agency			<u>299,426</u>
Total U.S. Department of Homeland Security			<u>436,034</u>
U.S. Department of Health and Human Services			
Passed-through the Mississippi Department of Health			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	H301043E	6,073
Total U.S. Department of Health and Human Services			<u>6,073</u>
			\$ 749,605

* denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

DeSoto County, Mississippi
Component Units - Combining Balance Sheet
September 30, 2013

	Port Commission*	Emergency Communications District	Civic Center
ASSETS			
Cash and cash equivalents	\$ -	1,066,115	7,168,602
Certificates of deposits	-	2,341,719	-
Customer receivables	-	-	643,849
Interest receivable	-	4,205	-
Telephone service charge receivable	-	408,378	-
Inventory	-	-	72,682
Prepaid expenses	-	-	69,437
Total Assets	-	3,820,417	7,954,570
LIABILITIES			
Accounts payable	-	651,969	647,174
Accrued liabilities	-	-	377,065
Event security deposits	-	-	58,225
Due to DeSoto County	-	-	7,494,614
Total Liabilities	-	651,969	8,577,078
FUND BALANCES			
Nonspendable:			
Accounts receivable	-		643,849
Inventory	-		72,682
Prepaid expenses	-		69,437
Unassigned	-	3,168,448	(1,408,476)
Total Fund Balances	0	3,168,448	(622,508)
Total Liabilities and Fund Balances	\$ 0	3,820,417	7,954,570

* The Port Commission did not have any assets or activity.

DeSoto County, Mississippi

Component Units - Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2013

	Port Commission*	Emergency Communications District	Civic Center Fund
REVENUES			
Telephone service charges	\$ -	1,820,417	-
Tourism tax	-	-	6,711,734
Ticket sales (net of cost)	-	-	138,297
Event revenue	-	-	2,584,444
Sign sales	-	-	274,300
Luxury suite sales	-	-	17,600
Other	-	-	2,057
Total Revenues	<u>-</u>	<u>1,820,417</u>	<u>9,728,432</u>
EXPENDITURES			
Capital expenditures	-	976,222	370,604
Event expenses	-	-	1,291,651
Tourism expenses	-	-	572,539
Insurance	-	525	-
Maintenance and repairs	-	254,707	-
Office expense	-	4,908	-
Payroll expenses	-	141,758	-
Professional services	-	15,578	-
Rent/Utilities	-	32,386	-
Subscriptions/seminars	-	3,145	-
Travel	-	10,862	-
Telephone	-	8,088	-
Telephone equipment service	-	410,136	-
General operating expenses	-	-	3,126,378
Debt service:			
Principal	-	-	1,829,809
Interest	-	-	1,534,341
Total Expenditures	<u>-</u>	<u>1,858,315</u>	<u>8,725,322</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(37,898)</u>	<u>1,003,110</u>
NON-OPERATING REVENUE			
Interest revenue	-	11,773	19,348
Total Other Financing Sources and Uses	<u>-</u>	<u>11,773</u>	<u>19,348</u>
Net Changes in Fund Balances	-	(26,125)	1,022,458
Fund Balances - Beginning	<u>-</u>	<u>3,194,573</u>	<u>(1,644,966)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>3,168,448</u>	<u>(622,508)</u>

* The Port Commission did not have any assets or activity.

OTHER INFORMATION

DeSoto County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013

Unaudited

Name	Position	Company	Bond
Jessie Medlin	Supervisor District 1	RLI Insurance Company	\$100,000
Mark Gardner	Supervisor District 2	Brierfield Insurance Company	\$100,000
Bill Russell	Supervisor District 3	State Farm Fire and Casualty Company	\$100,000
Lee Caldwell	Supervisor District 4	Brierfield Insurance Company	\$100,000
Harvey Lee	Supervisor District 5	Brierfield Insurance Company	\$100,000
Vanessa Lynchard	County Administrator	Travelers Casualty and Surety Company	\$100,000
W.E. "Sluggo" Davis	Chancery Clerk	State Farm Fire and Casualty Company	\$100,000
Pat McLeod	Purchase Clerk	Brierfield Insurance Company	\$75,000
Karen McNeil	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Sheila Morris	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Ann Richmond	Receiving Clerk	Brierfield Insurance Company	\$75,000
Melinda Chamberlain	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Monica Mock	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Gia Matheny	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Janet Knight	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Susan Patrick	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Angela Robertson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Chesley Lynch	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Brandi Sharpe	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Marilyn Culver	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Gail Bernard	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Amy Cooper	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Debby Dunnaway	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Livia Harris	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Delise Cotton	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Danny Klein	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Barry Chatham	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Colleen Magee	Assistant Receiving Clerk	Western Surety Company	\$50,000
Vickie Patton	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Myra Wells	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Reby Johnson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Teresa Fleming	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Oretha Valentine	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Dixie Lamb	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Michelle Edge	Assistant Receiving Clerk	Western Surety Company	\$50,000
Silva Webster	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Rikki Ogle	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Amy Lay	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Margaret Windham	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Deborah Logan	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Heather Hearn	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Sherry Dickerson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Amanda Jenkins	Assistant Receiving Clerk	Western Surety Company	\$50,000
Charmaine McCool	Inventory Control Clerk	Western Surety Company	\$75,000
Kim Northcutt	Assistant Inventory Control Clerk	Western Surety Company	\$50,000
Lesley Lofton	Assistant Inventory Control Clerk	Brierfield Insurance Company	\$50,000
Amy Henley	Assistant Inventory Control Clerk	Brierfield Insurance Company	\$50,000
Andy Swims	Road Manager	Ohio Casualty Insurance Company	\$50,000
Liz Medlin	Constable - District 1	Brierfield Insurance Company	\$50,000

DeSoto County, Mississippi
Schedule of Surety Bonds for County Officials (Continue)
For the Year Ended September 30, 2013

Unaudited

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Chris Plumlee	Constable - District 2	Brierfield Insurance Company	\$50,000
Brandon Hylander	Constable - District 3	Brierfield Insurance Company	\$50,000
Bobby Holloway	Constable - District 4	Brierfield Insurance Company	\$50,000
Lee Hodge	Constable - District 5	Brierfield Insurance Company	\$50,000
Dale Thompson	Circuit Clerk	Ohio Casualty Insurance Company	\$100,000
Bill Rasco	Sheriff	Brierfield Insurance Company	\$100,000
Ken Adams	Justice Court Judge - District 1	Brierfield Insurance Company	\$50,000
Larry Vaughn	Justice Court Judge - District 2	Brierfield Insurance Company	\$50,000
Billy Lantrip	Justice Court Judge - District 3	Brierfield Insurance Company	\$50,000
Brad Russell	Justice Court Judge - District 4	Brierfield Insurance Company	\$50,000
Karen Carter	Justice Court Judge - District 5	Brierfield Insurance Company	\$50,000
Shirley Beshears	Justice Court Clerk	St. Paul Travelers	\$50,000
Megan Rainey	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Vickie Tillman	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Estela Hunter	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Samantha Palmertree	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Silva Webster	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Michelle Edge	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Debbie Rutherford	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Charlene Tully	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Candie Hubbard	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Brandi Myers	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Bradley Corbitt	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Joey Treadway	Tax Collector	State Farm Fire and Casualty Company	\$100,000
Parker Pickle	Tax Assessor	State Farm Fire and Casualty Company	\$50,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
DeSoto County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of DeSoto County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeSoto County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard PC
April 15, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Supervisors
DeSoto County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the DeSoto County, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. DeSoto County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of DeSoto County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DeSoto County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, DeSoto County, Mississippi complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 15, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
DeSoto County, Mississippi

We have examined DeSoto County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of DeSoto County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, DeSoto County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of DeSoto County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 15, 2014

Certified Public Accountants

DeSoto County, Mississippi

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2013

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than Lowest Bid
2/19/13	6030K Blauer Jacket	\$119.00	Mid-South Solutions	\$89.95	The low bidder could not supply Sheriff's deputy in a timely manner.
4/15/13	Round-Up/30 Gallon Drum	\$14.40/Gallon	DeSoto County Cooperative	\$13.17/Gallon	Lowest bid did not meet specifications for the return and reimbursement of any unopened and unused chemicals at the end of the spraying season.
5/22/13	Round-Up/30 Gallon Drum	\$14.40/Gallon	DeSoto County Cooperative	\$13.17/Gallon	Lowest bid did not meet specifications for the return and reimbursement of any unopened and unused chemicals at the end of the spraying season.
6/3/13	Round-Up/30 Gallon Drum	\$14.40/Gallon	DeSoto County Cooperative	\$13.17/Gallon	Lowest bid did not meet specifications for the return and reimbursement of any unopened and unused chemicals at the end of the spraying season.
9/16/13	Round-Up/30 Gallon Drum	\$14.40/Gallon	DeSoto County Cooperative	\$13.17/Gallon	Lowest bid did not meet specifications for the return and reimbursement of any unopened and unused chemicals at the end of the spraying season.

DeSoto County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

There were no emergency purchases identified.

DeSoto County, Mississippi

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2013

Date	Item Purchased	Amount Paid	Vendor
5/6/13	VOIP Recording system for Sheriff	\$11,975.00	AT&T
9/16/13	Time clocks for Sheriff	\$7,780.23	Data Management, Inc.
9/16/13	Time clocks for Sheriff	\$5,192.66	Data Management, Inc.

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
DeSoto County, Mississippi

In planning and performing our audit of the financial statements of DeSoto County, Mississippi for the year ended September 30, 2013, we considered DeSoto County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to DeSoto County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 15, 2014, on the financial statements of DeSoto County, Mississippi.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 15, 2014

Certified Public Accountants

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DeSoto County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.042	Emergency Management Performance Grants
97.073	State Homeland Security Program (SHSP)

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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