

DeSoto County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2014

Fortenberry & Ballard, PC
Certified Public Accountants

DeSoto County, Mississippi
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DeSoto County Location in Mississippi



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

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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
DeSoto County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the DeSoto County, Mississippi (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise basic financial statements of the County's primary government 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, 8 percent, and 92 percent, of the assets, 0 percent, 38 percent, and 62 percent, of net position, and 0 percent, 12 percent, and 88 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, 2014, 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 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 presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 June 25, 2015, 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
June 25, 2015

Certified Public Accountants

DESOTO COUNTY MISSISSIPPI

BOARD OF SUPERVISORS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FYE 2014

The discussion and analysis of the DeSoto County Board of Supervisors' financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this county's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the county's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

- Total net position increased from \$164,335,079 in the 2013 fiscal year to \$171,652,953 in the 2014 fiscal year, which represents a 5.4% increase from fiscal year 2013. This increase includes a fund reclass of \$15,277 and a prior period adjustment of \$ (1,489,380).
- General revenues account for \$64,182,198 in revenue, or 84.25% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,999,427 or 15.75% of total revenues. Total revenues for the County were \$76,181,625.
- The County had \$67,359,094 in expenses; \$11,999,427 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$64,182,198 and a portion of the prior year fund balance were more than adequate to provide for the balance of these expenses.
- Among the major funds, the General Fund had \$47,854,871 in revenues and \$41,490,942 in expenditures. There was also a net amount of other financing sources (uses) of \$(1,233,517), and the General Fund's fund balance increased \$5,130,412 from the prior year.

Among the major funds, the bridge and culvert fund had \$6,054,028 in revenues and \$5,553,905 in expenditures in the 2014 fiscal year. The bridge and culvert fund balance increased \$564,123 from the prior year.

- Capital assets, net of accumulated depreciation, decreased by \$2,998,770. The decrease in capital assets was mainly due to the completion of several capital projects, with the corresponding depreciation expenses added for the 2014 fiscal year.
- Long-term debt decreased by \$7,792,337. This was due mainly to principal payments on outstanding long term debt and the increase in the compensated absences liability.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, supplementary information and other information in addition to the basic financial statements themselves.

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

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

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

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

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

- DeSoto County, Mississippi Port Commission
- DeSoto County Emergency Communications District
- DeSoto County Civic Center

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

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

The government-wide financial statements can be found on pages 21-22 of this report.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. Governmental Funds Statements provide a detailed short-term view of the county's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 23 and 25 of this report.

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

Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail. The self-funded health insurance fund is considered to be a major fund of the County. The proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The county's fiduciary activities are presented in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position on pages 30 and 31.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-57 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information and the Notes to the required supplementary information can be found on pages 60-63 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. Net position may serve over time as a useful indicator of government's financial position. In the case of DeSoto County, assets exceeded liabilities by \$171,652,953 as of September 30, 2014.

A large portion of the County's net position (45.36%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress, less any related debt used to acquire those assets that is still outstanding). The County uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Also, 20.80% of the net position is restricted for debt service and public works expenditures. The remainder (33.84%) is unrestricted and available for expenditures as needed.

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

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2014 and 2013. Current assets increased by \$1,995,543 primarily due to the increase in the cash balances caused by the decrease in expenditures for the construction of a new jail for the county.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets	\$ 185,937,860	\$ 183,942,317
Capital assets, net	<u>\$ 139,686,467</u>	<u>\$ 142,685,237</u>
Total assets	<u>\$ 325,624,327</u>	<u>\$ 326,627,554</u>
 Deferred Outflows of Resources	 <u>\$ 1,416,563</u>	
 Liabilities:		
Current liabilities	\$ 16,104,205	\$ 58,799,669
Long-term liabilities	<u>\$ 88,951,700</u>	<u>\$ 103,492,806</u>
Total liabilities	<u>\$ 105,055,905</u>	<u>\$ 162,292,475</u>
 Direct Inflows of Resources	 <u>\$ 50,332,032</u>	
 Net Position:		
Net investment in capital assets	\$ 77,860,776	\$ 74,615,295
Restricted	\$ 35,711,557	\$ 33,437,326
Unrestricted	<u>\$ 58,080,620</u>	<u>\$ 56,282,458</u>
Total net position	<u>\$ 171,652,953</u>	<u>\$ 164,335,079</u>

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

- The cash on hand increased \$7,984,636 due to increased revenues for property taxes and increases in commission revenues.
- The current liabilities decreased \$42,695,464 due to the implementation of GASB 65.
- The long term liabilities decreased due to the payments on existing debt issues.
- The current assets increased \$1,995,543 due to an increase in cash reserves.

Changes in net position. The County's total revenues for the fiscal year ended September 30, 2014 were \$76,181,625. The total cost of all programs and services was \$67,359,094. The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2014 and 2013.

	<u>FYE 2014</u>	<u>FYE 2013</u>
Revenues:		
<u>Program revenues</u>		
Charges for services	\$ 9,567,345	\$ 10,051,280
Operating grants	\$ 2,224,666	\$ 914,883
Capital grants and contributions	\$ 207,416	\$ 22,954
<u>General revenues</u>		
Property taxes	\$ 57,553,250	\$ 54,647,911
Road and bridge privilege taxes	\$ 2,372,224	\$ 1,989,728
Interest Income	\$ 186,375	\$ 209,182
Intergovernmental	\$	\$ 2,200,574
Unrestricted gifts and donations	\$ 205,787	
Grants and contributions not restricted to specific programs	\$ 2,885,441	\$ 2,683,448
Miscellaneous	\$ 979,121	\$ 939,093
Total Revenues	<u>\$ 76,181,625</u>	<u>\$ 73,659,053</u>
Expenses:		
General government	\$ 18,268,353	\$ 15,246,412
Public safety	\$ 25,762,109	\$ 25,402,394
Public works	\$ 17,649,927	\$ 18,506,489
Health and welfare	\$ 1,452,790	\$ 1,772,049
Culture and recreation	\$ 1,493,570	\$ 1,806,692
Conservation of natural resources	\$ 305,444	\$ 298,133
Economic development	\$ 371,779	\$ 345,803
Interest on long term debt	<u>\$ 2,055,122</u>	<u>\$ 2,216,979</u>
Total Expenses	<u>\$ 67,359,094</u>	<u>\$ 65,594,951</u>
Excess (deficiency) before special item Change in Net Position	<u>\$ 8,822,531</u>	<u>\$ 15,558,716</u>
Special Item-loan receivable reserve	\$ _____	<u>\$ 7,494,614</u>
Change in Net Position	<u>\$ 8,822,531</u>	<u>\$ 15,558,716</u>

Governmental Activities. The following table presents the cost of eight major County functional activities: general government, public safety, public works, health & welfare, culture and recreation, conservation and natural resources, economic development and interest on long term debt. The table also shows each activity's net cost (total cost less charges for services generated

by the activities and intergovernmental aid provided for specific activities). The net cost shows the financial burden that was placed on the county's taxpayers by each of these activities.

	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>
General government	\$18,268,353	\$ (9,889,104)	\$15,246,412	\$ (6,298,327)
Public safety	\$ 25,762,109	\$ (23,798,602)	\$25,402,394	\$ (23,682,862)
Public works	\$ 17,649,927	\$ (16,011,266)	\$18,506,489	\$ (18,184,989)
Health and welfare	\$ 1,452,790	\$ (1,434,780)	\$ 1,772,049	\$ (1,772,049)
Culture and recreation	\$ 1,493,570	\$ (1,493,570)	\$ 1,806,692	\$ (1,806,692)
Conservation of natural resources	\$ 305,444	\$ (305,444)	\$ 298,133	\$ (298,133)
Economic development	\$ 371,779	\$ (371,779)	\$ 345,803	\$ (345,803)
Interest on long term debt	<u>\$ 2,055,122</u>	<u>\$ (2,055,122)</u>	<u>\$2,216,979</u>	<u>\$ (2,216,979)</u>
Total Expenses	<u>\$ 67,359,094</u>	<u>\$ (55,359,667)</u>	<u>\$65,594,951</u>	<u>\$ (54,605,834)</u>

- In 2014, the net cost of governmental activities (\$55,359,667), was financed by general revenue, which is made up primarily of property taxes totaling \$57,553,250. The 2014 net position increased mainly due to a \$2,905,339 increase in property taxes.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the 2014 fiscal year, its governmental funds reported a combined fund balance of \$93,685,200, an increase of \$5,277,574 due primarily to:

- An increase in the property tax revenues.
- An increase in road and bridge privilege taxes.
- An increase in fines and forfeitures.
- An increase in charges for services.
- A decrease in licenses, commissions and other revenue.
- A decrease in public works expenditures due to the completion of road projects.
- A decrease in health and welfare expenditures.
- A decrease in culture and recreation expenditures
- A decrease in the interest and fiscal charges expenditures.

The General Fund is the principal operating fund of the County. The fund balance in the General Fund increased \$5,130,412 for fiscal year 2014 due to a \$1,838,660 increase in revenues and a \$1,146,567 increase in expenditures, for an excess of revenue.

BUDGETARY HIGHLIGHTS

Over the course of the year, the 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 another major fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

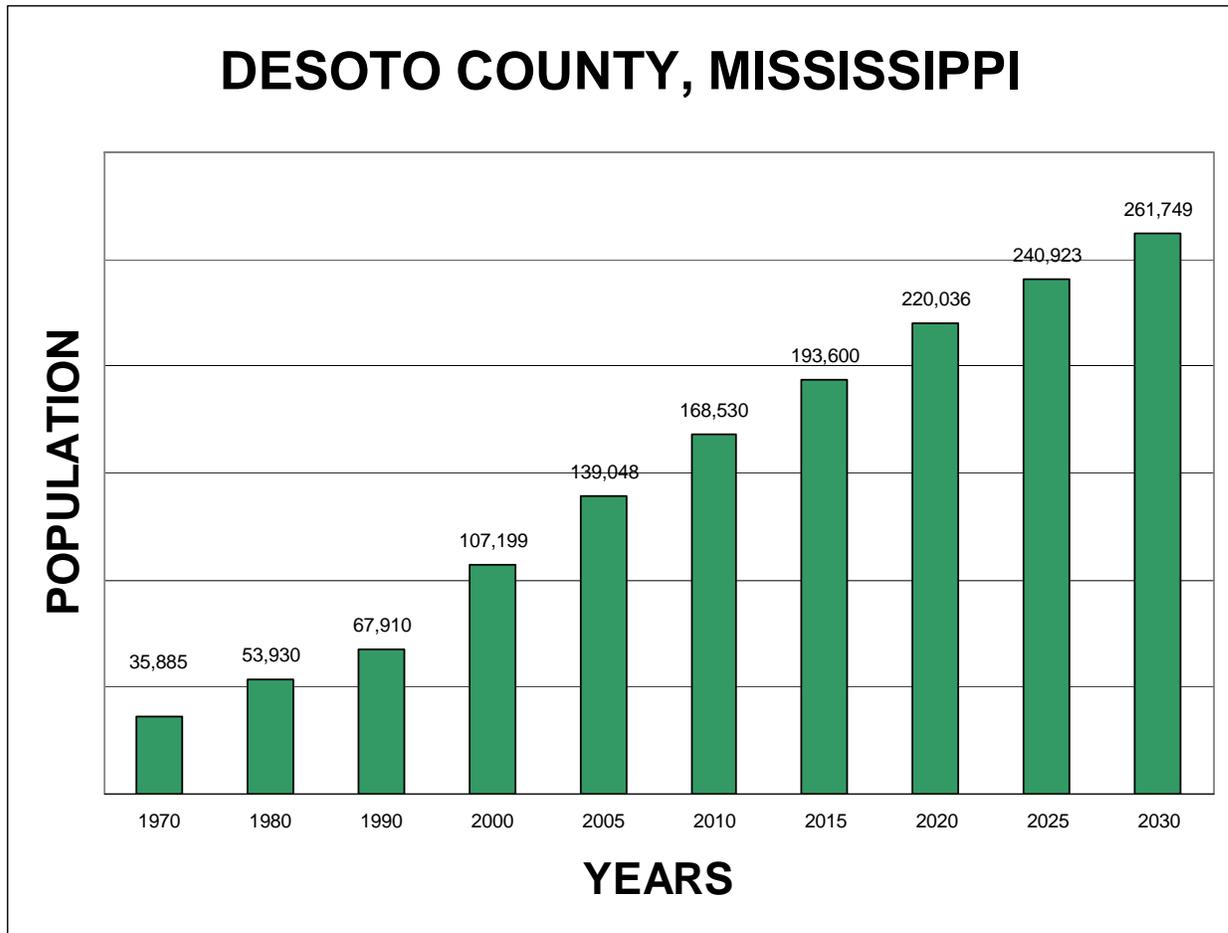
Capital Assets. As of September 30, 2014, the County's total capital assets were \$139,686,467, including land, buildings, improvements other than buildings, equipment and machinery, infrastructure and construction in progress. This amount represents a decrease of \$2,998,770 from the previous year. The decrease in capital assets is mainly due to the increase in accumulated depreciation for existing assets. Total accumulated depreciation as of September 30, 2014 was \$104,578,921 and total depreciation expense for the year was \$7,618,450. Additional information on the County's capital assets can be found in Note 9 of this report.

Debt Administration. At September 30, 2014, the County had \$94,425,000 in general obligation bonds and \$381,798 in other loans, of which \$8,222,927 is due within one year.

The County maintains an AA bond rating from Standard & Poors and an Aa2 rating from Moody's Investors. Additional information of the County's long-term debt can be found in Note 11 of this report.

CURRENT ISSUES

The DeSoto County Board of Supervisors has always strived to ensure that the county is financially stable and has accomplished this by committing itself to financial excellence for many years. DeSoto County has been experiencing phenomenal growth over the past several years, and while the amount of growth in 2014 was less than previous years, it is still steady and the trend is for continued growth for the next several years. The County's population has grown over the past 30 years and that growth is expected to continue as follows:



Between seven and ten companies locate to DeSoto County each year. The county averages several industrial expansions annually. Unemployment is at 4.0 percent, one of the lowest in the state of Mississippi. This growth has been complemented by conservative, yet progressive leadership. The catalyst of the growth is a strong school system and pro-active leadership from the Board of Supervisors that has allowed the county to keep the tax millage rate low from year to year. In the 2014 fiscal year, the Board of Supervisors financed the county's operations without raising the tax rate. Due to the Board of Supervisors' conservative financial approach, the county has been able to establish substantial cash reserves to ensure the county remains in a good position to endure the economic cycles that come and go from year to year.

DeSoto County Tax Millage Rates 1991-2015

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

DeSoto County, Mississippi
Statement of Net Position
September 30, 2014

Exhibit 1

	<u>Primary Government</u> Governmental Activities	<u>Component</u> Units
ASSETS		
Cash	\$ 91,153,904	8,319,059
Certificates of deposits	-	2,352,993
Property tax receivable	50,332,032	-
Receivable from component unit	31,155,000	-
Accounts receivable	-	821,581
Fines receivable (net of allowance for uncollectibles of \$3,885,515)	945,519	-
Loans receivable	10,644,794	-
Intergovernmental receivables	1,296,905	-
Other receivables	37,885	434,726
Inventories and prepaid items		183,008
Restricted assets	371,821	66,181
Capital assets:		
Land and construction in progress	5,452,571	6,328,825
Other capital assets, net	134,233,896	36,313,200
Total Assets	<u>325,624,327</u>	<u>54,819,573</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,416,563	
Total Deferred Outflows of Resources	<u>1,416,563</u>	<u>-</u>
LIABILITIES		
Claims payable	4,466,250	491,088
Liabilities payable from restricted assets	371,821	-
Intergovernmental payables	2,578,979	528,947
Accrued interest payable	464,228	568,554
Long-term liabilities		
Due within one year:		
Capital debt	8,222,927	2,305,308
Non-capital debt		249,820
Due in more than one year:		
Capital debt	55,019,327	33,121,691
Non-capital debt	33,932,373	6,601,675
Total Liabilities	<u>105,055,905</u>	<u>43,867,083</u>
DEFERRED INFLOWS OF RESOURCES		
Property tax for future reporting period	50,332,032	
Total Deferred Inflows of Resources	<u>50,332,032</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	77,860,776	7,215,026
Restricted:		
Expendable:		
Debt service	4,155,716	-
Public works	31,555,841	-
Unrestricted	58,080,620	3,737,466
Total Net Position	<u>\$ 171,652,953</u>	<u>10,952,492</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, 2014

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	\$ 18,268,353	8,379,249	-	-	(9,889,104)	
Public safety	25,762,109	1,157,356	783,197	22,954	(23,798,602)	
Public works	17,649,927	30,740	1,423,459	184,462	(16,011,266)	
Health and welfare	1,452,790	-	18,010	-	(1,434,780)	
Culture and recreation	1,493,570	-	-	-	(1,493,570)	
Conservation of natural resources	305,444	-	-	-	(305,444)	
Economic development and assistance	371,779	-	-	-	(371,779)	
Interest on long-term debt	2,055,122	-	-	-	(2,055,122)	
Total Governmental Activities	\$ <u>67,359,094</u>	<u>9,567,345</u>	<u>2,224,666</u>	<u>207,416</u>	<u>(55,359,667)</u>	
Component Units:						
Emergency Commission	\$ 852,483	1,816,856	-	-		964,373
Civic Center	11,713,378	6,344,795	-	-		(5,368,583)
Port Commission	-	-	-	-		-
Total Component Units	\$ <u>12,565,861</u>	<u>8,161,651</u>	<u>-</u>	<u>-</u>		<u>(4,404,210)</u>
General revenues:						
Property taxes				\$ 57,553,250		-
Road & bridge privilege taxes				2,372,224		-
Tourism tax				-		6,930,131
Grants and contributions not restricted to specific programs				2,885,441		-
Unrestricted gifts and donations				205,787		-
Unrestricted interest income				186,375		51,816
Miscellaneous				979,121		357,724
Total General Revenues				<u>64,182,198</u>		<u>7,339,671</u>
Changes in Net Position					8,822,531	2,935,461
Net Position - Beginning, as previously reported					164,335,079	8,969,938
Fund reclassification					(15,277)	-
Prior period adjustment					(1,489,380)	(952,907)
Net Position - Beginning, as restated					<u>162,830,422</u>	<u>8,017,031</u>
Net Position - Ending					\$ <u>171,652,953</u>	<u>10,952,492</u>

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

DeSoto County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Bridge & Culvert Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 33,281,898	18,584,872	36,444,243	88,311,013
Property tax receivable	32,450,000	5,250,000	12,632,032	50,332,032
Fines receivable (net of allowance for uncollectibles of \$3,885,515)	945,519			945,519
Loans receivable	10,644,794			10,644,794
Intergovernmental receivables	1,224,529		72,376	1,296,905
Other receivables	37,885			37,885
Restricted assets	371,821			371,821
Due from other funds	1,517,473	72,514	404,942	1,994,929
Total Assets	\$ 80,473,919	23,907,386	49,553,593	153,934,898
LIABILITIES				
Liabilities:				
Claims payable	\$ 1,798,989	991,119	1,236,310	4,026,418
Liabilities payable from restricted assets	371,821			371,821
Intergovernmental payables	2,578,979			2,578,979
Due to other funds	438,456		1,556,473	1,994,929
Total Liabilities	5,188,245	991,119	2,792,783	8,972,147
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	32,450,000	5,250,000	12,632,032	50,332,032
Unavailable revenue - fines	945,519			945,519
Total Deferred Inflows of Resources	33,395,519	5,250,000	12,632,032	51,277,551
FUND BALANCES				
Fund balances:				
Nonspendable:				
Loans	10,644,794			10,644,794
Restricted for:				
Debt service			4,619,944	4,619,944
Public works		17,666,267	13,889,574	31,555,841
Assigned to:				
General government			1,772,639	1,772,639
Public safety			1,937,319	1,937,319
Capital projects			11,909,302	11,909,302
Unassigned	31,245,361			31,245,361
Total Fund Balances	41,890,155	17,666,267	34,128,778	93,685,200
Total Liabilities and Fund Balances	\$ 80,473,919	23,907,386	49,553,593	153,934,898

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

DeSoto County, Mississippi

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 93,685,200
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 \$104,578,921.	139,686,467
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	945,519
Receivable from component unit	31,155,000
Deferred amount on refunding	1,416,563
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(97,174,627)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(464,228)
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>2,403,059</u>
Total Net Position - Governmental Activities	<u><u>\$ 171,652,953</u></u>

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

DeSoto County, Mississippi

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Bridge & Culvert Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 37,886,113	5,999,562	13,667,575	57,553,250
Road and bridge privilege taxes			2,372,224	2,372,224
Licenses, commissions and other revenue	3,718,860		464,492	4,183,352
Fines and forfeitures	1,392,805		273,077	1,665,882
Intergovernmental revenues	3,162,174		2,361,136	5,523,310
Charges for services	1,408,519	20,000	2,235,628	3,664,147
Interest income	79,416	34,466	67,085	180,967
Miscellaneous revenues	206,984		160,385	367,369
Total Revenues	<u>47,854,871</u>	<u>6,054,028</u>	<u>21,601,602</u>	<u>75,510,501</u>
EXPENDITURES				
Current:				
General government	15,633,065		1,385,045	17,018,110
Public safety	21,992,516		5,317,250	27,309,766
Public works	451,251	5,553,905	8,432,449	14,437,605
Health and welfare	1,446,130		-	1,446,130
Culture and recreation	1,259,665		232,033	1,491,698
Conservation of natural resources	306,183			306,183
Economic development and assistance	371,779			371,779
Debt service:				
Principal	22,337		6,190,000	6,212,337
Interest	8,016		2,227,778	2,235,794
Total Expenditures	<u>41,490,942</u>	<u>5,553,905</u>	<u>23,784,555</u>	<u>70,829,402</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,363,929</u>	<u>500,123</u>	<u>(2,182,953)</u>	<u>4,681,099</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	16,894	64,000	530,858	611,752
Operating transfers in	-		1,389,132	1,389,132
Operating transfers out	(1,250,411)		(138,721)	(1,389,132)
Total Other Financing Sources and Uses	<u>(1,233,517)</u>	<u>64,000</u>	<u>1,781,269</u>	<u>611,752</u>
Net Changes in Fund Balances	5,130,412	564,123	(401,684)	5,292,851
Fund Balances - Beginning, as previously reported	36,759,743	17,102,144	34,545,739	88,407,626
Fund Reclassification			(15,277)	(15,277)
Fund Balances - Beginning, as restated	<u>36,759,743</u>	<u>17,102,144</u>	<u>34,530,462</u>	<u>88,392,349</u>
Fund Balances - Ending	\$ <u>41,890,155</u>	<u>17,666,267</u>	<u>34,128,778</u>	<u>93,685,200</u>

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

DeSoto County, Mississippi

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,292,851
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 \$5,058,426 exceeded depreciation of \$7,618,450 in the current period.	(2,560,024)
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.	(438,746)
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.	53,964
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments.	7,792,337
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.	(1,580,000)
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	(21,226)
The amortization of:	
Deferred loss on refunding bond	(139,776)
Discounts on bonds	(2,156)
Amortization of bond premium	105,563
Accrued interest on debt	217,041
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.	102,703
Change in Net Position of Governmental Activities	\$ <u><u>8,822,531</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, 2014

Exhibit 5

	Internal Service Fund
ASSETS	
Cash	\$ 2,842,891
Total Current Assets	<u>2,842,891</u>
LIABILITIES	
Claims payable	<u>439,832</u>
Total Current Liabilities	<u>439,832</u>
NET POSITION	
Restricted for:	
Health insurance	<u>2,403,059</u>
Total Net Position	<u>\$ 2,403,059</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, 2014

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Premiums	\$ 4,874,699
Total Operating Revenues	<u>4,874,699</u>
OPERATING EXPENSES	
Claims payments	3,868,593
Administrative	908,811
Total Operating Expenses	<u>4,777,404</u>
Operating Income (Loss)	<u>97,295</u>
NON-OPERATING REVENUES	
Interest Income	<u>5,408</u>
Total Non-Operating Revenues	<u>5,408</u>
Net Income (Loss)	<u>102,703</u>
NET POSITION	
Beginning	<u>2,300,356</u>
Ending	<u>\$ 2,403,059</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, 2014

Exhibit 7

	Internal Service Fund
Cash Flows from Operating Activities	
Receipt for premiums	\$ 4,874,699
Payment for claims	(3,732,389)
Payments to administrator for services	(908,811)
Net Cash Provided (Used) by Operating Activities	<u>233,499</u>
Cash Flows from Investing Activities	
Interest and dividends on deposits	5,408
Net Cash Provided (Used) by Investing Activities	<u>5,408</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>238,907</u>
Cash and Cash Equivalents at the Beginning of Year	<u>2,603,984</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 2,842,891</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ <u>97,295</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase (Decrease) in claims payable	<u>136,204</u>
Total Adjustments	<u>136,204</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 233,499</u>

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

DeSoto County, Mississippi
Statement of Fiduciary Net Position
September 30, 2014

Exhibit 8

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 381,307	\$ 963,952
Intergovernmental receivables	-	1,973,768
Total Assets	<u>381,307</u>	<u>2,937,720</u>
 LIABILITIES		
Amounts held in custody for others		48,373
Intergovernmental payables		2,889,347
Total Liabilities		<u>\$ 2,937,720</u>
 NET POSITION		
Held in trust for:		
Individuals, organizations and other governments	<u>381,307</u>	
Total Net Position	<u>\$ 381,307</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, 2014

Exhibit 9

	Private-purpose Trust Funds
ADDITIONS	
Interest income	\$ 719
Total Additions	<u>719</u>
 Change in Net Position	 <u>719</u>
NET POSITION	
Beginning	<u>380,588</u>
Ending	\$ <u><u>381,307</u></u>

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

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DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Individual Component Unit 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, 2014

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 Communications 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, 2014

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, 2014

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 judgements, 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.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPES

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

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.

I. Inventories and Prepaid Items

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

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, 2014

	Capitalization Thresholds	Estimated Useful Life
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. Deferred Outflows/Inflows of Resources

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

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

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

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

Property taxes for future reporting period - Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

M. Long-term Liabilities

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

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

N. Equity Classifications

Government-wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned and

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

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

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

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

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

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the 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.

O. Property Tax Revenues

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

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

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

P. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Q. Compensated absences

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

R. Changes in Accounting Standards

DeSoto County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements 10 and 62*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Fund Reclassification and Prior Period Adjustment

The Law Library fund’s beginning fund balance of \$15,277 was reclassified from the Governmental Funds to a beginning net position in the Fiduciary Funds. The law library fees are remitted to the First Regional Library and the First Regional Library is maintaining the operations of the law library.

In Exhibit 2 - Statement of Activities, there is a prior period adjustment of \$1,489,380 for the bond issuance costs in prior years and due to the implementation of GASB Statement 65.

(3) Restricted Assets

The restricted assets represents the cash balance totaling \$371,821 of the Justice Court Clerk as well as the Circuit Court Clerk. This cash balance is restricted and may not be used for purposes that support the county’s programs.

DeSoto County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

(4) Deposits

Primary Government

The carrying amount of the county's total deposits with financial institutions at September 30, 2014, was \$88,311,013 in the governmental funds, \$2,842,891 in the business-type activities and \$1,345,259 in the fiduciary funds. The bank balance was \$94,244,362. 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, 2014.

Component Units

The carrying amount of the Emergency Communications District's total deposits with financial institutions at September 30, 2014, was \$1,418,671. The carrying amount of the Civic Center's total deposits with financial institutions at September 30, 2014, was \$6,966,569. 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, 2014

(5) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,517,473
Bridge and Culvert Fund	General Fund	72,514
Other Governmental Funds	General Fund	365,942
Other Governmental Funds	Other Governmental Funds	39,000
Total		<u>\$ 1,994,929</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>
Other Governmental Funds	General Fund	\$ 1,250,411
	Other Governmental Funds	138,721
Total		<u>\$ 1,389,132</u>

The principal purpose of the interfund transfers was to provide funds as budgeted to pay for operations and to purchase land for the new jail. With the exception of the transfer for the purchase of land, all interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2014 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Tax Collector - Legislative Tax Credit	\$ 1,117,044
Federal Grants	179,861
Total	<u>\$ 1,296,905</u>

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

(7) Receivable from Component Unit

As of September 30, 2014, the County had \$31,155,000 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.

(8) Loans Receivable

At September 30, 2014, the Civic Center had \$6,744,794 in loans payable to the County outstanding. During October 2013, the County and the Civic Center entered into an agreement for the Civic Center to repay the original loan of \$7,494,614, with no interest. The terms of the agreement include monthly payments of \$20,818 beginning November 1, 2013 and one final payment of \$20,819 on October 1, 2043.

At September 30, 2014, 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.

Loan receivable balances at September 30, 2014, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Civic Center	October 2013	0.00%	October 2043	\$ 6,744,794
DCRUA	October 2014	0.00%	October 2044	<u>3,900,000</u>
Total				<u>\$ 10,644,794</u>

(9) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2014:

DeSoto County, Mississippi

Notes to the Financial Statements For the year ended September 30, 2014

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
Non-depreciable capital assets:				
Land	\$ 3,859,223			3,859,223
Construction in progress	6,802,046	1,279,617	6,488,315	1,593,348
Total non-depreciable capital assets	<u>10,661,269</u>	<u>1,279,617</u>	<u>6,488,315</u>	<u>5,452,571</u>
Depreciable capital assets:				
Infrastructure	148,514,099	957,434		149,471,533
Buildings and improvements	58,417,322	5,934,787		64,352,109
Improvements other than buildings	561,872			561,872
Equipment and machinery	22,676,255	3,374,903	1,623,855	24,427,303
Total depreciable capital assets	<u>230,169,548</u>	<u>10,267,124</u>	<u>1,623,855</u>	<u>238,812,817</u>
Less accumulated depreciation for:				
Infrastructure	69,214,335	4,341,547		73,555,882
Buildings and improvements	13,138,244	1,182,881		14,321,125
Improvements other than buildings	304,114	18,511		322,625
Equipment and machinery	15,488,887	2,075,511	1,185,109	16,379,289
Total accumulated depreciation	<u>98,145,580</u>	<u>7,618,450</u>	<u>1,185,109</u>	<u>104,578,921</u>
Total depreciable capital assets, net	<u>132,023,968</u>	<u>2,648,674</u>	<u>438,746</u>	<u>134,233,896</u>
Governmental activities capital assets, net	<u>\$ 142,685,237</u>	<u>3,928,291</u>	<u>6,927,061</u>	<u>139,686,467</u>

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

Component Units:

The following is a summary of component units' capital assets activity for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
Non-depreciable capital assets:				
Land	\$ 6,328,825			6,328,825
Construction in progress				0
Total non-depreciable capital assets	<u>6,328,825</u>	<u>0</u>	<u>0</u>	<u>6,328,825</u>
Depreciable capital assets:				
Buildings and improvements	47,664,521	73,404		47,737,925
Equipment and machinery	1,690,736	257,681	373,313	1,575,104
Furniture and fixtures	366,591		149,010	217,581
Total depreciable capital assets	<u>49,721,848</u>	<u>331,085</u>	<u>522,323</u>	<u>49,530,610</u>
Less accumulated depreciation for:				
Buildings and improvements	10,631,550	1,312,111		11,943,661
Mobile equipment	1,128,823	206,336	255,752	1,079,407
Furniture and equipment	307,563	30,502	143,723	194,342
Total accumulated depreciation	<u>12,067,936</u>	<u>1,548,949</u>	<u>399,475</u>	<u>13,217,410</u>
Total depreciable capital assets, net	<u>37,653,912</u>	<u>(1,217,864)</u>	<u>122,848</u>	<u>36,313,200</u>
Total capital assets, net	<u>\$ 43,982,737</u>	<u>(1,217,864)</u>	<u>122,848</u>	<u>42,642,025</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 1,310,390
Public safety	1,190,155
Public works	5,109,296
Health and welfare	7,596
Culture and recreation	<u>1,013</u>
Total depreciation expense	<u>\$ 7,618,450</u>

Commitments with respect to unfinished capital projects at September 30, 2014 consisted of the following:

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

Description of Commitment:	Remaining Financial Commitment	Expected Date of Completion
Valleybrook Road	\$ 52,285	1/15/15
Swinnea Road	1,256,300	8/31/15
Nesbit Road bridge	44,601	1/15/15
Holly Springs Road Bridge	3,999,773	N/A
Fogg Road bridge	1,800,000	N/A
Starlanding Road	306,937	N/A
Polk Lane	100,000	5/1/15
Craft Road overpass	1,600,000	1/1/17
Eudora Fire Department	12,000	2/1/15
Jail Project - phase 2	7,141,032	9/7/15
Sheriff Administration Building	2,586,589	9/12/15
Total	\$ <u>18,899,517</u>	

(10) 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, 2014 to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County 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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

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 coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$110,000, up to a maximum of \$2,000,000 per individual. The aggregate policy covers all submitted claims in excess of \$4,913,099.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). At September 30, 2014, the amount of these liabilities was \$439,832. An analysis of claims activities is presented below:

		Beginning liability	Current year claims and changes in estimates	Claim payments		End of year liability
2012-2013	\$	475,279	3,477,450	3,649,101	\$	303,628
2013-2014	\$	303,628	3,868,593	3,732,389	\$	439,832

(11) Long-Term Debt

Debt outstanding as of September 30, 2014, consisted of the following:

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
2005 GO Refunding Bonds	\$ 2,745,000	3.0 - 4.0%	10/2019
2007 Loan Refunding Bonds	5,725,000	4.0 - 4.375%	07/2024
2009 Refunding Bonds	7,520,000	2.25 - 4.0%	10/2020
2009 General Obligation Bonds	11,730,000	3.0 - 3.875%	07/2024
2009 Refunding bonds	31,155,000	2.5 - 5.0%	11/2028
2009 Refunding bonds	3,330,000	2.0 - 3.5%	12/2021
2010 Refunding bonds	3,945,000	2.0 - 2.125%	11/2018
2010 General Obligation bonds	4,205,000	2.5 - 3.5%	12/2025
2012 Refunding bonds	13,960,000	2.0 - 4.0%	07/2024
2013 General Obligation Bonds	<u>10,110,000</u>	2.25 - 3.125%	06/2033
Total General Obligation Bonds	<u>\$ 94,425,000</u>		
B. Other Loans:			
Civic Center Tourism Building	<u>\$ 381,798</u>	2%	04/2029

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
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	8,860,000	2,253,744	24,835	5,518
2020 - 2024	35,645,000	6,780,279	131,898	19,868
2025 - 2029	13,300,000	1,860,763	130,543	6,070
2030 - 2033	2,620,000	202,925		
Total	<u>\$ 94,425,000</u>	<u>22,912,646</u>	<u>381,798</u>	<u>58,346</u>

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

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, 2014, the amount of outstanding debt was equal to 3.54% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due within one year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 102,195,000		7,770,000	94,425,000	8,200,000
Other loans	404,135		22,337	381,798	22,927
Compensated absences	1,198,484	21,226		1,219,710	
Total	<u>\$ 103,797,619</u>	<u>21,226</u>	<u>7,792,337</u>	<u>96,026,508</u>	<u>8,222,927</u>

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.

	Balance Oct. 1, 2013	Reductions	Balance Sept. 30, 2014
Bond discount	\$ (24,262)	(2,156)	(22,106)
Bond premiums	1,275,788	105,563	1,170,225
Total	<u>\$ 1,251,526</u>	<u>103,407</u>	<u>1,148,119</u>

The beginning balance above does not tie to the prior year report in the amount of \$1,556,339 due to the implementation of GASB Statement No. 65, which required deferred amounts to be reported as deferred outflows of resources instead of liabilities. See Note 1 (R), (L) and 18.

The following is a summary of changes in component units long-term liabilities and obligations for the year ended September 30, 2014:

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due within one year
<u>Component Units:</u>					
Bonds payable	\$ 32,735,000		1,580,000	31,155,000	1,875,000
Bond premium	1,805,822		108,894	1,696,928	108,894
Capital leases	2,882,341		307,270	2,575,071	321,414
Loans payable	7,494,614		749,820	6,744,794	249,820
Compensated absences	106,381	1,623	1,303	106,701	
Total	<u>\$ 45,024,158</u>	<u>1,623</u>	<u>2,747,287</u>	<u>42,278,494</u>	<u>2,555,128</u>

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
EMA Grants	\$ 87,939
State Aid Road	263,285
New Telephone System	443,801
I-69 Corridor MPO - Funds	17,147
Johnson Creek Greenway Project	6,328

(13) Contingencies

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

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

(14) 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. However, the County's accountability for this organization does not exceed beyond making the appointments. During the year, the County did not appropriate any funds to this organization.

(15) 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.

(16) 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 \$283,245 for the operation of the district in fiscal year 2014, and \$131,551 for the cost of the county-wide transportation service for disabled and elderly citizens.

Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The DeSoto County Board of Supervisors appoints one of the 21 members of the board of commissioners. DeSoto County levied a .71 mill tax, which resulted in \$16,363 to help support the district in fiscal year 2014.

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

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

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 2014, 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 \$6,299,470 for maintenance and support of the college in fiscal year 2014.

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 funds for support of the agency in fiscal year 2014.

(17) 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 information 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.

Funding Policy

At September 30, 2014, 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, 2014 was 15.75% of the annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$3,629,162, \$3,250,986, and \$2,860,674, respectively, equal to the required contributions for each year.

DeSoto County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2014

(18) Deferred Outflows/Inflows or Resources

The net investment in capital assets net position amount of \$77,860,776 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of county debt. The \$1,416,563 balance of the deferred outflow of resources at September 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position over the next few years.

	Balance Oct. 1, 2013	Reductions	Balance Sept. 30, 2014
Deferred loss on refunding \$	<u>(1,556,339)</u>	<u>(139,776)</u>	<u>(1,416,563)</u>

The net investment in capital assets net position amount of \$77,860,776 includes the effect of deferring the recognition of revenues resulting from a deferred inflow from property taxes that belong to a future reporting period. The balance of the deferred inflow of resources at September 30, 2014 was \$50,332,032.

(19) 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 the following subsequent events have occurred that require disclosure in the notes to the financial statements.

The county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing
03-05-15	3.0%	\$ 6,500,000	General Obligation Bonds
07-01-15	1.5-5%	\$ 11,535,000	General Obligation Bonds

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REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 35,955,000	37,850,974	37,856,564	5,590
Charges for Services	6,239,200	6,599,334	3,009,386	(3,589,948)
Intergovernmental revenues	2,876,350	3,197,043	6,593,744	3,396,701
Interest income	93,000	79,044	79,196	152
Miscellaneous revenues	474,000	206,967	206,984	17
Total Revenues	<u>45,637,550</u>	<u>47,933,362</u>	<u>47,745,874</u>	<u>(187,488)</u>
EXPENDITURES				
Current:				
General government	16,372,493	14,670,797	15,349,737	(678,940)
Public safety	21,887,310	21,530,038	21,529,845	193
Public works	580,254	436,168	436,368	(200)
Health and welfare	2,247,534	1,863,093	1,446,130	416,963
Culture and recreation	1,326,475	1,326,475	1,326,475	0
Conservation of natural resources	344,317	301,109	301,110	(1)
Economic development	375,500	371,779	371,779	0
Debt service				
	22,000	22,383	22,337	46
	8,500	7,970	8,016	(46)
Total Expenditures	<u>43,164,383</u>	<u>40,529,812</u>	<u>40,791,797</u>	<u>(261,985)</u>
Excess of Revenues over (under) Expenditures	<u>2,473,167</u>	<u>7,403,550</u>	<u>6,954,077</u>	<u>(449,473)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	150,000		16,894	16,894
Transfers in	1,000,000		-	0
Transfers out	(3,295,000)		(1,250,411)	(1,250,411)
Total Other Financing Sources and Uses	<u>(2,145,000)</u>	<u>-</u>	<u>(1,233,517)</u>	<u>(1,233,517)</u>
Net Change in Fund Balance	328,167	7,403,550	5,720,560	(1,682,990)
Fund Balances - Beginning	-	-	20,535,668	20,535,668
Fund Balances - Ending	<u>\$ 328,167</u>	<u>7,403,550</u>	<u>26,256,228</u>	<u>18,852,678</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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,550,000	5,997,195	5,997,194	(1)
Intergovernmental revenues	200,000	-		
Charges for services	75,000	20,000	20,000	-
Interest income	35,000	34,466	34,466	-
Miscellaneous revenues	10,000	-		
Total Revenues	<u>5,870,000</u>	<u>6,051,661</u>	<u>6,051,660</u>	<u>(1)</u>
EXPENDITURES				
Current:				
Public works	<u>20,108,576</u>	<u>5,169,053</u>	<u>5,169,052</u>	<u>1</u>
Total Expenditures	<u>20,108,576</u>	<u>5,169,053</u>	<u>5,169,052</u>	<u>1</u>
Excess of Revenues over (under) Expenditures	<u>(14,238,576)</u>	<u>882,608</u>	<u>882,608</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	<u>300,000</u>	<u>64,000</u>	<u>64,000</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>300,000</u>	<u>64,000</u>	<u>64,000</u>	<u>-</u>
Net Change in Fund Balance	(13,938,576)	946,608	946,608	-
Fund Balances - Beginning	-		17,491,717	17,491,717
Fund Balances - Ending	<u>\$ (13,938,576)</u>	<u>946,608</u>	<u>18,438,325</u>	<u>17,491,717</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, 2014

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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the 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, 2014

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)	\$ 5,720,560	946,608
Increase (Decrease)		
Net adjustments for revenue accruals	(590,148)	(382,485)
GAAP Basis	<u>\$ 5,130,412</u>	<u>564,123</u>

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SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
 Schedule of Expenditure of Federal Awards
 For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Passed-through the Mississippi Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program*	16.738	13DC1171	\$ 161,389
Total U.S. Department of Justice			<u>161,389</u>
U.S. Department of Transportation			
Passed-through Mississippi Department of Public Safety Occupant Protection Incentive Grants	20.602	14OP1171	20,838
Alcohol Open Container Requirements*	20.607	14MS1171	155,985
Total passed-through the Mississippi Department of Public Safety			<u>176,823</u>
Total U.S. Department of Transportation			<u>176,823</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	H301043B	12,969
Total passed-through the Mississippi Department of Health			<u>12,969</u>
Total U.S. Department of Health and Human Services			<u>12,969</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency Emergency Management Performance Grants	97.042	13EMPL00	13,955
Emergency Management Performance Grants	97.042	14EMPL00	71,940
State Homeland Security Program (SHSP)	97.073	A11HSO17T	60,000
State Homeland Security Program (SHSP)	97.073	M11HSO17T	3,575
State Homeland Security Program (SHSP)	97.073	S12HSO17T	4,417
State Homeland Security Program (SHSP)	97.073	12HSO17T	28,439
State Homeland Security Program (SHSP)	97.073	12LE017	39,000
Total passed-through Mississippi Emergency Management Agency			<u>221,326</u>
Total U.S. Department of Homeland Security			<u>221,326</u>
Total Expenditures of Federal Awards			<u>\$ 572,507</u>

* denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

DeSoto County, Mississippi

Component Units - Combining Statement of Net Position

September 30, 2014

	Port Commission*	Emergency Communications District	Civic Center
ASSETS			
Cash and cash equivalents	\$ -	1,418,671	6,900,388
Certificates of deposits	-	2,352,993	-
Accounts receivable	-	-	821,581
Interest receivable	-	11,410	-
Telephone service charge receivable	-	423,316	-
Inventories and prepaid items	-	-	183,008
Restricted assets	-	-	66,181
Capital assets:			
Land and construction in progress	-	-	6,328,825
Other capital assets, net	-	-	36,313,200
Total Assets	<u>-</u>	<u>4,206,390</u>	<u>50,613,183</u>
LIABILITIES			
Accounts payable	-	37,138	453,950
Intergovernmental payables	-	-	528,947
Accrued interest payable	-	-	568,554
Compensated absences	-	10,456	-
Long-term liabilities:			
Due in one year:			
Capital related	-	-	2,305,308
Non-capital related	-	-	249,820
Due beyond one year:			
Capital related	-	-	33,121,691
Non-capital related	-	-	6,591,219
Total Liabilities	<u>-</u>	<u>47,594</u>	<u>43,819,489</u>
NET POSITION			
Net investment in capital assets	-	0	7,215,026
Unrestricted	-	4,158,797	(421,331)
Total Net Position	<u>0</u>	<u>4,158,797</u>	<u>6,793,695</u>

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

DeSoto County, Mississippi

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

For the Year Ended September 30, 2014

	Port Commission*	Emergency Communications District	Civic Center Fund
REVENUES			
Charges for services	\$ -	1,816,856	6,344,795
Tourism tax	-	-	6,930,131
Sign sales	-	-	274,390
Luxury suite sales	-	-	10,200
Unrestricted interest income	-	19,636	32,180
Other	-	-	73,134
Total Revenues	<u>-</u>	<u>1,836,492</u>	<u>13,664,830</u>
EXPENSES			
Capital expenditures	-	52,729	-
Event expenses	-	-	1,271,997
Tourism expenses	-	-	-
Insurance	-	525	-
Maintenance and repairs	-	260,646	-
Office expense	-	3,989	-
Payroll expenses	-	148,526	-
Professional services	-	19,014	-
Rent/Utilities	-	36,168	-
Subscriptions/seminars	-	8,378	-
Travel	-	19,670	-
Tickets	-	-	3,522,422
Tourism	-	-	570,445
General operating expenses	-	302,838	3,369,884
Interest expense	-	-	1,306,833
Depreciation	-	-	1,671,797
Total Expenditures	<u>-</u>	<u>852,483</u>	<u>11,713,378</u>
Changes in Net Position	<u>-</u>	<u>984,009</u>	<u>1,951,452</u>
Net Position - Beginning, as previously reported	-	3,174,788	5,795,150
Prior period adjustment	-	-	(952,907)
Net Position - Beginning, as restated	<u>-</u>	<u>3,174,788</u>	<u>4,842,243</u>
Net Position - Ending	<u>\$ -</u>	<u>4,158,797</u>	<u>6,793,695</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, 2014

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
Monica Jackson	Assistant Receiving Clerk	CNA Surety	\$50,000
Mary Vick	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	Western Surety Company	\$50,000
Amy Henley	Assistant Inventory Control Clerk	Brierfield Insurance Company	\$50,000
Andy Swims	Road Manager	Ohio Casualty Insurance Company	\$50,000
Elizabeth Medlin	Constable - District 1	Brierfield Insurance Company	\$50,000
Christopher Plumlee	Constable - District 2	Brierfield Insurance Company	\$50,000
Brandon Hylander	Constable - District 3	Brierfield Insurance Company	\$50,000
Bobby Holloway, Jr.	Constable - District 4	Brierfield Insurance Company	\$50,000
Lee Hodge	Constable - District 5	Brierfield Insurance Company	\$50,000
Dale Thompson	Circuit Clerk	Ohio Casualty Insurance Company	\$100,000
Bill Rasco	Sheriff	Brierfield Insurance Company	\$100,000
	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))		\$50,000
Ken Adams	Justice Court Judge - District 1	Brierfield Insurance Company	\$50,000
Larry Vaughn	Justice Court Judge - District 2	Brierfield Insurance Company	\$50,000
William Lantrip	Justice Court Judge - District 3	Brierfield Insurance Company	\$50,000
Brad Russell	Justice Court Judge - District 4	Brierfield Insurance Company	\$50,000
Karen Sanders	Justice Court Judge - District 5	Brierfield Insurance Company	\$50,000
Shirley Beshears	Justice Court Clerk	St. Paul Travelers	\$50,000

DESOTO COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials (Continue)

For the Year Ended September 30, 2014

Pat Sanford	Justice Court Clerk	Old Republic Surety Company	\$50,000
Deborah Rutherford	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Ramonda Abernathy	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Vickie Tillman	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Carla Johnson	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Gayle Ward	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Silva Webster	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Patricia Yow	Deputy Justice Court Clerk	Ohio Casualty Insurance Company	\$50,000
Charlene Tilly	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Randall Morris	Deputy Justice Court Clerk	St. Paul Travelers	\$50,000
Stephanie Rozell	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Joey Treadway	Tax Collector	State Farm Insurance Company	\$100,000
Cindy Laughter	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Tammie Rhoda	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Pamela Williamson	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Bonita Reed	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Samantha Winfield	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Amanda Jenkins	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Anita Michelle Mason	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Heather Hearn	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Britni MacMillan	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Carly Thompson	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Meridith Mayer	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Sherry Dickerson	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Tracie Riley	Deputy Tax Collector	State Farm Insurance Company	\$50,000
Betsy Pruett	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Erin Mangrum	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Abigail Reaves	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Elizabeth Riley	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Carol Carpenter	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Parker Pickle	Tax Assessor	State Farm Fire and Casualty Company	\$100,000
Andy Swims	County Engineer	Ohio Casualty Insurance Company	\$50,000
Thomas Arnold	Chief Financial Officer	USF&G	\$50,000
Jeffrey Ponders	Coroner	Western Surety Company	\$10,000
Debby Dunnaway	E911 Director	Brierfield Insurance Company	\$50,000
Shirley Beshears	EMS Billing Supervisor	Western Surety Company	\$50,000
Colleen Magee	EMS Billing Clerk	Ohio Casualty Insurance Company	\$50,000
Jamee Lee Bradshaw	EMS Billing Clerk	Old Republic Surety Company	\$50,000

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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, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 25, 2015.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
June 25, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
DeSoto County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited DeSoto County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2014. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

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Report on Internal Control Over Compliance

Management of DeSoto County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DeSoto County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DeSoto County, Mississippi's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
June 25, 2015

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, 2014. 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, 2014.

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.

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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
June 25, 2015

Certified Public Accountants

DeSoto County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

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

DeSoto County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2014

Schedule 2

Our test results did not identify any emergency purchases.

DeSoto County, Mississippi

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.

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, 2014, 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 June 25, 2015, 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 test cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 25, 2015

Certified Public Accountants

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DeSoto County, Mississippi

Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
20.607	Alcohol Open Container Requirements

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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