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DeSoto County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

DeSoto County, Mississippi
Audited Financial Statements and Special Reports
Year Ended September 30, 2009

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
DeSoto County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of DeSoto County, Mississippi, ("the County") as of and for the year ended September 30, 2009 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of DeSoto County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, on our consideration of DeSoto County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeSoto County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

June 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009

The discussion and analysis of DeSoto County Board of Supervisors' financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. 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 assets increased from \$113,203,454 in the 2008 fiscal year to \$120,514,468 in the 2009 fiscal year, which represents a 6.46% increase from fiscal year 2008.
- General revenues account for \$58,614,490 in revenue, or 86.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,714,923 or 14.4% of total revenues. Total revenues for the County were \$67,449,724.
- The County had \$60,641,763 in expenses; \$9,714,923 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$58,614,490 and a portion of the prior year fund balance were more than adequate to provide for the balance of these expenses.
- Among major funds, the General Fund had \$39,060,708 in revenues and \$41,183,718 in expenditures. There was also a net amount of other financing sources (uses) of \$(451,665), and the General Fund's fund balance decreased \$2,574,675 from the prior year. The decrease in fund balance was the result of several factors. The main one is that the County paid off two outstanding bond issues out of current funds on hand in order to be able to issue a new bond issue and not have to raise the tax levy rate on the taxpayers. The County also had to transfer money to various funds to cover an additional payroll that was recorded on the books due to a change in the timing of the payrolls. The payroll method was changed from semi-monthly to bi-weekly, which caused a payroll date to fall at the first of the 2010 fiscal year, but the transfers of the fund to the payroll clearing fund had to be made in late September, 2009 to ensure the availability of funds in the payroll clearing bank account.
- Among the major funds, the Bridge and Culvert fund had \$7,931,953 in revenues and \$4,430,832 in expenditures in the 2009 fiscal year. The Bridge and Culvert fund balance increased \$3,609,662 over the prior year. This was due, mainly to several projects that were not completed in the 2009 fiscal year as planned and the purchases of new equipment that were postponed due to the current market conditions.

DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009

- Capital assets, net of accumulated depreciation, increased by \$1,177,292. The increase in capital assets was mainly due to the addition of a newly constructed building as well as the completion of two road projects.
- Long-term debt increased by \$8,560,627. This was due to the issuance of a new \$16,000,000 bond issue to construct a new jail facility for the County. The County paid off two outstanding bond issues with existing cash reserves and the pay-offs of the two outstanding bond issues helped reduce the net effect of the new bond issue on the long term debt 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 other supplementary 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 assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. 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 assets changed during the most recent fiscal year. All changes in net assets 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

The government-wide financial statements can be found on pages 13 – 14 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

DeSoto County, Mississippi
Management Discussion and Analysis
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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 16 and 18, 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 15-18 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 19-21 of this report.

**DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009**

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 Assets and a Statement of Changes in Fiduciary Net Assets on pages 22 and 23.

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 26-43 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 can be found on pages 44-46 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of DeSoto County, assets exceeded liabilities by \$120,514,468 as of September 30, 2009.

The largest portion of the County's net assets (52%) 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.

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.

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Management Discussion and Analysis
September 30, 2009

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2009 and 2008. Current assets increased by \$16,313,824 primarily due to the increase in the cash balances and the accrued property tax receivable.

	<u>2009</u>	<u>2008</u>
Assets:		
Current assets	\$ 120,865,000	\$ 104,551,176
Capital assets, net	<u>\$ 130,791,812</u>	<u>\$ 129,614,520</u>
Total assets	<u>\$ 251,656,812</u>	<u>\$ 234,165,696</u>
Liabilities:		
Current liabilities	\$ 56,996,750	\$ 55,377,275
Long-term liabilities	<u>\$ 74,145,594</u>	<u>\$ 65,584,967</u>
Total liabilities	<u>\$ 131,142,344</u>	<u>\$ 120,962,242</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 58,382,937	\$ 65,330,996
Restricted	\$ 37,769,388	\$ 15,609,949
Unrestricted	<u>\$ 24,362,143</u>	<u>\$ 32,262,509</u>
Total net assets	<u>\$ 120,514,468</u>	<u>\$ 113,203,454</u>

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

- The cash balances increased due to increased tax revenues and the proceeds of a new bond issue. The property tax receivable increased \$3,021,526, or 6.3%.
- The deferred revenue increased by 2.94% due to the increases in the property taxes receivable as well as some lieu taxes receivable.

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Changes in net assets. The County's total revenues for the fiscal year ended September 30, 2009 were \$68,329,413. The total cost of all programs and services was \$60,641,763. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues		
Charges for services	\$ 8,380,072	\$ 8,613,991
Federal and state grants	\$ 1,334,851	\$ 1,227,607
General revenues		
Property taxes	\$ 50,293,437	\$ 47,022,754
Grants and contribution not restricted to specific programs	\$ 2,816,805	\$ 2,789,512
Road and bridge privilege taxes	\$ 1,874,652	\$ 1,854,616
Interest Income	\$ 183,471	\$ 1,635,056
Contributed Capital	\$ 655,010	
Intergovernmental	\$ 1,924,989	
Miscellaneous	<u>\$ 866,126</u>	<u>\$ 3,544,017</u>
Total Revenues	<u>\$ 68,329,413</u>	<u>\$ 66,687,553</u>
Expenses:		
General government	\$ 15,268,770	\$ 15,080,092
Public safety	\$ 22,356,091	\$ 21,276,169
Public works	\$ 15,359,251	\$ 19,390,459
Health and welfare	\$ 2,567,919	\$ 1,905,656
Culture and recreation	\$ 1,500,526	\$ 1,457,357
Conservation of natural resources	\$ 315,106	\$ 315,248
Economic development	\$ 558,623	\$ 625,220
Interest on long term debt	<u>\$ 2,715,477</u>	<u>\$ 2,850,896</u>
Total Expenses	<u>\$ 60,641,763</u>	<u>\$ 62,901,097</u>
Equity Transfer	\$ (376,636)	
Change in Net Assets	<u>\$ 7,311,014</u>	<u>\$ 3,786,456</u>

**DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009**

Governmental activities. The following table presents the cost of ten 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>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	<u>Total</u>	<u>Net (Expense)</u>	<u>Total</u>	<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
General government	\$15,268,770	\$ (7,602,074)	\$15,080,092	\$ (9,022,224)
Public safety	\$22,356,091	\$ (20,626,288)	\$21,276,169	\$ (19,535,352)
Public works	\$15,359,251	\$ (15,040,827)	\$19,390,459	\$ (17,347,546)
Health and welfare	\$ 2,567,919	\$ (2,567,919)	\$ 1,905,656	\$ (1,905,656)
Culture and recreation	\$ 1,500,526	\$ (1,500,526)	\$ 1,457,357	\$ (1,457,357)
Conservation of natural resources	\$ 315,106	\$ (315,106)	\$ 315,248	\$ (315,248)
Economic development	\$ 558,623	\$ (558,623)	\$ 625,220	\$ (625,220)
Interest on long term debt	<u>\$ 2,715,477</u>	<u>\$ (2,715,477)</u>	<u>\$ 2,850,896</u>	<u>\$ (2,850,896)</u>
Total Expenses	<u>\$60,641,763</u>	<u>\$ (50,926,840)</u>	<u>\$62,901,097</u>	<u>\$ (53,059,499)</u>

- In 2009, the net cost of governmental activities (\$50,926,840), was financed by general revenue, which is made up primarily of property taxes totaling \$50,293,437. In 2008, property taxes were \$47,022,754 of the general revenue of \$56,845,955.

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, unreserved 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 year, its governmental funds reported a combined fund balance of \$60,051,510, an increase of \$14,982,078 due primarily to:

- An increase in property tax revenues and property taxes receivable for the year 2009
- An increase in the cash balances
- An increase in fines and forfeitures
- A decrease in licenses, commissions and other revenue

**DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009**

- A decrease in public works expenditures due to the completion of road projects
- A decrease in culture and recreation and economic development expenditures and an increase in general government and public safety expenditure
- A decrease in the interest and fiscal charges expenditures and the debt issue costs

The General Fund is the principal operating fund of the County. The fund balance in the General Fund decreased \$2,574,675 for the fiscal year 2009 largely due to paying off two outstanding debt issues from cash reserves to allow the County to issue a new debt issue for the construction of a new jail facility and to not have to increase the overall tax levy on the taxpayers of the County.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County revised the annual operating budget.

- Budget amendments were made mainly to increase expenditures for an additional payroll period due to a change in the method of paying County personnel. The County changed from a semi-monthly to a bi-weekly pay period method and this resulted in an additional pay period being recorded in the 2009 fiscal year. There were also some amendments to add additional revenues to cover the expenses for various departments in the County. There were some amendments for public safety purposes to ensure the safety and security of the citizens of DeSoto County. In the road maintenance, bridge and culvert, and the 2004 construction funds the budget amendments were made for building projects to improve the existing facilities and build additional facilities to serve DeSoto County citizens and to improve the roads for future needs in transportation throughout the County.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2009, the County's total capital assets were \$130,791,812, including buildings, improvements other than buildings, equipment and machinery and infrastructure. This amount represents an increase of \$1,177,292 from the previous year. The increase in capital assets is mainly due to the addition of a newly constructed building and the completion of two large road projects. Total accumulated depreciation as of September 30, 2009 was \$74,449,349 and total depreciation expense for the year was \$6,288,411. Additional information on the County's capital assets can be found in Note 7 of this report.

Debt Administration. At September 30, 2009, the County had \$73,032,814 in general obligation bonds and other long-term debt outstanding, of which \$4,373,411 is due within one year. During the 2009 fiscal year, two bond series were issued and three bond series were retired, as follows:

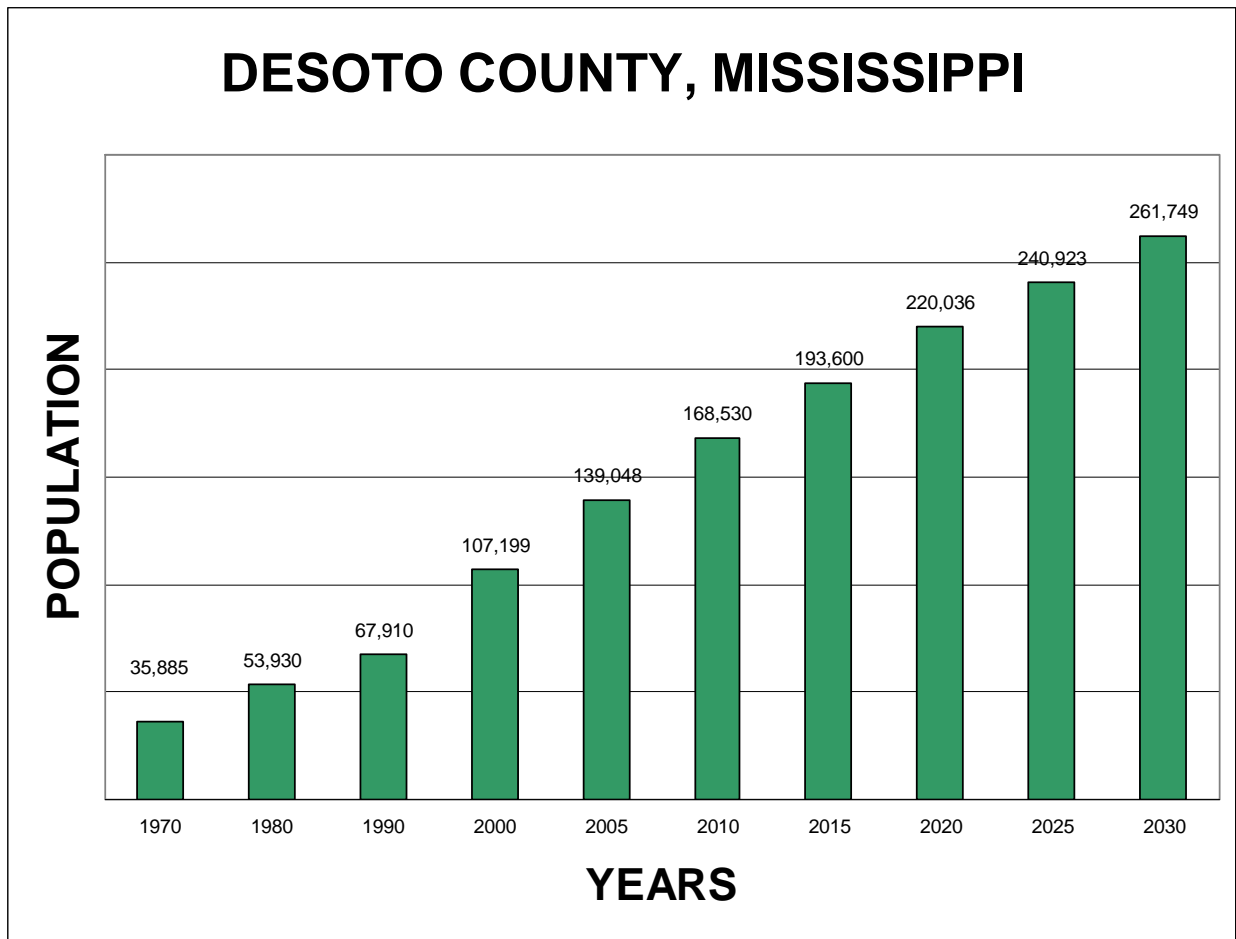
- 1999 Refunding Bonds, balance of \$1,740,000, were paid off early.
- 2000 Public Improvement Bonds, balance of \$13,500,000, were refunded into the 2009 Refunding Bonds.
- 2002 Refunding Bonds, balance of \$2,620,000, were paid off early.
- 2009 Refunding Bonds, issued for \$13,375,000 to refund the 2000 Public Improvement Bonds
- 2009 General Obligation Bonds issued for \$16,000,000, mainly for the construction of a new jail facility.

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Management Discussion and Analysis
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The County maintains an AA- bond rating from Standard & Poors and an Aa3 rating from Moody's Investors. Additional information of the County's long-term debt can be found in Note 10 of this report.

CURRENT ISSUES

The DeSoto County Board of Supervisors 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 the trend is for continued growth for the next several years. The County's population has grown over the past 30 years and that growth is expected to continue as follows:



Between seven and ten companies located to DeSoto County each year. The County averages 12 industrial expansions annually. Unemployment is at 3 percent, the lowest in the state of Mississippi. This growth has been complimented by conservative, yet progressive leadership. The catalyst of the growth may be a strong school system and a 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 2009 fiscal year, the Board of Supervisors opted to use a portion of the existing fund balances for operations instead of raising the tax rate.

**DeSoto County, Mississippi
Management Discussion and Analysis
September 30, 2009**

DeSoto County Tax Millage Rates 1991-2010

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

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.

FINANCIAL STATEMENTS

DeSoto County, Mississippi
Statement of Net Assets
September 30, 2009

Exhibit 1

	Governmental Activities	Component Units
ASSETS:		
Cash	\$ 58,611,860	\$ 5,243,012
Certificates of deposit	-	650,000
Property tax receivable	50,862,635	-
Accounts receivable	-	109,163
Fines receivable, net of allowances for uncollectable amounts of \$1,698,368	927,084	-
Loans receivable	8,094,614	-
Intergovernmental receivables	705,746	321,570
Other receivables	131,483	248,755
Inventories and prepaid items	-	143,245
Bond issue cost, net	1,230,172	1,160,755
Restricted assets	301,406	53,221
Capital assets:		
Land and construction in progress	7,963,014	6,254,967
Other capital assets, net	122,828,798	38,509,211
Total Assets	251,656,812	52,693,899
LIABILITIES:		
Claims payable	3,188,689	333,337
Liabilities payable from restricted assets	301,406	53,221
Intergovernmental payables	3,494,181	-
Accrued interest payable	428,201	-
Deferred revenue	49,584,273	50,000
Long-term liabilities:		
Due within one year:		
Capital debt	4,373,411	35,954,577
Non-capital debt	-	8,094,614
Due in more than one year:		
Capital debt	68,837,435	512,325
Non-capital debt	934,748	80,701
Total Liabilities	131,142,344	45,078,775
NET ASSETS		
Invested in capital assets, net of related debt	58,382,937	8,297,276
Restricted:		
General government	5,260,640	217,833
Debt service	2,050,565	-
Public safety	150,847	-
Public works	14,864,713	-
Capital projects	15,442,623	-
Unrestricted	24,362,143	(899,985)
Total Net Assets	\$ 120,514,468	\$ 7,615,124

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

DeSoto County, Mississippi
Statement of Activities
For the Year Ended September 30, 2009

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Component Units
Primary government:						
Governmental activities:						
General government	\$ 15,268,770	\$ 7,666,696	\$ -	\$ -	\$ (7,602,074)	\$ -
Public safety	22,356,091	583,424	628,528	21,073	(21,123,066)	-
Public works	15,359,251	129,952	188,472	-	(15,040,827)	-
Health and welfare	2,567,919	-	496,778	-	(2,071,141)	-
Culture and recreation	1,500,526	-	-	-	(1,500,526)	-
Conservation of natural resources	315,106	-	-	-	(315,106)	-
Economic development	558,623	-	-	-	(558,623)	-
Interest on long-term debt	2,715,477	-	-	-	(2,715,477)	-
Total Governmental Activities	<u>\$ 60,641,763</u>	<u>\$ 8,380,072</u>	<u>\$ 1,313,778</u>	<u>\$ 21,073</u>	<u>(50,926,840)</u>	<u>-</u>
Component units:						
Desoto County Emergency Commission	955,345	1,532,413	28,511	-	-	605,579
DeSoto Civic Center	10,132,202	4,782,925	-	-	-	(5,349,277)
Desoto County Port Commission	-	-	-	-	-	-
Total Component Units	<u>\$ 11,087,547</u>	<u>\$ 6,315,338</u>	<u>\$ 28,511</u>	<u>\$ -</u>	<u>-</u>	<u>(4,743,698)</u>
General revenues:						
Property taxes					\$ 50,293,437	\$ -
Road and bridge privilege taxes					1,874,652	-
Intergovernmental					1,924,989	5,497,144
Grants and contribution not restricted to specific programs					2,816,805	-
Unrestricted investment income					183,471	37,969
Contributed capital					655,010	-
Miscellaneous					866,126	157,480
Total general revenues					<u>58,614,490</u>	<u>5,692,593</u>
Changes in net assets					7,687,650	948,895
Net assets - Beginning					113,203,454	6,525,857
Equity transfer					(376,636)	140,372
Net assets - Ending					<u>\$ 120,514,468</u>	<u>\$ 7,615,124</u>

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

DeSoto County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2009

Exhibit 3

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Bridge & Culvert	Refunding Bonds 2009	\$16M Bond Construction		
ASSETS						
Cash	\$ 17,567,788	\$ 11,859,580	\$ 968,861	\$ 15,807,121	\$ 9,966,018	\$ 56,169,368
Property tax receivable	32,311,164	8,134,272	807,856	-	9,609,343	50,862,635
Fines receivable	927,084	-	-	-	-	927,084
Loans receivable	8,094,614	-	-	-	-	8,094,614
Intergovernmental receivables	704,790	-	-	-	956	705,746
Other receivables	106,372	-	-	-	25,111	131,483
Due from other funds	1,848,117	113,384	-	-	180,974	2,142,475
Total Assets	\$ 61,559,929	\$ 20,107,236	\$ 1,776,717	\$ 15,807,121	\$ 19,782,402	\$ 119,033,405
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 1,331,490	\$ 190,704	\$ -	\$ -	\$ 1,010,281	\$ 2,532,475
Liabilities payable from restricted assets	301,406	-	-	-	-	301,406
Intergovernmental payables	3,494,181	-	-	-	-	3,494,181
Due to other funds	294,357	-	-	-	1,848,118	2,142,475
Deferred revenue	31,959,887	8,134,272	807,856	-	9,609,343	50,511,358
Total Liabilities	37,381,321	8,324,976	807,856	-	12,467,742	58,981,895
Fund balances:						
Reserved for:						
Debt service	-	-	968,861	-	1,509,905	2,478,766
Loans receivable	8,094,614	-	-	-	-	8,094,614
Unreserved, undesignated, reported in:						
General fund	16,083,994	-	-	-	-	16,083,994
Special revenue funds	-	11,782,260	-	-	6,169,252	17,951,512
Capital project funds	-	-	-	15,807,121	(364,497)	15,442,624
Total Fund Balances	24,178,608	11,782,260	968,861	15,807,121	7,314,660	60,051,510
Total Liabilities and Fund Balances	\$ 61,559,929	\$ 20,107,236	\$ 1,776,717	\$ 15,807,121	\$ 19,782,402	\$ 119,033,405

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

DeSoto County, Mississippi

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 60,051,510
Amounts reported for governmental services in the Statement of Net Assets 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 \$74,449,349.	130,791,812
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of the following:	
Fines receivable	927,084
Bond issue cost	1,230,172
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(74,145,594)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:	
Accrued interest	(428,201)
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	<u>2,087,685</u>
Total Net Assets - Governmental Activities	<u><u>\$ 120,514,468</u></u>

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

DeSoto County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2009

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Bridge & Culvert	Refunding Bonds 2009	\$16M Bond Construction		
Revenues:						
Property taxes	\$ 30,380,606	\$ 7,821,277	\$ -	\$ -	\$ 12,091,554	\$ 50,293,437
Road & bridge privilege taxes	-	-	-	-	1,874,652	1,874,652
Licenses, commissions and other revenue	3,163,140	-	-	-	173,761	3,336,901
Fines and forfeitures	1,127,811	-	-	-	43,596	1,171,407
Intergovernmental revenues	3,145,911	-	-	-	2,930,733	6,076,644
Charges for services	932,772	68,173	-	-	2,781,316	3,782,261
Contributed capital	-	-	-	-	655,010	655,010
Interest income	93,395	37,501	145	6,052	35,795	172,888
Miscellaneous revenues	217,073	5,002	-	-	519,459	741,534
Total Revenues	<u>39,060,708</u>	<u>7,931,953</u>	<u>145</u>	<u>6,052</u>	<u>21,105,876</u>	<u>68,104,734</u>
Expenditures:						
Current:						
General government	13,542,755	14,834	-	-	859,262	14,416,851
Public safety	19,214,149	-	-	-	2,966,389	22,180,538
Public works	328,687	4,415,998	-	-	12,803,442	17,548,127
Health and welfare	1,978,950	-	-	-	500,000	2,478,950
Culture and recreation	1,405,969	-	-	-	-	1,405,969
Conservation of natural resources	308,521	-	-	-	-	308,521
Economic development	558,623	-	-	-	-	558,623
Debt service:						
Principal retirement	3,400,565	-	14,405,000	-	3,934,954	21,740,519
Interest and fiscal charges	445,499	-	253,938	-	1,943,615	2,643,052
Debt issue cost	-	-	212,323	198,931	-	411,254
Total Expenditures	<u>41,183,718</u>	<u>4,430,832</u>	<u>14,871,261</u>	<u>198,931</u>	<u>23,007,662</u>	<u>83,692,404</u>
Excess of (deficiency) of Revenues over (under) Expenditures	<u>(2,123,010)</u>	<u>3,501,121</u>	<u>(14,871,116)</u>	<u>(192,879)</u>	<u>(1,901,786)</u>	<u>(15,587,670)</u>
Other Financing Sources (Uses)						
Proceeds from debt issuance	-	-	13,375,000	16,000,000	460,000	29,835,000
Proceeds from sale of capital assets	247,367	420	-	-	493,900	741,687
Premiums on bonds issued	-	-	369,697	-	-	369,697
Operating transfers in	816,785	108,122	2,095,280	-	612,295	3,632,482
Operating transfers out	(1,515,817)	-	-	-	(2,116,665)	(3,632,482)
Total Other Financing Sources (Uses)	<u>(451,665)</u>	<u>108,542</u>	<u>15,839,977</u>	<u>16,000,000</u>	<u>(550,470)</u>	<u>30,946,384</u>
Net Changes in Fund Balance	(2,574,675)	3,609,663	968,861	15,807,121	(2,452,256)	15,358,714
Fund Balances - Beginning	26,753,283	8,172,597	-	-	10,143,552	45,069,432
Prior period adjustment	-	-	-	-	(376,636)	(376,636)
Fund Balances - Ending	<u>\$ 24,178,608</u>	<u>\$ 11,782,260</u>	<u>\$ 968,861</u>	<u>\$ 15,807,121</u>	<u>\$ 7,314,660</u>	<u>\$ 60,051,510</u>

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

DeSoto County, Mississippi
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, 2009

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 15,358,714
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay 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 assets differs from the change in fund balances by the amount that capital outlays of \$14,560,595 (less completed construction of \$6,477,795) exceeded depreciation of \$6,288,411.	1,794,389
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 assets differs from the change in fund balances by the amount of the gain on disposal of \$617,097.	(617,097)
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.	89,504
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment of debt reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$29,835,000 exceeded debt repayments of \$21,740,519.	(8,094,481)
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 and available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and revenue are reported regardless of when financial resources are available. Thus the change in net assets differs from the change in fund balances by a combination of the following items:	
Accrued interest on debt	(32,613)
Compensated absences	(95,522)
Premium on bond	(351,818)
Bond discount	(2,156)
Bond issue costs	372,367
Deferred loss on refunding bond	(16,650)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue is reported within the governmental activities.	<u>(716,987)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 7,687,650</u></u>

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

DeSoto County, Mississippi
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

	Internal Service Fund
ASSETS	
Cash	<u>2,743,898</u>
Total Assets	<u>\$ 2,743,898</u>
LIABILITIES	
Claims and judgments liability	<u>656,213</u>
Total Liabilities	<u>656,213</u>
NET ASSETS	
Restricted for health insurance	<u>\$ 2,087,685</u>
Total Net Assets	<u><u>\$ 2,087,685</u></u>

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

DeSoto County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 6

	Internal Service Fund
Operating Revenues	
Premiums	\$ 4,388,174
Total Operating Revenues	<u>4,388,174</u>
Operating Expenses	
Claims payments	4,381,357
Administrative	734,387
Total Operating Expenses	<u>5,115,744</u>
Operating Loss	(727,570)
Non-Operating Revenues	
Interest income	10,583
Net Non-Operating Revenues	<u>10,583</u>
Net Loss	(716,987)
Net Assets - Beginning	2,804,672
Net Assets -Ending	<u>\$ 2,087,685</u>

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

DeSoto County, Mississippi
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 7

	<u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 4,388,174
Payments for claims	(4,080,333)
Payments to administrator for services	(734,387)
Net Cash Used in Operating Activities	<u>(426,546)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	<u>10,583</u>
Net Cash Provided by Investing Activities	<u>10,583</u>
Net Decrease in Cash and Cash Equivalents	(415,963)
Cash and Cash Equivalents at Beginning of Year	<u>3,159,861</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,743,898</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating loss	<u>\$ (727,570)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in claims and judgments liability	<u>301,024</u>
Total adjustments	<u>301,024</u>
Net Cash Used by Operating Activities	<u><u>\$ (426,546)</u></u>

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

DeSoto County, Mississippi
Statement of Fiduciary Net Assets
September 30, 2009

Exhibit 8

	Private-purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$ 376,540	\$ 1,307,442
Intergovernmental receivables	-	1,677,191
Total Assets	<u>\$ 376,540</u>	<u>\$ 2,984,633</u>
LIABILITIES		
Amounts held in custody for others	\$ -	\$ 44,278
Intergovernmental payables	-	2,902,833
Other liabilities	-	37,521
Total Liabilities	<u>\$ -</u>	<u>\$ 2,984,632</u>
NET ASSETS		
Held in trust for:		
Individuals, organizations and other governments	<u>\$ 376,540</u>	

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

DeSoto County, Mississippi
Statement of Changes in Fiduciary Net Assets
For the Year Ended September 30, 2009

Exhibit 9

	<u>Private-purpose Trust Funds</u>
ADDITIONS	
Interest income	\$ 1,269
Total Additions	<u>1,269</u>
Change in Net Assets	1,269
Net Assets - Beginning	-
Equity transfer	<u>375,271</u>
Net Assets -Ending	<u><u>\$ 376,540</u></u>

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

DeSoto County, Mississippi
Combining Statement of Net Assets – Component Units
September 30, 2009

Exhibit 10

	Emergency Communication	Civic Center	Port Commission *	Total
ASSETS				
Current assets				
Cash	\$ 1,257,103	\$ 3,985,909	\$ -	\$ 5,243,012
Certificates of deposit	650,000	-	-	650,000
Restricted cash:				
Event security deposits	-	53,221	-	53,221
Interest receivable	4,204	-	-	4,204
Accounts receivable	-	109,163	-	109,163
Telephones service charge receivable	244,551	-	-	244,551
Intergovernmental receivables	321,570	-	-	321,570
Inventory	-	57,686	-	57,686
Prepaid expenses	34,575	50,984	-	85,559
Bond issue cost, net	-	1,160,755	-	1,160,755
Capital assets:				
Land and construction in progress	-	6,254,967	-	6,254,967
Other capital assets, net	-	38,509,211	-	38,509,211
Total Assets	\$ 2,512,003	\$ 50,181,896	\$ -	\$ 52,693,899
LIABILITIES				
Current liabilities				
Claims payable	\$ 5,320	\$ 328,017	\$ -	\$ 333,337
Deferred revenue	-	50,000	-	50,000
Liabilities payable from restricted assets	-	53,221	-	53,221
Long-term liabilities:				
Due within one year:				
Capital debt	-	35,954,577	-	35,954,577
Non-capital debt	-	8,094,614	-	8,094,614
Due in more than one year:				
Capital debt	-	512,325	-	512,325
Non-capital debt	-	80,701	-	80,701
Total Liabilities	5,320	45,073,455	-	45,078,775
NET ASSETS				
Invested capital assets, net of related debt	-	8,297,276	-	8,297,276
Restricted for:				
Customer receivables	-	109,163	-	109,163
Inventory	-	57,686	-	57,686
Prepaid expenses	-	50,984	-	50,984
Unrestricted	2,506,683	(3,406,668)	-	(899,985)
Total Net Assets	2,506,683	5,108,441	-	7,615,124
Total Liabilities and Net Assets	\$ 2,512,003	\$ 50,181,896	\$ -	\$ 52,693,899

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

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

DeSoto County, Mississippi
Combining Statement of Activities – Component Units
For the Year Ended September 30, 2009

Exhibit 11

	Emergency Communication	Civic Center	Port Commission*	Total
Revenues				
Charges for services	\$ 1,532,413	\$ 4,782,925	\$ -	\$ 6,315,338
Operating grants and contributions	-	28,511	-	28,511
Tourism tax	-	5,497,144	-	5,497,144
Sponsorship	-	50,000	-	50,000
Sign sales	-	13,980	-	13,980
Luxury suite sales	-	75,632	-	75,632
Interest	19,670	18,299	-	37,969
Other	-	17,868	-	17,868
Total Revenues	1,552,083	10,484,359	-	12,036,442
Expenditures				
Depreciation expense	-	1,083,897	-	1,083,897
Event expenses	-	1,337,033	-	1,337,033
General operating expense	-	3,020,937	-	3,020,937
Insurance	175	-	-	175
Interest	6,491	1,948,203	-	1,954,694
Office expense	5,276	-	-	5,276
Professional services	22,467	-	-	22,467
Repairs and maintenance	358,639	-	-	358,639
Salaries and wages	146,044	-	-	146,044
Tickets	-	2,289,800	-	2,289,800
Travel	4,760	-	-	4,760
Telephone	4,999	-	-	4,999
Telephone equipment/lease	375,895	-	-	375,895
Tourism	-	452,332	-	452,332
Utilities/tower	30,599	-	-	30,599
Total Expenditures	955,345	10,132,202	-	11,087,547
Change in net assets	596,738	352,157	-	948,895
Net assets - beginning of year	1,769,573	4,756,284	-	6,525,857
Prior period adjustment	140,372	-	-	140,372
Net assets - end of year	\$ 2,506,683	\$ 5,108,441	\$ -	\$ 7,615,124

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

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

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

(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 significant operational or financial relationships with the county.

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

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

B. Individual Component Units 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.

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.

- 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, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

- DeSoto County Civic Center - established on March 26, 1998. It is designed to promote tourism in DeSoto County and the surrounding area.

C. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary 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 non-exchange 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 Assets 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 are therefore clearly identifiable with a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. 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 Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

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 asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

The County's Proprietary Funds apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.

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

Refunding Bonds 2009 – This fund is used for debt service on the \$13,375,000 2009 refunding bonds.

\$16M Bond Construction – The proceeds in this fund are currently earmarked for construction of a new jail facility.

Additionally, the County reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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 County’s self-insurance program for employee medical benefits.

Fiduciary Fund Types:

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

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

E. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Government Accounting, Auditing and Financial Reporting* as issued in 2005 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 or 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

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

I. Inventories and Prepaid Items

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

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

J. Restricted Assets

Proprietary Fund 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 restricted assets first.

K. Capital Assets

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation is 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 using the straight-line basis for all assets, except land. A full year’s depreciation expense is taken for all purchases and sales of capital assets during the year.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

The following schedule details those thresholds and estimated useful lives:

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

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

L. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of non-current 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 Assets.

Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

M. Equity Classifications

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – 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 improvement of those assets.

Restricted net assets – Consists of net assets 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.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

N. Property Tax Revenues

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

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

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

O. Intergovernmental Revenues in Governmental Funds

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

P. Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

(2) Equity Transfers

A summary of significant fund equity adjustments is as follows:

<u>Exhibit 2 - Statement of Activities</u>	<u>Amount</u>
To transfer equity related to Private Purpose Trust Funds and Agency Funds previously included in Governmental Activities.	(376,636)
	<u>\$ (376,636)</u>
<u>Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances</u>	<u>Amount</u>
To transfer equity related to Private Purpose Trust Funds and Agency Funds previously included in Other Governmental Funds.	(376,636)
	<u>\$ (376,636)</u>
<u>Exhibit 9 - Statement of Changes in Fiduciary Net Assets</u>	<u>Amount</u>
To transfer equity related to Private Purpose Trust Funds previously included in Other Governmental Funds.	(375,271)
	<u>\$ (375,271)</u>

(3) Deposits and Investments

The carrying amount of the County's total deposits with financial institutions at September 30, 2009 was \$60,597,248, and the bank balance was \$63,733,312. The collateral for a public entity's 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 Depository 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 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, 2009.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental	\$ 1,848,117
Bridge and Culvert	General Fund	113,384
Other Governmental	General Fund	<u>180,974</u>
Total		<u><u>\$ 2,142,475</u></u>

These are for 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>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 816,785	\$ (1,515,817)
Bridge and Culvert	108,122	-
Refunding Bonds 2009	2,095,280	-
Other Governmental	<u>612,295</u>	<u>(2,116,665)</u>
Total	<u><u>\$ 3,632,482</u></u>	<u><u>\$ (3,632,482)</u></u>

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

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2009 consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	<u><u>\$ 705,746</u></u>

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Loans Receivable

Loans receivable at September 30, 2009 are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Receivable
DeSoto Civic Center	9/30/1998	5%	1/1/2014	\$ 47,209
DeSoto Civic Center	9/30/1999	5%	1/1/2014	170,865
DeSoto Civic Center	9/30/2000	5%	1/1/2014	562,949
DeSoto Civic Center	9/30/2001	5%	1/1/2014	4,963,591
DeSoto Civic Center	10/6/2003	5%	1/1/2014	750,000
DeSoto Civic Center	9/30/2005	5%	1/1/2014	600,000
DeSoto Civic Center	9/30/2006	5%	1/1/2014	500,000
DeSoto Civic Center	9/30/2007	5%	1/2/2014	500,000
	Total			<u>\$ 8,094,614</u>

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2009:

	Balance 9/30/2008	Additions	Deletions	Balance 9/30/2009
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,424,899	\$ -	\$ -	\$ 2,424,899
Construction in progress	11,666,810	349,100	6,477,795	5,538,115
Total non-depreciable capital assets	<u>14,091,709</u>	<u>349,100</u>	<u>6,477,795</u>	<u>7,963,014</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	38,244,564	3,831,574	278,985	41,797,153
Improvements other than buildings	561,872	-	-	561,872
Equipment and machinery	18,178,227	2,682,485	1,167,170	19,693,542
Infrastructure	127,528,144	7,697,436	-	135,225,580
Total depreciable capital assets	<u>184,512,807</u>	<u>14,211,495</u>	<u>1,446,155</u>	<u>197,278,147</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	9,241,779	745,182	22,232	9,964,729
Improvements other than buildings	200,885	22,479	9,144	214,220
Equipment and machinery	10,445,820	1,766,409	797,682	11,414,547
Infrastructure	49,101,512	3,754,341	-	52,855,853
Total accumulated depreciation	<u>68,989,996</u>	<u>6,288,411</u>	<u>829,058</u>	<u>74,449,349</u>
Total depreciable capital assets, net	<u>115,522,811</u>	<u>7,923,084</u>	<u>617,097</u>	<u>122,828,798</u>
Governmental activities capital assets, net	<u>\$ 129,614,520</u>	<u>\$ 8,272,184</u>	<u>\$ 7,094,892</u>	<u>\$ 130,791,812</u>

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of component unit capital assets activity for the year ended September 30, 2009:

	Balance 9/30/2008	Additions	Deletions	Balance 9/30/2009
<u>Non-depreciable capital assets:</u>				
Land	\$ 6,254,967	\$ -	\$ -	\$ 6,254,967
Total non-depreciable capital assets	<u>6,254,967</u>	<u>-</u>	<u>-</u>	<u>6,254,967</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	43,085,611	918,746	-	44,004,357
Equipment and machinery	669,231	185,514	-	854,745
Furniture and fixtures	341,219	34,562	-	375,781
Total depreciable capital assets	<u>44,096,061</u>	<u>1,138,822</u>	<u>-</u>	<u>45,234,883</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	5,142,667	901,040	-	6,043,707
Equipment and machinery	282,336	102,922	-	385,258
Furniture and fixtures	285,405	11,302	-	296,707
Total accumulated depreciation	<u>5,710,408</u>	<u>1,015,264</u>	<u>-</u>	<u>6,725,672</u>
Total depreciable capital assets, net	<u>38,385,653</u>	<u>123,558</u>	<u>-</u>	<u>38,509,211</u>
Capital assets, net	<u>\$ 44,640,620</u>	<u>\$ 123,558</u>	<u>\$ -</u>	<u>\$ 44,764,178</u>

Depreciation expense was charged to the following functions for the year ended September 30, 2009:

<u>Governmental Activities:</u>	
General government	\$ 626,520
Public safety	890,163
Public works	4,597,355
Health and welfare	94,557
Culture and recreation	79,816
Total governmental activities depreciation expense	<u>\$ 6,288,411</u>

Commitments with respect to unfinished capital projects consisted of the following as of September 30, 2009:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Swinnea Road	\$ 1,148,410	Uncertain
DeSoto Road (West)	950,000	Uncertain
Starlanding Overpass	<u>84,582</u>	May-10
Total CIP	<u>\$ 2,182,992</u>	

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

(8) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. 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 employee 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 County Board of Supervisors has extended coverage to the employees of the following public entities:

- Horn Lake Creek Basin
- DeSoto County Regional Utility Authority
- DeSoto County Emergency Communications District
- 17th Circuit Court District – District Attorney's Office

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including the 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 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 coverage begins when an individual participant's claim exceeds \$100,000, and the aggregate policy covers all submitted claims in excess of \$2,000,000.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

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, 2009, the amount of these liabilities was \$656,213. An analysis of claims activities is presented below:

	Beginning of fiscal year liability	Current Year Claims and Changes in Estimates	Claim Payments	End of fiscal year liability
2007-2008	\$ 407,307	3,836,162	3,888,280	\$ 355,189
2008-2009	\$ 355,189	4,381,357	4,080,333	\$ 656,213

(9) Capital Leases

The County had no capital lease obligations as of September 30, 2009.

(10) Long – Term Debt

Debt outstanding as of September 30, 2009 consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds			
Walls Sewer District	\$ 175,000	5.40% - 6.40%	10/1/2014
2003 General obligation refunding bonds	7,170,000	3.125% - 5.00%	11/1/2018
2004 Public Improvements	18,205,000	3.50% - 5.00%	7/1/2024
2005 General obligation refunding bonds	5,965,000	3.00% - 4.00%	10/1/2019
2007 Loan refunding bonds	7,850,000	variable	7/1/2024
2009 Refunding bonds	12,470,000	2.25%-4.00%	10/1/2021
2009 General obligation bonds	16,000,000	3.00%-3.875%	7/1/2024
Total General Obligation Bonds	<u>\$ 67,835,000</u>		
B. Other Loans			
Mississippi Development Bank			
Promissory Note	\$ 4,708,333	variable	1/1/2031
Civic Center Tourism Building	489,481	2%	4/1/2029
Total Other Loans	<u>\$ 5,197,814</u>		

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 4,195,000	\$ 2,621,988	\$ 178,411	\$ 168,670
2011	4,365,000	2,485,319	184,209	162,871
2012	4,530,000	2,340,404	190,200	156,881
2013	4,720,000	2,190,362	196,389	150,692
2014	4,915,000	2,021,566	202,783	144,298
2015-2019	26,605,000	7,142,300	1,117,504	617,901
2020-2024	18,505,000	2,376,339	1,312,366	423,038
2025-2029	-	-	1,526,308	193,619
Thereafter	-	-	289,644	8,729
Total	<u>\$ 67,835,000</u>	<u>\$ 21,178,278</u>	<u>\$ 5,197,814</u>	<u>\$ 2,026,699</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, which may be incurred by the County, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 4.5% of the latest property assessments.

Current Refunding – On March 18, 2009, the County issued \$13,375,000 in 2009 General Obligation Refunding Bonds with a rate of 2.25% - 4.00% to currently refund the Trustmark National Bank note which had a variable rate. The Trustmark National Bank note had a balance of \$13,500,000 at the time of refunding. The difference of \$125,000 between the new balance and the balance paid off was \$145,435 related to bond premium net of \$20,435 in accrued interest due on the Trustmark National Bank note. Due to the fact that the refunding bonds were used to pay off variable rate bonds, no economic gain has been included, since the future variable rate cannot be determined.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance 9/30/2008	Additions	Reductions	Balance 9/30/2009	Amount Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds payable	\$ 59,940,000	\$ 29,375,000	\$ 21,480,000	\$ 67,835,000	\$ 4,195,000
Deferred amounts:					
For deferred loss on refunding bonds	(192,859)	-	(16,650)	(176,209)	-
For bond discount	(35,042)	-	(2,156)	(32,886)	-
For bond premiums	35,309	369,698	17,880	387,127	-
Total bonds payable	59,747,408	29,744,698	21,479,074	68,013,032	4,195,000
Loans payable	4,998,333	460,000	260,519	5,197,814	178,411
Compensated absences	839,226	95,522	-	934,748	-
Governmental activities long-term liabilities	<u>\$ 65,584,967</u>	<u>\$ 30,300,220</u>	<u>\$ 21,739,593</u>	<u>\$ 74,145,594</u>	<u>\$ 4,373,411</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid.

The following is a summary of changes in component unit long-term liabilities and obligations for the year ended September 30, 2009:

	Balance 9/30/2008	Additions	Reductions	Balance 9/30/2009	Amount Due Within One Year
Revenue bonds	\$ 37,150,000	\$ -	\$ 1,255,000	\$ 35,895,000	\$ 35,895,000
Loans payable	116,841	500,115	45,054	571,902	59,577
Compensated absences	72,044	8,657	-	80,701	-
Total Debt	<u>\$ 37,338,885</u>	<u>\$ 508,772</u>	<u>\$ 1,300,054</u>	<u>\$ 36,547,603</u>	<u>\$ 35,954,577</u>

(11) Contingencies

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

Litigation – The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the 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.

Limited Obligation Bonds Contingencies – The County issued limited obligation bonds to provide funds for constructing and improving capital facilities of the DeSoto County, Mississippi Civic Center. Limited

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

obligation bonds are reported as a liability of the DeSoto County, Mississippi Civic Center because such debt is payable primarily from the revenues received from the 2% tourism tax on restaurants, hotels, and motels; however, the County remains contingently liable for the retirement of these as they have agreed to provide for the intercept of local taxes from the State Tax Commission to satisfy any delinquent payment. The principal amount of the limited obligation bonds outstanding at September 30, 2009 is \$35,895,000. See also Note 16 regarding the issuance of new debt by the County subsequent to September 30, 2009, that will be used to pay the Civic Center note as described above.

(12) Related Organization

The DeSoto County, Mississippi Board of Supervisors is responsible for appointing a voting majority of the Members of the Board of the Horn Lake Creek Watershed Drainage District, but the County's accountability for this organization does not exceed beyond making the appointments. During the year, the County did not appropriate any funds to this organization.

(13) Joint Venture

The 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 \$1,282,000. Complete financial statements for the First Regional Library can be obtained from P.O. Box 386, Hernando, Mississippi 38632.

(14) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

North Delta Planning and Development District operates in a district composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The DeSoto County, Mississippi Board of Supervisors appoints four of 30 members of the board of directors. The County appropriated \$393,209 for the operation of the district in fiscal year 2009, and \$163,265 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, Mississippi levied a .61 mill tax, which resulted in \$10,382 to help support the district in fiscal year 2009.

Communicare operates in a district composed of the counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The DeSoto County, Mississippi Board of Supervisors appoints one of the seven members of the board of commissioners. DeSoto County, Mississippi appropriated \$209,055 for support of the district in fiscal year 2009.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

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, Mississippi Board of Supervisors appoints two of the 23 members of the college board of trustees. DeSoto County, Mississippi appropriated \$5,660,441 for maintenance and support of the college in fiscal year 2009.

Mid-State Opportunity, Inc. operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The DeSoto County, Mississippi Board of Supervisors appoints one of the 30 board members. DeSoto County, Mississippi did not appropriate any money for support of the agency in fiscal year 2009.

(15) Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% of 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, 2009, 2008, and 2007 were \$2,468,040, \$2,232,000 and \$1,938,237, respectively, equal to the required contributions for each year.

(16) Subsequent Events

The County has evaluated subsequent events through June 28, 2010, the date the financial statements were available to be issued.

In November, 2009 DeSoto County issued general obligation refunding bonds in the amount of \$37,205,000 to refinance existing bonds for improvements at the DeSoto Civic Center in Southaven. The debt is not subject to the 15% debt limitation by state law but is subject to the 20% debt limitation in Mississippi Code Section 19-9-5. The new bonds will be repaid at a variable rate of interest, from a low of 2.5% to a high of 5%. The bond principal and interest payments will be paid by the DeSoto Civic Center from the proceeds of the 2% tourism sales tax levied on receipts of various restaurants and hotels in the county. The sales taxes collected are settled to the state by the merchants, and the taxes are then remitted to the County which then sends the monthly proceeds to the DeSoto Civic Center to use for the bond principal and interest payments.

The bond issue liability will be recorded on the financial statements of DeSoto County as it is a general obligation bond, backed by the full faith and credit of the County. The payments made by the Civic Center will be reflected on the debt schedule of the County to indicate the current balance of the outstanding debt.

DeSoto County, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2009

In December 2009, Desoto County issued a \$4,775,000 refunding bond with the Mississippi Development Authority, to be paid over a 20 year period. The proceeds will be used to pay the MDB promissory note.

(17) Deficit Fund Balance of Individual Fund

The Civic Center Construction Fund reported a deficit in fund balance of \$454,170 as of September 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP)
For the Year Ended September 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual Non-GAAP Budgetary Basis	Positive/(Negative) Variance with Final Budget
Revenues:				
Property taxes	\$ 32,276,830	\$ 32,288,232	\$ 29,988,034	\$ (2,300,198)
Intergovernmental revenues	2,876,622	3,051,206	3,150,259	99,053
Charges for services	3,998,050	4,179,197	4,637,107	457,910
Use of money and property	605,040	605,040	104,654	(500,386)
Miscellaneous revenues	155,300	182,070	217,073	35,003
Total Revenues	<u>39,911,842</u>	<u>40,305,745</u>	<u>38,097,127</u>	<u>(2,208,618)</u>
Expenditures				
Current				
General government	14,083,241	14,668,750	13,385,149	1,283,601
Public safety	19,300,284	21,239,544	19,531,267	1,708,277
Public works	271,794	621,095	334,621	286,474
Health and welfare	1,948,448	2,059,366	1,988,101	71,265
Culture and recreation	1,452,000	1,512,509	1,405,969	106,540
Conservation of natural resources	356,960	375,386	314,212	61,174
Economic development	505,000	580,000	558,623	21,377
Debt service	1,460,000	3,896,374	3,846,064	50,310
Total Expenditures	<u>39,377,727</u>	<u>44,953,024</u>	<u>41,364,006</u>	<u>3,589,018</u>
Excess of Revenues over (under) Expenditures	<u>534,115</u>	<u>(4,647,279)</u>	<u>(3,266,879)</u>	<u>1,380,400</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	75,000	547,872	247,367	(300,505)
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>547,872</u>	<u>247,367</u>	<u>(300,505)</u>
Net Change in Fund Balance	<u>\$ 609,115</u>	<u>\$ (4,099,407)</u>	<u>(3,019,512)</u>	<u>\$ 1,079,895</u>
Fund Balances - Beginning			<u>19,461,198</u>	
Fund Balances - Ending			<u>\$ 16,441,686</u>	

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

DeSoto County, Mississippi
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP)
For the Year Ended September 30, 2009

	Bridge & Culvert			
	Original Budget	Final Budget	Actual Non-GAAP Budgetary Basis	Positive/(Negative) Variance with Final Budget
Revenues:				
Property taxes	\$ 7,310,477	\$ 7,310,477	\$ 7,847,163	\$ 536,686
Charges for services	45,000	58,036	68,173	10,137
Use of money and property	100,000	100,000	37,501	(62,499)
Miscellaneous revenues	-	-	5,002	5,002
Total Revenues	<u>7,455,477</u>	<u>7,468,513</u>	<u>7,957,839</u>	<u>489,326</u>
Expenditures:				
Current:				
Public works	11,369,439	10,917,396	4,493,654	6,423,742
Total Expenditures	<u>11,369,439</u>	<u>10,917,396</u>	<u>4,493,654</u>	<u>6,423,742</u>
Excess of Revenues over (under) Expenditures	<u>(3,913,962)</u>	<u>(3,448,883)</u>	<u>3,464,185</u>	<u>6,913,068</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	<u>1,000,000</u>	<u>1,000,000</u>	420	<u>(999,580)</u>
Net Change in Fund Balance	<u>\$ (2,913,962)</u>	<u>\$ (2,448,883)</u>	3,464,605	<u>\$ 5,913,488</u>
Fund Balances - Beginning			<u>8,286,853</u>	
Fund Balances - Ending			<u>\$ 11,751,458</u>	

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

DeSoto County, Mississippi
Notes to the Required Supplementary Information
For the Year Ended September 30, 2009

Notes to the Required Supplementary Information

(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 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).

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 & Culvert</u>
Budget (Cash Basis)	\$ (3,019,512)	\$ 3,464,605
Increase (decrease)		
Net adjustments for revenue accruals	1,780,366	82,236
Net adjustments for expenditure	<u>(1,335,529)</u>	<u>62,822</u>
GAAP Basis	<u>\$ (2,574,675)</u>	<u>\$ 3,609,663</u>

SUPPLEMENTAL INFORMATION

DeSoto County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed-through the Mississippi Development Authority			
*HOME Investment Partnership Program	14.239	M08-SG-280-900	\$ 496,778
Total U.S. Department of Housing and Urban Development			496,778
U.S. Department of Justice			
Passed-through the Mississippi Department of Public Safety			
Juvenile Accountability Incentive Block Grant	16.523	05JB1171	17,730
Crime Victim Assistance	16.575	08NW1170	11,243
Crime Victim Assistance	16.575	07NW1179	1,638
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	2007-DJ-BX-1447	13,006
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07HR1171	12,777
Total U.S. Department of Justice			56,394
U.S. Department of Health and Human Services			
Passed-through Mississippi Department of Human Services			
Temporary Assistance for Needy Families	93.558	464WL821	150,599
Total U.S. Department of Health and Human Services			150,599
U.S. Department of Homeland Security			
Passed-through Shelby County, Tennessee			
Urban Area Security Initiative	97.008	2004 UASI	8,125
Urban Area Security Initiative	97.008	2006 UASI	88,718
Urban Area Security Initiative	97.008	2007 UASI	32,126
			128,969
Passed-through Mississippi Emergency Management			
State Homeland Security Program	97.073	08HS017T	3,465
State Homeland Security Program	97.073	S8HS017T	15,714
State Homeland Security Program	97.073	A8HS017T	226
State Homeland Security Program	97.073	07HS017	10,768
State Homeland Security Program	97.073	07HS017R	61,252
State Homeland Security Program	97.073	07LE017	175
Hazard Mitigation Grant	97.039	1604-186	9,869
			101,469
Total U.S. Department of Homeland Security			230,438
Total Expenditures of Federal Awards			\$ 934,209

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program.

SPECIAL REPORTS



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

Members of the Board of Supervisors
DeSoto County, Mississippi

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of DeSoto County, Mississippi ("the County"), as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 28, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

June 28, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
DeSoto County, Mississippi

Compliance

We have audited the compliance of DeSoto County, Mississippi ("the County"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. The County's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, DeSoto County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

June 28, 2010



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**INDEPENDENT AUDITORS' 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 made a study and evaluation of the central purchasing system and inventory control system of DeSoto County, Mississippi ("the County"), as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of DeSoto County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors 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 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, the County complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 study and evaluation.

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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
June 28, 2010

DeSoto County, Mississippi
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>
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No purchases not made from the lowest bidder identified.

DeSoto County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
-------------	-----------------------	------------------------	---------------

No emergency purchases identified.

DeSoto County, Mississippi
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02/02/09	First alert system	\$ 28,625	Global Security System
4/6/2009	Jaws of life	9,640	Henry Schein Matrix Medical



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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 (“the County”) for the year ended September 30, 2009, we considered the County’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 the County’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 28, 2010, on the financial statements of the County.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
June 28, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DeSoto County, Mississippi
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2009**

Section 1: Summary of Auditors' Results

Financial Statements:

- (1) Type of auditors' report issued on the financial statements: Unqualified
- (2) Internal Control over financial reporting:
- (a) Material weakness identified? Yes
- (b) Significant deficiency identified that is not considered to be a material weaknesses? None Reported
- (3) Noncompliance material to the financial statements noted: No

Federal Awards:

- (4) Internal control over major programs:
- (a) Material weakness identified? No
- (b) Significant deficiency identified that is not considered to be a material weaknesses? None Reported
- (5) Type of auditors' report issued on compliance for major federal programs: Unqualified
- (6) Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No
- (7) Federal program identified as major program:
- (a) HOME Grant-Down Payment Assistance Program – CFDA#14.239
- (8) The dollar threshold used to distinguish between type A and type B programs: \$300,000
- (9) Auditee qualified as a low-risk auditee? Yes
- (10) Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315 (b) of OMB Circular A-133? No

DeSoto County, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness

09-01. Criteria

The County is responsible for establishing and maintaining effective internal control over financial reporting.

Condition

The County relies on its external auditors in assisting in the preparation of external financial statements and related disclosures. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of an entity's internal control structure. The County does not have documented procedures in place to provide for the preparation and review of cash basis to accrual conversion or to detect material misstatements in the external financial statements and related disclosures. However, County personnel review and approve all cash to accrual conversion entries.

Effect

The external auditors were required to make material adjusting journal entries in preparing the financial statements.

Cause

The County has not developed procedures to prepare cash to accrual conversion or external financial statements and, consequently, relies on its external auditors for this function.

Recommendation

The County should evaluate the costs and benefits of providing for preparation of the external financial statements and related disclosures, as well as preparation of all cash to accrual journal entries necessary in preparing the external financial statements and related disclosures.

Response

The County will take under advisement the recommendation to evaluate the costs and benefits of providing for the preparation of the external financial statements and related disclosures as well as the necessary journal entries to prepare the financial statements.

Section 3: Federal Award Findings and Questioned Costs

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