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**DeSoto County School District**

Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**DeSoto County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
DeSoto County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the DeSoto County School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

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TELEPHONE 601-992-5292 FAX 601-992-2033

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 58 to 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2014, on our consideration of the DeSoto County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto County School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 22, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2013 increased \$19,813,619, which represents a 7% increase from fiscal year 2012. Total net position for 2012 increased \$19,154,776, which represents a 7% increase from fiscal year 2011.
- General revenues amounted to \$214,998,519 and \$205,567,062, or 85% and 85% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$37,252,327, or 15% of total revenues for 2013, and \$37,541,505, or 15% of total revenues for 2012.
- The District had \$232,437,227 and \$223,953,791 in expenses for fiscal years 2013 and 2012; only \$37,252,327 for 2013 and \$37,541,505 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$214,998,519 for 2013 and \$205,567,062 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$201,275,909 in revenues and \$185,480,474 in expenditures for 2013, and \$190,063,920 in revenues and \$176,292,430 in expenditures for 2012. The General Fund's fund balance increased by \$10,148,398, from 2012 to 2013, and increased by \$9,166,104, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$2,506,612 for 2013 and decreased by \$4,920,627 for 2012. The decrease for 2013 was mainly due to the recording of depreciation expense.
- Long-term debt decreased by \$16,380,000 for 2013 and decreased by \$19,975,000 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$140,355 for 2013 and increased by \$59,297 for 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Government-wide Financial Statements**

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

**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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

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

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

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

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

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$301,917,836 as of June 30, 2013.

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**DeSoto County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 148,650,864	143,842,941	3%
Non-current assets	1,463,645	1,119,790	31%
Capital assets, net	<u>328,162,422</u>	<u>330,669,034</u>	(1)%
<b>Total assets</b>	<u>478,276,931</u>	<u>475,631,765</u>	1%
Current liabilities	5,309,783	5,713,799	(7)%
Long-term debt outstanding	<u>171,049,312</u>	<u>187,813,749</u>	(9)%
<b>Total liabilities</b>	<u>176,359,095</u>	<u>193,527,548</u>	(9)%
<b>Net position:</b>			
Net investment in capital assets	158,510,751	144,112,571	10%
Restricted	54,973,991	11,042,210	398%
Unrestricted	<u>88,433,094</u>	<u>126,949,436</u>	(30)%
<b>Total net position</b>	<u>\$ 301,917,836</u>	<u>282,104,217</u>	7%

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

- Decrease in net capital assets in the amount of \$2,506,612.
- The principal retirement of \$16,380,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$252,250,846 and \$243,108,567, respectively. The total cost of all programs and services was \$232,437,227 for 2013 and \$223,953,791 for 2012.

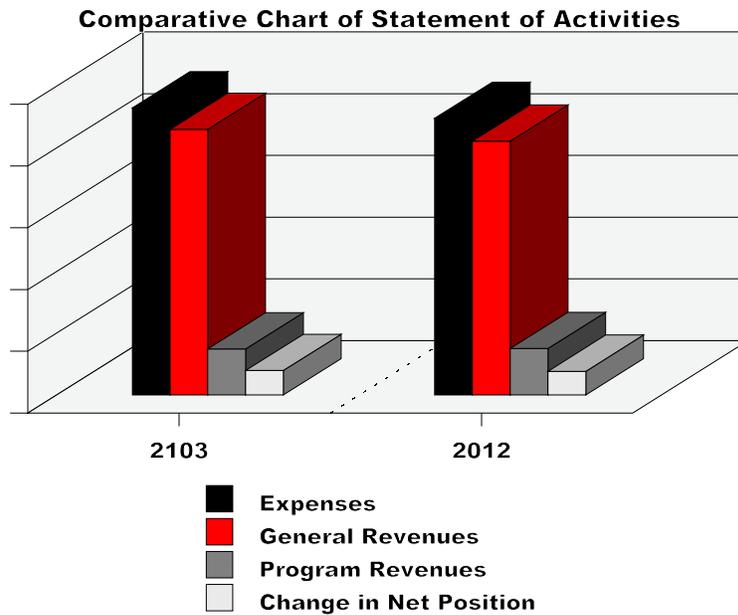
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**DeSoto County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2013</b>	<b>Year Ended June 30, 2012</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 11,107,607	9,955,715	12%
Operating grants and contributions	<u>26,144,720</u>	<u>27,585,790</u>	(5)%
<b>Total program revenues</b>	<u>37,252,327</u>	<u>37,541,505</u>	(1)%
General revenues:			
Property taxes	76,689,437	76,325,077	0%
Grants and contributions not restricted	137,044,935	126,640,286	8%
Unrestricted investment earnings	773,537	604,838	28%
Other	<u>490,610</u>	<u>1,996,861</u>	(75)%
<b>Total general revenues</b>	<u>214,998,519</u>	<u>205,567,062</u>	5%
<b>Total revenues</b>	<u>252,250,846</u>	<u>243,108,567</u>	4%
<b>Expenses:</b>			
Instruction	131,733,160	121,083,191	9%
Support services	79,211,554	83,243,807	(5)%
Non-instructional	15,144,201	13,882,096	9%
Interest on long-term liabilities	<u>6,348,312</u>	<u>5,744,697</u>	11%
<b>Total expenses</b>	<u>232,437,227</u>	<u>223,953,791</u>	4%
 Increase (Decrease) in net position	 <u>19,813,619</u>	 <u>19,154,776</u>	 3%
 Net Position, July 1	 <u>282,104,217</u>	 <u>262,949,441</u>	 7%
Net Position, June 30	<u><u>\$ 301,917,836</u></u>	<u><u>282,104,217</u></u>	7%

**DeSoto County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**



**Governmental activities**

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**

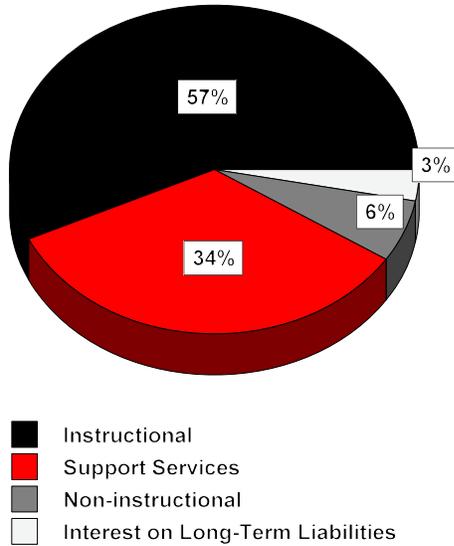
	<b>Total Expenses</b>		
	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>
Instruction	\$ 131,733,160	121,083,191	9%
Support services	79,211,554	83,243,807	(5)%
Non-instructional	15,144,201	13,882,096	9%
Interest on long-term liabilities	6,348,312	5,744,697	11%
<b>Total expenses</b>	<b>\$ 232,437,227</b>	<b>223,953,791</b>	<b>4%</b>

**DeSoto County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Net (Expense) Revenue**

	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>
Instruction	\$ (114,649,228)	(103,982,392)	10%
Support services	(72,204,825)	(75,971,436)	(5)%
Non-instructional	(1,982,535)	(713,761)	178%
Interest on long-term liabilities	(6,348,312)	(5,744,697)	11%
<b>Total net (expense) revenue</b>	<b>\$ (195,184,900)</b>	<b>(186,412,286)</b>	<b>5%</b>

**Expenses per Statement of Activities**



- Net cost of governmental activities (\$195,184,900 for 2013 and \$186,412,286 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$76,689,437 for 2013 and \$76,325,077 for 2012), and state and federal revenues (\$137,044,935 for 2013 and \$126,640,286 for 2012) and other revenues of (\$490,610 for 2013 and \$1,996,861 for 2012).
- Investment earnings amounted to \$773,537 for 2013 and \$604,838 for 2012.

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$145,533,131, an increase of \$5,650,513, including an increase in inventory of \$70,950. \$86,415,562 or 59% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$59,117,569 or 41% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$10,148,398. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,820,473, which includes an increase in inventory in the amount of \$70,950. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Miscellaneous Construction Fund	\$ (6,318,358)

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$432,387,023, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$8,417,430 from 2012. Total accumulated depreciation as of June 30, 2013, was \$104,224,601, and total depreciation expense for the year was \$11,310,425, resulting in total net capital assets of \$328,162,422.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 11,358,488	11,358,488	0%
Construction in progress	3,544,664	1,386,494	156%
Buildings	272,440,106	276,837,747	(2)%
Building improvements	14,416,941	13,114,557	10%
Improvements other than buildings	15,213,838	15,771,729	(4)%
Mobile equipment	8,629,330	8,893,619	(3)%
Furniture and equipment	2,559,055	3,306,400	(23)%
<b>Total</b>	<b>\$ <u>328,162,422</u></b>	<b><u>330,669,034</u></b>	<b><u>(1)%</u></b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

**Debt Administration.** At June 30, 2013, the District had \$168,032,641 in outstanding long-term debt, of which \$16,975,000 is due within one year. The liability for compensated absences increased \$140,355 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 115,740,000	128,390,000	(10)%
Certificates of participation payable	10,730,000	12,255,000	(12)%
Three mill notes payable	37,165,000	39,370,000	(6)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	1,397,641	1,257,286	11%
<b>Total</b>	<b>\$ <u>168,032,641</u></b>	<b><u>184,272,286</u></b>	<b><u>(9)%</u></b>

**DeSoto County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**CURRENT ISSUES**

The DeSoto County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

The District's enrollment for the 2013-2014 year increased by 1% to 32,577 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the DeSoto County School District, Five East South Street, Hernando, MS 38632.

## FINANCIAL STATEMENTS

**DESOTO COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 141,339,529
<i>Cash with fiscal agents</i>	350,308
<i>Due from other governments</i>	6,697,338
<i>Other receivables, net</i>	18,797
<i>Inventories</i>	244,892
<i>Restricted assets</i>	870,361
<i>Bond issue cost, capital related</i>	593,284
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	11,358,488
<i>Construction in progress</i>	3,544,664
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	272,440,106
<i>Building improvements</i>	14,416,941
<i>Improvements other than buildings</i>	15,213,838
<i>Mobile equipment</i>	8,629,330
<i>Furniture and equipment</i>	2,559,055
Total Assets	<u>478,276,931</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	3,757,089
<i>Unearned revenue</i>	214,857
<i>Interest payable on long-term liabilities</i>	1,321,689
<i>Other payables</i>	16,148
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	16,975,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	149,660,000
<i>Bond premium, capital related</i>	7,486,723
<i>Bond discount, capital related</i>	(591,428)
<i>Loss on advanced refunding bonds, capital related</i>	(3,878,624)
<i>Non-capital related liabilities</i>	1,397,641
Total Liabilities	<u>176,359,095</u>
<b>Net Position</b>	
Net Investment in Capital Assets	158,510,751
Restricted For:	
School-based activities	7,022,876
Debt Service	11,396,472
Capital projects	36,044,643
Unemployment benefits	510,000
Unrestricted	88,433,094
Total Net Position	<u>\$ 301,917,836</u>

The accompanying notes are an integral part of this statement.

## DESOTO COUNTY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	131,733,160	6,935,005	10,148,927	(114,649,228)
<i>Support services</i>	79,211,554	--	7,006,729	(72,204,825)
<i>Noninstructional services</i>	15,144,201	4,172,602	8,989,064	(1,982,535)
<i>Interest on long-term liabilities</i>	6,348,312	--	--	(6,348,312)
Total Governmental Activities	<u>\$ 232,437,227</u>	<u>\$ 11,107,607</u>	<u>\$ 26,144,720</u>	<u>(195,184,900)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				55,269,873
<i>Debt purpose levies</i>				21,419,564
Unrestricted grants and contributions:				
<i>State</i>				135,667,283
<i>Federal</i>				1,377,652
Unrestricted investment earnings				773,537
Other				490,610
Total General Revenues				<u>214,998,519</u>
Change in Net Assets				<u>19,813,619</u>
Net Assets - Beginning				282,104,217
Net Assets - Ending				<u>\$ 301,917,836</u>

The accompanying notes are an integral part of this statement.

**DESOTO COUNTY SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Title I Basic Fund
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 85,742,658	\$ 70,515
Cash with fiscal agents	200	--
Due from other governments	2,259,354	539,316
Other receivables, net	18,410	--
Due from other funds	3,645,169	--
Inventories and prepaid items	--	--
Total Assets	<u>\$ 91,665,791</u>	<u>\$ 609,831</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 2,277,725	\$ 70,515
Due to other funds	134,467	539,316
Unearned revenue	--	--
Other payables	16,148	--
Total Liabilities	<u>2,428,340</u>	<u>609,831</u>
 <b>Fund balances:</b>		
<b>Nonspendable:</b>		
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Capital projects	--	--
Debt service	--	--
Grant activities	--	--
Food services	--	--
<b>Committed:</b>		
Capital projects	--	--
<b>Assigned:</b>		
Activity funds	2,648,553	--
Other purposes	173,336	--
<b>Unassigned</b>	86,415,562	--
Total Fund Balances	<u>89,237,451</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 91,665,791</u>	<u>\$ 609,831</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 7

EHA Part B Fund	Miscellaneous Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 39,305	\$ 36,670,354	\$ 19,074,782	\$ 141,597,614
--	--	962,384	962,584
791,711	385,596	664,461	4,640,438
--	--	387	18,797
364	--	113,353	3,758,886
--	--	244,892	244,892
<u>\$ 831,380</u>	<u>\$ 37,055,950</u>	<u>\$ 21,060,259</u>	<u>\$ 151,223,211</u>
\$ 37,484	\$ 1,029,478	\$ 341,887	\$ 3,757,089
793,896	4,777	229,530	1,701,986
--	--	214,857	214,857
--	--	--	16,148
<u>831,380</u>	<u>1,034,255</u>	<u>786,274</u>	<u>5,690,080</u>
--	--	244,892	244,892
--	--	510,000	510,000
--	--	22,948	22,948
--	--	12,718,161	12,718,161
--	--	336,058	336,058
--	--	6,441,926	6,441,926
--	36,021,695	--	36,021,695
--	--	--	2,648,553
--	--	--	173,336
--	--	--	86,415,562
<u>--</u>	<u>36,021,695</u>	<u>20,273,985</u>	<u>145,533,131</u>
<u>\$ 831,380</u>	<u>\$ 37,055,950</u>	<u>\$ 21,060,259</u>	<u>\$ 151,223,211</u>

**DESOTO COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

Total fund balances for governmental funds	\$ 145,533,131
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	328,162,422
Liabilities due in one year are not reported in the funds.	(16,975,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(105,640,000)
Certificates of participation not due and payable in the current period are not reported in the funds.	(9,150,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,321,689)
Payables for notes which are not due in the current period are not reported in the funds.	(34,870,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,397,641)
Bond premiums are reported in the SNP but not in the funds.	(7,486,723)
Bond discounts are reported in the SNP but not in the funds.	591,428
Loss on bond redemption is accounted for in the SNP but not in the funds.	3,878,624
Bond issuance costs are not reported in the funds.	593,284
Net position of governmental activities	<u>\$ 301,917,836</u>

The accompanying notes are an integral part of this statement.

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**DESOTO COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Title I Basic Fund
<b>Revenues:</b>		
Local sources	\$ 63,250,408	\$ 2,744
Intermediate sources	--	--
State sources	136,562,746	--
Federal sources	1,462,755	3,888,021
Total Revenues	<u>201,275,909</u>	<u>3,890,765</u>
<b>Expenditures:</b>		
Instruction	114,529,295	2,157,583
Support services	69,953,623	892,840
Noninstructional services	997,556	206,136
Facilities acquisition and construction	--	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>185,480,474</u>	<u>3,256,559</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,795,435</u>	<u>634,206</u>
<b>Other Financing Sources (Uses):</b>		
Insurance recovery	117,423	--
Sale of other property	95,000	--
Operating transfers in	322,165	--
Payment held by escrow agents	--	--
Other financing sources	488,590	--
Operating transfers out	(6,181,625)	(634,206)
Payment to Qualified School Construction debt escrow agent	--	--
Other financing uses	(488,590)	--
Total Other Financing Sources (Uses)	<u>(5,647,037)</u>	<u>(634,206)</u>
Net change in fund balances	<u>10,148,398</u>	<u>--</u>
<b>Fund Balances:</b>		
July 1, 2012	79,089,053	--
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 89,237,451</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 8

EHA Part B Fund	Miscellaneous Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 232,742	\$ 26,041,826	\$ 89,527,720
--	--	31,000	31,000
103,335	--	2,821,291	139,487,372
6,259,804	385,596	10,996,155	22,992,331
<u>6,363,139</u>	<u>618,338</u>	<u>39,890,272</u>	<u>252,038,423</u>
2,658,652	--	4,469,762	123,815,292
3,525,880	192,313	4,302,929	78,867,585
--	--	12,880,417	14,084,109
--	6,744,383	1,529	6,745,912
--	--	16,380,000	16,380,000
--	--	6,764,452	6,764,452
--	--	13,933	13,933
<u>6,184,532</u>	<u>6,936,696</u>	<u>44,813,022</u>	<u>246,671,283</u>
<u>178,607</u>	<u>(6,318,358)</u>	<u>(4,922,750)</u>	<u>5,367,140</u>
--	--	--	117,423
--	--	--	95,000
--	--	7,709,236	8,031,401
--	--	200,000	200,000
--	--	--	488,590
(178,607)	--	(1,036,963)	(8,031,401)
--	--	(200,000)	(200,000)
--	--	--	(488,590)
<u>(178,607)</u>	<u>--</u>	<u>6,672,273</u>	<u>212,423</u>
<u>--</u>	<u>(6,318,358)</u>	<u>1,749,523</u>	<u>5,579,563</u>
--	42,340,053	18,453,512	139,882,618
--	--	70,950	70,950
<u>\$ --</u>	<u>\$ 36,021,695</u>	<u>\$ 20,273,985</u>	<u>\$ 145,533,131</u>

**DESOTO COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013*

Net change in fund balances - total governmental funds	\$ 5,579,563
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,808,823
The depreciation of capital assets used in governmental activities is not reported in the funds.	(11,310,425)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(5,010)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	12,650,000
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	1,525,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	2,205,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(120,797)
(Increase) decrease in accrued interest from beginning of period to end of period.	26,078
Change in inventory affects fund balance in the funds but affects expense in the SOA.	70,950
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(140,355)
Bond premiums are reported in the funds but not in the SOA.	1,220,431
Bond discounts are reported in the funds but not in the SOA.	(83,810)
Loss on bond redemption is accounted for in the SOA but not in the funds.	<u>(611,829)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 19,813,619</u>

The accompanying notes are an integral part of this statement.

**DESOTO COUNTY SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Agency Funds
<b>Assets</b>	
<i>Cash and other deposits</i>	\$ 13,924,995
<i>Other receivable</i>	3,922
<i>Due from other funds</i>	29,151
<b>Total Assets</b>	<b>\$ 13,958,068</b>
<b>Liabilities</b>	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 10,876,956
<i>Due to student clubs</i>	251,957
<i>Due to other funds</i>	2,086,051
<i>Other payables</i>	743,104
<b>Total Liabilities</b>	<b>\$ 13,958,068</b>

The accompanying notes are an integral part of this statement.

**DeSoto County School District**

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

## DeSoto County School District

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

### Note 1 - Summary of Significant Accounting Policies

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

#### A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, DeSoto County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Blended component unit

The DeSoto County School's Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see note 12).

## DeSoto County School District

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

### **B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA Part B Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

Miscellaneous Construction Fund - This is a capital projects fund which is used for miscellaneous construction projects.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

## DeSoto County School District

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

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

### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

#### **D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

## DeSoto County School District

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

### **E. Assets, liabilities, and net position/fund balances**

#### 1. Cash, Cash equivalents and Investments

##### Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

##### Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

#### 3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

#### 4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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.

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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.

## DeSoto County School District

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 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	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

### 7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

### 8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

#### 9. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action that is required to be taken to establishing modify, or rescind a fund balance commitment is a resolution approved by the Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

## DeSoto County School District

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district'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 Deposit Insurance Corporation.

**DeSoto County School District**

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

Cash and Cash Equivalents

The carrying amount of the school district’s deposits with financial institutions reported in the governmental funds and fiduciary funds was \$141,597,614 and \$13,924,995, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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 district. As of June 30, 2013, none of the district’s bank balance of \$158,779,540 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district’s cash with fiscal agents held by financial institutions was \$962,584.

**Note 3 - Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Basic Fund	\$ 539,316
	EHA Part B Fund	791,711
	Other Governmental Fund	229,530
	Fiduciary Funds	2,084,612
EHA Part B Fund	Fiduciary Funds	364
Other Governmental Funds	General Fund	112,278
	Fiduciary Funds	1,075
Fiduciary Fund	General Fund	22,189
	EHA Part B Fund	2,185
	Miscellaneous Construction Fund	4,777
Total		\$ 3,788,037

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

# DeSoto County School District

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

## B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Basic Fund	\$ 106,432
	EHA Part B Fund	178,607
	Other Governmental Funds	37,126
Other Governmental Funds	General Fund	6,181,625
	Title I Basic Fund	527,774
	Other Governmental Funds	999,837
Total		<u>\$ 8,031,401</u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

## Note 4 - Restricted Assets

The restricted assets represent the cash and cash with fiscal agents balance, totaling \$258,085 and \$612,276, respectively, of the QSCB Bond Retirement Fund.

## Note 5 - Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-1-2012	Additions	Retirements	Completed Construction	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,358,488				11,358,488
Construction in progress	1,386,494	6,642,366		(4,484,196)	3,544,664
Total non-depreciable capital assets	<u>12,744,982</u>	<u>6,642,366</u>	<u>0</u>	<u>(4,484,196)</u>	<u>14,903,152</u>
<u>Depreciable capital assets:</u>					
Buildings	337,318,126			2,278,223	339,596,349
Building Improvements	16,290,671			2,035,428	18,326,099
Improvements other than buildings	20,848,180	103,546	750	170,545	21,121,521
Mobile equipment	22,628,011	1,442,712	84,836		23,985,887
Furniture and equipment	14,139,623	620,199	305,807		14,454,015
Total depreciable assets	<u>411,224,611</u>	<u>2,166,457</u>	<u>391,393</u>	<u>4,484,196</u>	<u>417,483,871</u>
<u>Less accumulated depreciation:</u>					
Buildings	60,480,379	6,675,864			67,156,243
Building improvements	3,176,114	733,044			3,909,158
Improvements other than buildings	5,076,451	831,412	180		5,907,683

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

Mobile equipment	13,734,392	1,694,714	72,549		15,356,557
Furniture and equipment	10,833,223	1,375,391	313,654		11,894,960
Total accumulated depreciation	<u>93,300,559</u>	<u>11,310,425</u>	<u>386,383</u>	<u>0</u>	<u>104,224,601</u>
Total depreciable capital assets	<u>317,924,052</u>	<u>(9,143,968)</u>	<u>5,010</u>	<u>4,484,196</u>	<u>313,259,270</u>
Governmental capital assets, net	<u>\$ 330,669,034</u>	<u>(2,501,602)</u>	<u>5,010</u>	<u>0</u>	<u>328,162,422</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 7,917,298
Support services	2,262,085
Non-instructional	1,131,042
Total depreciation expense	<u>\$ 11,310,425</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2013</u>	<u>Remaining Commitment</u>
FEMA Saferooms (various locations)	\$ 686,487	5,335,780
Horn Lake Middle Gym Renovations	173,736	123,520
Hernando Hills Elementary Classroom Additions	182,345	267,432
Olive Branch High School Performing Arts Center	1,348,179	231,491
Centerhill Channel Stabilization	140,251	61,784
Hernando Elementary Classroom Addition	636,603	361,986
Hernando Elementary Site Improvement	75,957	79,133
Kitchen Renovations (various locations)	257,692	180,606
Kapik Warehouse	20,714	496,451
Southaven Elementary Pickup/Drop off Lane	4,900	143,413
Hernando High School Outdoor Activity Fields	17,800	3,000
<b>Total</b>	<u>\$ 3,544,664</u>	<u>7,284,596</u>

Construction projects included in governmental activities are funded with Miscellaneous Construction Fund.

# DeSoto County School District

## Notes to the Financial Statements For the Year Ended June 30, 2013

### Note 6 - Long-term Liabilities

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

	Balance 7-1-2012	Additions	Reductions	Balance 6-30-2013	Amounts due within one year
A. General obligation bonds payable	\$ 128,390,000		12,650,000	115,740,000	13,100,000
B. Certificates of participation payable	12,255,000		1,525,000	10,730,000	1,580,000
C. Three mill notes payable	39,370,000		2,205,000	37,165,000	2,295,000
D. Qualified school construction bonds payable	3,000,000			3,000,000	
E. Compensated absences payable	1,257,286	140,355		1,397,641	
<b>Total</b>	<b>\$ 184,272,286</b>	<b>140,355</b>	<b>16,380,000</b>	<b>168,032,641</b>	<b>16,975,000</b>

	Balance 7-1-2012	Change	Balance 6-30-2013
Bond Premiums	\$ 8,707,154	(1,220,431)	7,486,723
Bond Discounts	(675,238)	83,810	(591,428)
Deferred Change on Advance Refunding	(4,490,453)	611,829	(3,878,624)
<b>Total</b>	<b>\$ 3,541,463</b>	<b>(524,792)</b>	<b>3,016,671</b>

	Balance 7-1-2012	Change	Balance 6-30-2013
Bond Issuance Costs	\$ 714,081	(120,797)	593,284

**DeSoto County School District**

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

**A. General obligation bonds payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2004A	3.5-5.0%	08-10-04	05-01-16	36,000,000	0
General obligation bonds, Series 2004B	3.25-4.0%	08-10-04	05-01-14	4,000,000	405,000
General obligation bonds, Series 2005	3.5-5.0%	06-01-05	05-01-14	75,000,000	3,000,000
General obligation bonds, Series 2008	3.25-4.5%	10-01-08	04-01-21	15,000,000	12,800,000
General obligation bonds, Refunding Series 2009A	3.0-3.5%	04-01-09	04-01-20	25,000,000	21,625,000
General obligation bonds, Series 2009 B	2.5-2.9%	12-15-09	10-01-20	5,000,000	4,550,000
General obligation bonds, Series 2010	2.5-3.0%	04-01-10	04-01-21	15,000,000	13,700,000
General obligation bonds, Series 2010 refunding	2.0-3.7%	03-09-10	12-01-19	13,455,000	9,045,000
General obligation bonds, Series 2012 refunding	2.0-5.0%	03-20-12	05-01-19	<u>53,930,000</u>	<u>50,615,000</u>
Total				<u>\$ 242,385,000</u>	<u>115,740,000</u>

The following is a schedule by years of the total payments due on this debt:

1. General Obligation issue of 2004 (A):

This debt was paid off and retired from the 2004 General Obligation Bond Series A Fund (#4032).

2. General obligation bond issue of 2004 (B):

Year Ending June 30	Principal	Interest	Total
2014	\$ <u>405,000</u>	<u>14,681</u>	<u>419,681</u>

This debt will be retired from the 2004 General Obligation Bond Series B Fund (#4033).

**DeSoto County School District**

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

3. General obligation bond issue of 2005:

Year Ending June 30	Principal	Interest	Total
2014	\$ <u>3,000,000</u>	<u>1,703,750</u>	<u>4,703,750</u>

This debt will be retired from the 2005 General Obligation Bond Debt Service Fund (#4034).

4. General obligation bond issue of 2008:

Year Ending June 30	Principal	Interest	Total
2014	\$ 500,000	495,750	995,750
2015	800,000	473,000	1,273,000
2016	1,200,000	436,500	1,636,500
2017	1,300,000	389,625	1,689,625
2018	1,400,000	337,250	1,737,250
2019 - 2021	<u>7,600,000</u>	<u>581,125</u>	<u>8,181,125</u>
Total	\$ <u>12,800,000</u>	<u>2,713,250</u>	<u>15,513,250</u>

This debt will be retired from the 2008 General Obligation Bond Series A Debt Retirement Fund (#4035).

5. General obligation bond issue of 2009-A:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,000,000	730,875	1,730,875
2015	2,000,000	699,625	2,699,625
2016	1,000,000	634,625	1,634,625
2017	2,000,000	602,125	2,602,125
2018	1,000,000	542,125	1,542,125
2019 - 2020	<u>14,625,000</u>	<u>1,152,400</u>	<u>15,777,400</u>
Total	\$ <u>21,625,000</u>	<u>4,361,775</u>	<u>25,986,775</u>

This debt will be retired from the 2009 General Obligation Bond Series B Debt Service Fund (#4036).

**DeSoto County School District**

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

6. General obligation bond issue of 2009-B:

Year Ending June 30	Principal	Interest	Total
2014	\$ 300,000	118,950	418,950
2015	350,000	110,013	460,013
2016	400,000	99,700	499,700
2017	500,000	87,638	587,638
2018	600,000	73,575	673,575
2019 -2021	<u>2,400,000</u>	<u>106,788</u>	<u>2,506,788</u>
Total	<u>\$ 4,550,000</u>	<u>596,664</u>	<u>5,146,664</u>

This debt will be retired from the 2009 GO Bond B1 Debt Service Fund.

7. General obligation bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 700,000	382,500	1,082,500
2015	1,000,000	365,000	1,365,000
2016	1,250,000	340,000	1,590,000
2017	1,500,000	308,750	1,808,750
2018	1,250,000	271,250	1,521,250
2019 - 2021	<u>8,000,000</u>	<u>585,000</u>	<u>8,585,000</u>
Total	<u>\$ 13,700,000</u>	<u>2,252,500</u>	<u>15,952,500</u>

This debt will be retired from the 2010 GO Bond C Debt Service Fund.

8. General obligation refunding bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,290,000	261,319	1,551,319
2015	1,315,000	233,731	1,548,731
2016	1,350,000	198,994	1,548,994
2017	1,395,000	158,194	1,553,194
2018	1,440,000	115,522	1,555,522
2019 - 2020	<u>2,255,000</u>	<u>80,798</u>	<u>2,335,798</u>
Total	<u>\$ 9,045,000</u>	<u>1,048,558</u>	<u>10,093,558</u>

This debt will be retired from the 10 Refund Bond Debt Service Fund.

**DeSoto County School District**

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

9. General obligation refunding bond issue of 2012-A:

Year Ending June 30	Principal	Interest	Total
2014	\$ 5,905,000	2,105,950	8,010,950
2015	6,870,000	1,928,800	8,798,800
2016	7,815,000	1,722,700	9,537,700
2017	9,115,000	1,410,100	10,525,100
2018	10,540,000	1,045,500	11,585,500
2019 - 2021	<u>10,370,000</u>	<u>518,500</u>	<u>10,888,500</u>
Total	<u>\$ 50,615,000</u>	<u>8,731,550</u>	<u>59,346,550</u>

This debt will be retired from the 2012 Refunding General Obligation Bond Debt Service Fund (#4040).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 13,100,000	5,813,775	18,913,775
2015	12,335,000	3,810,169	16,145,169
2016	13,015,000	3,432,519	16,447,519
2017	15,810,000	2,956,432	18,766,432
2018	16,230,000	2,385,222	18,615,222
2019 - 2021	<u>45,250,000</u>	<u>3,024,611</u>	<u>48,274,611</u>
Total	<u>\$ 115,740,000</u>	<u>21,422,728</u>	<u>137,162,728</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2012.

**DeSoto County School District**

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

**B. Certificates of participation payable**

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2005 Certificates of Participation	3.7-4.3%	07-01-05	06-01-20	\$ 8,900,000	4,770,000
2008 Certificates of Participation	4.0-4.6%	12-03-08	12-01-18	<u>10,000,000</u>	<u>5,960,000</u>
Total				\$ <u>18,900,000</u>	<u>10,730,000</u>

The following is a schedule by years of the total payments due on this debt:

1. Certificates of participation issue of 2005:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 595,000	193,131	788,131
2015	625,000	163,006	788,006
2016	655,000	133,414	788,414
2017	685,000	108,356	793,356
2018	710,000	81,400	791,400
2019 - 2020	<u>1,500,000</u>	<u>75,699</u>	<u>1,575,699</u>
Total	\$ <u>4,770,000</u>	<u>755,006</u>	<u>5,525,006</u>

This debt will be retired from the 2005 Certificate of Participation Debt Service Fund (#4092).

2. Certificates of participation issue of 2008:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 985,000	256,550	1,241,550
2015	1,020,000	214,463	1,234,463
2016	1,070,000	174,212	1,244,212
2017	1,115,000	126,275	1,241,275
2018	1,165,000	73,406	1,238,406
2019	<u>605,000</u>	<u>15,125</u>	<u>620,125</u>
Total	\$ <u>5,960,000</u>	<u>860,031</u>	<u>6,820,031</u>

**DeSoto County School District**

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

This debt will be retired from the 2008 Certificate of Participation Debt Service Fund (#4093).

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,580,000	449,681	2,029,681
2015	1,645,000	377,469	2,022,469
2016	1,725,000	307,626	2,032,626
2017	1,800,000	234,631	2,034,631
2018	1,875,000	154,806	2,029,806
2019 - 2020	<u>2,105,000</u>	<u>90,824</u>	<u>2,195,824</u>
Total	<u>\$ 10,730,000</u>	<u>1,615,037</u>	<u>12,345,037</u>

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2002 Three Mill Note	3.9-5.5%	07-01-02	04-01-15	\$ 16,450,000	1,800,000
2006 Three Mill Note	4.0-5.25%	11-20-06	04-01-26	24,530,000	19,950,000
2008 Three Mill Note	2.75-4.7%	07-08-08	04-01-27	8,470,000	7,090,000
2011 Three Mill Note	1.45-3.0%	08-24-11	04-01-22	<u>8,765,000</u>	<u>8,325,000</u>
Total				<u>\$ 58,215,000</u>	<u>37,165,000</u>

The following is a schedule by years of the total payments due on this debt:

1. Three mill note payable issue of 2002:

Year Ending June 30	Principal	Interest	Total
2014	\$ 875,000	78,325	953,325
2015	<u>925,000</u>	<u>40,700</u>	<u>965,700</u>
Total	<u>\$ 1,800,000</u>	<u>119,025</u>	<u>1,919,025</u>

This debt will be retired from the Three Mill Note Retirement Fund (#4021).

**DeSoto County School District**

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

2. Three mill note payable issue of 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 850,000	927,031	1,777,031
2015	870,000	893,031	1,763,031
2016	895,000	858,231	1,753,231
2017	925,000	822,431	1,747,431
2018	965,000	778,494	1,743,494
2019 - 2023	6,865,000	3,168,394	10,033,394
2024 - 2026	<u>8,580,000</u>	<u>749,231</u>	<u>9,329,231</u>
Total	<u>\$ 19,950,000</u>	<u>8,196,843</u>	<u>28,146,843</u>

This debt will be retired from the 2006 Limited Tax Notes Fund (#4022).

3. Three mill note payable issued in 2008.

Year Ending June 30	Principal	Interest	Total
2014	\$ 390,000	302,512	692,512
2015	405,000	286,912	691,912
2016	425,000	270,713	695,713
2017	440,000	253,712	693,712
2018	460,000	236,113	696,113
2019 - 2023	2,580,000	882,938	3,462,938
2024 - 2027	<u>2,390,000</u>	<u>270,412</u>	<u>2,660,412</u>
Total	<u>\$ 7,090,000</u>	<u>2,503,312</u>	<u>9,593,312</u>

This debt will be retired from the 2008 Limited Tax Notes (#4023).

4. Three mill note payable issued in 2011.

Year Ending June 30	Principal	Interest	Total
2014	\$ 180,000	198,840	378,840
2015	185,000	195,240	380,240
2016	1,160,000	191,540	1,351,540
2017	1,185,000	174,720	1,359,720
2018	1,210,000	151,020	1,361,020
2019 - 2022	<u>4,405,000</u>	<u>283,140</u>	<u>4,688,140</u>
Total	<u>\$ 8,325,000</u>	<u>1,194,500</u>	<u>9,519,500</u>

**DeSoto County School District**

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

This debt will be retired from the 2011 Limited Tax Notes Fund (#4025).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 2,295,000	1,506,708	3,801,708
2015	2,385,000	1,415,883	3,800,883
2016	2,480,000	1,320,484	3,800,484
2017	2,550,000	1,250,863	3,800,863
2018	2,635,000	1,165,627	3,800,627
2019 - 2023	13,850,000	4,334,472	18,184,472
2024 - 2027	10,970,000	1,019,643	11,989,643
<b>Total</b>	<b>\$ 37,165,000</b>	<b>12,013,680</b>	<b>49,178,680</b>

**D. Qualified school construction bonds payable**

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bond	0.44%	12-22-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

**E. Compensated absences payable**

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 7 - Prior Year Defeasance of Debt**

In prior years, the DeSoto County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. One June 30, 2013, \$49,835,000 of bonds outstanding are defeased.

## DeSoto County School District

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

### Note 8 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The School District has four operating leases for copiers.

Lease expenditures for the year ended June 30, 2013, amount to \$19,023. Future lease payments for these leases are as follows:

Year Ending		Principal
June 30		
2014	\$	19,023
2015		<u>14,267</u>
Total	\$	<u><u>33,290</u></u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$18,095,821, \$14,911,537, and \$13,648,276, respectively, which equaled the required contributions for each year.

## DeSoto County School District

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

### **Note 10 - Risk Management**

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

#### Participation in Self Insurance Trust

The school district established a self-insurance trust in July 2004 which pays the first \$50,000 of property and liability claims against the district. An initial \$150,000 was deposited into the trust account and is evaluated each year for the proper amount to be replaced. An additional \$226,502 was transferred to the fund during fiscal year end 2013. The district had no year end liability because cash on deposit in the trust of \$79,518 (reported on the governmental funds balance sheet in other governmental funds column) exceeded the unpaid claims.

### **Note 11 - Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While the Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$870,361. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

Year Ending June 30		Amount
2014	\$	200,000
2015		200,000
2016		200,000
2017		200,000
2018		200,000
2019 - 2023		1,000,000
2024 - 2025		400,000
Total	\$	<u>2,400,000</u>

#### Note 12 - Trust Certificates

The trust agreement dated July 1, 2005 with First Security Bank authorized the issuance of trust certificates in the principal amount of \$8,900,000. Approximately \$8,771,479 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the “project II”). The remainder of approximately \$128,522 was used to pay the cost of issuance.

The trust agreement dated December 3, 2008 with Deutsche Bank National Trust Company authorized the issuance of trust certificates in the principal amount of \$10,000,000. Approximately \$9,858,000 was used to provide financing the acquisition, construction and installation of energy efficiency improvements (the “Improvements”). The remainder of approximately \$142,000 was used to pay the cost of issuance.

The projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The leases represent a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are

## **DeSoto County School District**

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

part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

### **Note 13 - Contingencies**

**Federal Grants** - The school district 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 the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

**Litigation** - The school district 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 outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

### **Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the DeSoto County School District evaluated the activity of the district through the date the financial statements were available to be issued and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On October 7, 2013, the Board accepted a bid from Fulwood Construction for an eight (8) classroom addition to Southaven Elementary School in the amount of \$1,243,900.

On October 21, 2013, the Board accepted a bid from TDL Contractors for Olive Branch High Athletic Improvements in the amount of \$892,000.

On November 4, 2013, the Board approved of a 2014 Limited Tax Refunding Notes in the amount of \$6,805,000.

## DeSoto County School District

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

### Note 15 - Insurance Loss Recoveries

The DeSoto County School District received \$117,423 in insurance loss recoveries related to storm damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

	Insurance Loss Recoveries	Percentage	Expense Function
\$	114,923	98%	Instruction
	2,500	2%	Support Services
\$	117,423	100%	

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2013

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 60,390,220	60,966,586	63,250,408	576,366	2,283,822
State sources	134,820,578	134,820,578	136,562,746	0	1,742,168
Federal sources	925,000	925,000	1,462,755	0	537,755
Total Revenues	<u>196,135,798</u>	<u>196,712,164</u>	<u>201,275,909</u>	<u>576,366</u>	<u>4,563,745</u>
<b>Expenditures:</b>					
Instruction	122,005,939	122,394,366	114,529,295	(388,427)	7,865,071
Support services	75,199,790	75,568,954	69,953,623	(369,164)	5,615,331
Noninstructional services	1,058,950	978,592	997,556	80,358	(18,964)
Total Expenditures	<u>198,264,679</u>	<u>198,941,912</u>	<u>185,480,474</u>	<u>(677,233)</u>	<u>13,461,438</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,128,881)</u>	<u>(2,229,748)</u>	<u>15,795,435</u>	<u>(100,867)</u>	<u>18,025,183</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery			117,423	0	117,423
Sale of other property			95,000	0	95,000
Operating transfers In			322,165	0	322,165
Other financing sources	28,460,887	28,574,870	488,590	113,983	(28,086,280)
Operating transfers Out			(6,181,625)	0	(6,181,625)
Other financing uses	(35,535,896)	(35,648,284)	(488,590)	(112,388)	35,159,694
Total Other Financing Sources (Uses)	<u>(7,075,009)</u>	<u>(7,073,414)</u>	<u>(5,647,037)</u>	<u>1,595</u>	<u>1,426,377</u>
Net Change in Fund Balances	<u>(9,203,890)</u>	<u>(9,303,162)</u>	<u>10,148,398</u>	<u>(99,272)</u>	<u>19,451,560</u>
Fund Balances:					
July 1, 2012	<u>70,602,718</u>	<u>70,297,679</u>	<u>79,089,053</u>	<u>(305,039)</u>	<u>8,791,374</u>
June 30, 2013	<u>\$ 61,398,828</u>	<u>60,994,517</u>	<u>89,237,451</u>	<u>(404,311)</u>	<u>28,242,934</u>

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

**DESOTO COUNTY SCHOOL DISTRICT**

**Exhibit 2**

Budgetary Comparison Schedule  
 Title I Basic Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$		2,744	0	2,744
Federal sources	3,999,337	4,602,028	3,888,021	602,691	(714,007)
Total Revenues	<u>3,999,337</u>	<u>4,602,028</u>	<u>3,890,765</u>	<u>602,691</u>	<u>(711,263)</u>
<b>Expenditures:</b>					
Instruction	2,106,688	2,545,021	2,157,583	(438,333)	387,438
Support services	1,003,129	1,029,961	892,840	(26,832)	137,121
Noninstructional services	197,085	244,667	206,136	(47,582)	38,531
Total Expenditures	<u>3,306,902</u>	<u>3,819,649</u>	<u>3,256,559</u>	<u>(512,747)</u>	<u>563,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>692,435</u>	<u>782,379</u>	<u>634,206</u>	<u>89,944</u>	<u>(148,173)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(692,435)	(782,379)	(634,206)	(89,944)	148,173
Total Other Financing Sources (Uses)	<u>(692,435)</u>	<u>(782,379)</u>	<u>(634,206)</u>	<u>(89,944)</u>	<u>148,173</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**DESOTO COUNTY SCHOOL DISTRICT**

**Exhibit 3**

Budgetary Comparison Schedule  
 EHA Part B Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 125,000	125,000	103,335	0	(21,665)
Federal sources	7,328,414	7,328,414	6,259,804	0	(1,068,610)
Total Revenues	<u>7,453,414</u>	<u>7,453,414</u>	<u>6,363,139</u>	<u>0</u>	<u>(1,090,275)</u>
<b>Expenditures:</b>					
Instructional	3,373,702	3,344,777	2,658,652	28,925	686,125
Support services	3,899,712	3,923,637	3,525,880	(23,925)	397,757
Noninstructional		5,000		(5,000)	5,000
Total Expenditures	<u>7,273,414</u>	<u>7,273,414</u>	<u>6,184,532</u>	<u>0</u>	<u>1,088,882</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>180,000</u>	<u>180,000</u>	<u>178,607</u>	<u>0</u>	<u>(1,393)</u>
<b>Other Financing Sources (Uses):</b>					
Other transfers out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(178,607)</u>	<u>0</u>	<u>1,393</u>
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(178,607)</u>	<u>0</u>	<u>1,393</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **DeSoto County School District**

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

## SUPPLEMENTARY INFORMATION

DeSoto County School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Schedule 1

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 1,452,304
National School Lunch Program	10.555	8,102,256
Total child nutrition cluster		<u>9,554,560</u>
Total passed-through the Mississippi Department of Education		<u>9,554,560</u>
<b>Total U. S. Department of Agriculture</b>		<u>9,554,560</u>
<b><u>U. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	189,918
<b>Total U. S. Department of Defense</b>		<u>189,918</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	982,190
<b>Total Federal Communications Commission</b>		<u>982,190</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	3,959,388
Career and Technical Education - Basic Grants to States	84.048	186,938
English Language Acquisition Grants	84.365	338,594
Improving Teacher Quality - State Grants	84.367	594,691
Subtotal		<u>5,079,611</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	6,530,292
Special Education - Preschool Grants	84.173	171,127
Total special education cluster		<u>6,701,419</u>
Total passed-through the Mississippi Department of Education		<u>11,781,030</u>
<b>Total U. S. Department of Education</b>		<u>11,781,030</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Direct Program:		
Hazard Mitigation Grant	97.039	385,596
<b>Total U. S. Department of Homeland Security</b>		<u>385,596</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>22,893,294</u>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**DeSoto County School District**

**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2013

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 166,002,725	126,462,633	8,116,020	11,438,540	19,985,532
Other	80,668,558	16,665,359	1,555,656	422,445	62,025,098
Total	\$ <u>246,671,283</u>	<u>143,127,992</u>	<u>9,671,676</u>	<u>11,860,985</u>	<u>82,010,630</u>
Total number of students *	<u>32,577</u>				
Cost per student	\$ <u>7,572</u>	<u>4,394</u>	<u>297</u>	<u>364</u>	<u>2,517</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration; Support Services - Business.

School Administration - includes expenditures for the following functions: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

## OTHER INFORMATION

**DESOTO COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 General Fund  
 Last Four Years

"UNAUDITED"

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
<b>Revenues:</b>				
Local sources	\$ 63,250,408	62,220,002	62,101,057	63,158,372
Intermediate sources			5,000	
State sources	136,562,746	126,452,662	121,368,844	123,622,506
Federal sources	1,462,755	1,391,256	1,017,065	1,124,196
Total Revenues	<u>201,275,909</u>	<u>190,063,920</u>	<u>184,491,966</u>	<u>187,905,074</u>
<b>Expenditures:</b>				
Instruction	114,529,295	109,299,614	89,626,824	102,131,180
Support services	69,953,623	65,948,985	60,079,294	63,781,143
Noninstructional services	997,556	1,043,831	1,002,009	931,978
Facilities acquisition and construction			31,721	965,361
Total Expenditures	<u>185,480,474</u>	<u>176,292,430</u>	<u>150,739,848</u>	<u>167,809,662</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,795,435</u>	<u>13,771,490</u>	<u>33,752,118</u>	<u>20,095,412</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	117,423	315,888	145,629	1,052,767
Sale of other property	95,000		137,180	1,501
Operating transfers in	322,165		229,991	220,001
Other financing sources	488,590		456,917	462,983
Operating transfers out	(6,181,625)	(4,921,274)	(35,776,213)	(17,683,288)
Other financing uses	(488,590)		(456,917)	(462,983)
Total Other Financing Sources (Uses)	<u>(5,647,037)</u>	<u>(4,605,386)</u>	<u>(35,263,413)</u>	<u>(16,409,019)</u>
Net Change in Fund Balances	<u>10,148,398</u>	<u>9,166,104</u>	<u>(1,511,295)</u>	<u>3,686,393</u>
Fund Balances:				
July 1,	<u>79,089,053</u>	<u>69,922,949</u>	<u>71,434,244</u>	<u>67,747,851</u>
June 30,	<u>\$ 89,237,451</u>	<u>79,089,053</u>	<u>69,922,949</u>	<u>71,434,244</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**DESOTO COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 89,527,720	88,566,604	88,245,172	89,060,881
Intermediate sources	31,000		5,000	
State sources	139,487,372	129,196,272	124,194,145	126,255,561
Federal sources	22,992,331	25,029,803	37,454,953	31,286,455
Total Revenues	<u>252,038,423</u>	<u>242,792,679</u>	<u>249,899,270</u>	<u>246,602,897</u>
<b>Expenditures:</b>				
Instruction	123,815,292	120,858,186	114,998,127	121,909,862
Support services	78,867,585	74,260,056	68,661,159	73,804,372
Noninstructional services	14,084,109	13,549,940	13,281,648	12,873,523
Facilities acquisition and construction	6,745,912	4,530,848	1,655,910	31,718,061
Debt service:				
Principal	16,380,000	17,880,000	16,260,000	28,575,000
Interest	6,764,452	6,431,591	8,419,719	8,822,339
Other	13,933	30,441	21,263	142,658
Total Expenditures	<u>246,671,283</u>	<u>237,541,062</u>	<u>223,297,826</u>	<u>277,845,815</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,367,140</u>	<u>5,251,617</u>	<u>26,601,444</u>	<u>(31,242,918)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds issued				20,000,000
Refunding bonds issued		62,695,000		13,455,000
Proceeds of loans				3,000,000
Premiums on bonds and refunding bonds issued		7,201,964		177,380
Insurance recovery	117,423	315,888	146,459	1,055,815
Sale of other property	95,000		137,180	33,602
Operating transfers in	8,031,401	4,921,274	37,661,481	19,127,070
Payment held by escrow agent	200,000			
Other financing sources	488,590		456,917	664,637
Operating transfers out	(8,031,401)	(4,921,274)	(37,661,481)	(19,127,070)
Payment to refunded bond escrow agent		(69,894,623)		
Payment to Qualified Construction debt escrow agent	(200,000)			
Other financing uses	(488,590)		(701,663)	(462,983)
Total Other Financing Sources (Uses)	<u>212,423</u>	<u>318,229</u>	<u>38,893</u>	<u>37,923,451</u>
Net Change in Fund Balances	<u>5,579,563</u>	<u>5,569,846</u>	<u>26,640,337</u>	<u>6,680,533</u>
<b>Fund Balances:</b>				
July 1, as previously reported	139,882,618	134,342,912	107,691,226	100,971,951
Prior period adjustments				960
July 1, as restated	<u>139,882,618</u>	<u>134,342,912</u>	<u>107,691,226</u>	<u>100,972,911</u>
Increase (Decrease) in inventory	70,950	(30,140)	11,349	37,782
June 30,	<u>\$ 145,533,131</u>	<u>139,882,618</u>	<u>134,342,912</u>	<u>107,691,226</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
DeSoto County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeSoto County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the DeSoto County School District's basic financial statements, and have issued our report thereon dated April 22, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

This report is intended solely for the information and use of management, the school board, others within the entity, and entities with accreditation overview, 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 22, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
DeSoto County School District

**Report on Compliance for Each Major Federal Program**

We have audited DeSoto County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of DeSoto County School District's major federal programs for the year ended June 30, 2013. The DeSoto County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

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

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

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

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

This report is intended solely for the information and use of management, the school board, others within the entity, entities with accreditation overview, 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 22, 2014

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

Superintendent and School Board  
DeSoto County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2013, which collectively comprise DeSoto County School District's basic financial statements and have issued our report thereon dated April 22, 2014. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$61,494 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
April 22, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DeSoto County School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
97.039	Hazard Mitigation Grant
32.xxx	The Schools and Libraries Program of the Universal Service Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$686,799.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

### Section III: Federal Award Findings and Questioned Costs

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