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DeSoto County School District

Audited Financial Statements
For the Year Ended June 30, 2015

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, 2015, 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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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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District Contributions on pages 8 to 19 and 65 to 68 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 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), 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 accompanying supplementary information mentioned above 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 February 28, 2016, 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
February 28, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015. 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 2015 decreased \$251,547,684, including a prior period adjustment of (\$264,233,308), due primarily to the effect of the net pension liability, which represents an 80% decrease from fiscal year 2014. Total net position for 2014 increased \$13,109,525, including a prior period adjustment of (\$572,021), which represents a 4% increase from fiscal year 2013.
- General revenues amounted to \$227,164,136 and \$220,128,688, or 85% and 86% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$40,961,647, or 15% of total revenues for 2015, and \$35,979,150, or 14% of total revenues for 2014.
- The District had \$255,440,159 and \$242,426,292 in expenses for fiscal years 2015 and 2014; only \$40,961,647 for 2015 and \$35,979,150 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$227,164,136 for 2015 and \$220,128,688 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$215,047,764 in revenues and \$210,934,914 in expenditures for 2015, and \$207,596,132 in revenues and \$196,319,993 in expenditures for 2014. The General Fund's fund balance decreased by \$1,118,852, from 2014 to 2015, and increased by \$5,231,668, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$10,402,305 for 2015 and increased by \$7,320,820 for 2014. The increase for 2015 was mainly due to additions to construction in progress, buildings, improvements other than buildings, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$16,630,000 for 2015 and decreased by \$15,505,000 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$42,915 for 2015 and decreased by \$69,685 for 2014.

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, 2015

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, pension expense, 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, 2015

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 on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 as required by the Governmental Accounting Standards Board. Additionally, the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District Contributions are included in this section.

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 the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63,479,677 as of June 30, 2015.

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, 2015 and June 30, 2014.

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 125,599,920	140,393,800	(11)%
Non-current assets	1,021,994	816,616	25%
Capital assets, net	345,885,547	335,483,242	3%
Total assets	472,507,461	476,693,658	(1)%
 Deferred outflows of resources	 36,798,532	 3,266,795	 1026%
 Current liabilities	 8,730,039	 6,482,766	 35%
Long-term debt outstanding	140,691,854	158,450,326	(11)%
Net pension liability	258,878,135		N/A
Total liabilities	408,300,028	164,933,092	148%
 Deferred inflows of resources	 37,526,288	 0	 N/A
 Net position:			
Net investment in capital assets	209,219,530	181,627,667	15%
Restricted	24,541,608	40,258,531	(39)%
Unrestricted	(170,281,461)	93,141,163	(283)%
Total net position	\$ 63,479,677	315,027,361	(80)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (170,281,461)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No. 68 and 71	<u>262,260,857</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 91,979,396</u>

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

- Increase in net capital assets in the amount of \$10,402,305.
- The principal retirement of \$16,630,000 of long-term debt.
- The recognition of Net Pension Liability in the amount of \$258,878,135 as a result of GASB Statement No. 68 implementation.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$268,125,783 and \$256,107,838, respectively. The total cost of all programs and services was \$255,440,159 for 2015 and \$242,426,292 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

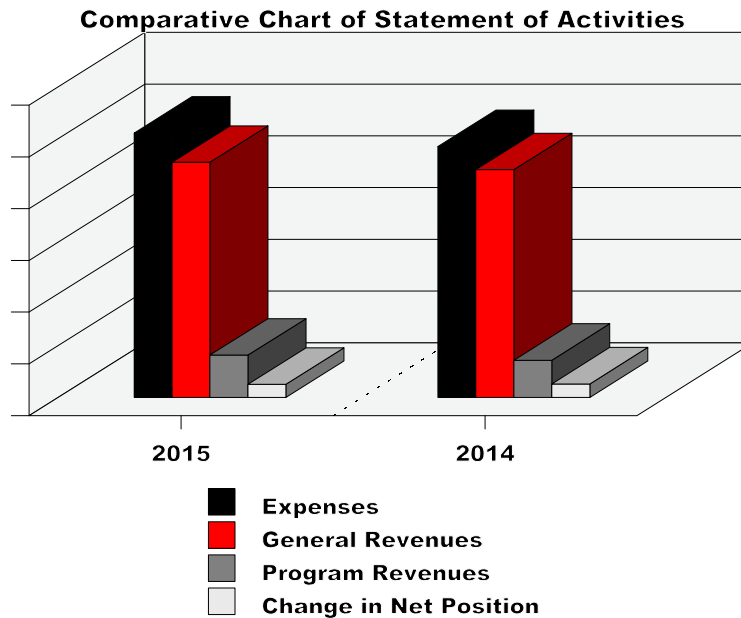
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 2
Changes in Net Position

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 11,274,737	11,345,975	(1)%
Operating grants and contributions	29,686,910	24,633,175	21%
Total program revenues	40,961,647	35,979,150	14%
General revenues:			
Property taxes	79,948,465	79,122,204	1%
Grants and contributions not restricted	146,413,216	140,462,870	4%
Unrestricted investment earnings	484,467	185,066	162%
Other	317,988	358,548	(11)%
Total general revenues	227,164,136	220,128,688	3%
Total revenues	268,125,783	256,107,838	5%
Expenses:			
Instruction	132,935,626	138,031,426	(4)%
Support services	82,795,728	83,332,632	(1)%
Non-instructional	14,754,045	15,455,101	(5)%
Pension expense	20,335,606		N/A
Interest on long-term liabilities	4,619,154	5,607,133	(18)%
Total expenses	255,440,159	242,426,292	5%
Increase (Decrease) in net position	12,685,624	13,681,546	(7)%
Net Position, July 1, as previously reported	315,027,361	301,917,836	4%
Prior Period Adjustment	(264,233,308)	(572,021)	(46,093)%
Net Position, July 1, as restated	50,794,053	301,345,815	(83)%
Net Position, June 30	\$ 63,479,677	315,027,361	(80)%

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015



Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 3
Net Cost of Governmental Activities

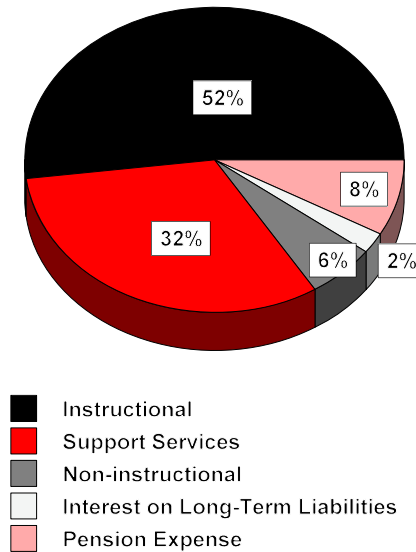
		<u>Total Expenses</u>		Percentage Change
		2015	2014	
Instruction	\$	132,935,626	138,031,426	(4)%
Support services		82,795,728	83,332,632	(1)%
Non-instructional		14,754,045	15,455,101	(5)%
Pension expense		20,335,606		N/A
Interest on long-term liabilities		4,619,154	5,607,133	(18)%
Total expenses	\$	<u>255,440,159</u>	<u>242,426,292</u>	<u>5%</u>

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Net (Expense) Revenue

		2015	2014	Percentage Change
Instruction	\$	(116,114,499)	(121,953,461)	(5)%
Support services		(71,371,193)	(76,393,290)	(7)%
Non-instructional		(2,038,060)	(2,493,258)	(18)%
Pension expense		(20,335,606)		N/A
Interest on long-term liabilities		(4,619,154)	(5,607,133)	(18)%
Total net (expense) revenue	\$	(214,478,512)	(206,447,142)	4%

Expenses per Statement of Activities



- Net cost of governmental activities (\$214,478,512 for 2015 and \$206,447,142 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$79,948,465 for 2015 and \$79,122,204 for 2014), and state and federal revenues (\$146,413,216 for 2015 and \$140,462,870 for 2014) and other revenues of (\$317,988 for 2015 and \$358,548 for 2014).
- Investment earnings amounted to \$484,467 for 2015 and \$185,066 for 2014.

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 \$118,956,751, a decrease of \$16,918,132, including a decrease in inventory of \$36,896 and a prior period adjustment in the amount of \$5,312. \$90,184,535 or 76% 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 \$28,772,216 or 24% 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 decrease in fund balance in the General Fund for the fiscal year was \$1,118,852. The fund balance of Other Governmental Funds showed a decrease in the amount of \$45,082, which includes a decrease in inventory in the amount of \$36,896. The increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
Miscellaneous Construction Fund	\$ (15,754,198)

BUDGETARY HIGHLIGHTS

During 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 is provided in this report as required supplementary information.

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$467,936,181, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$19,684,819 from 2014. Total accumulated depreciation as of June 30, 2015, was \$122,050,634, and total depreciation expense for the year was \$11,290,883, resulting in total net capital assets of \$345,885,547.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 11,664,548	11,667,462	0%
Construction in progress	18,174,409	10,495,392	73%
Buildings	274,238,375	270,122,544	2%
Building improvements	15,890,870	14,907,176	7%
Improvements other than buildings	13,470,047	15,904,261	(15)%
Mobile equipment	9,742,146	9,690,129	1%
Furniture and equipment	2,705,152	2,696,278	0%
Total	\$ <u>345,885,547</u>	<u>335,483,242</u>	<u>3%</u>

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

Debt Administration. At June 30, 2015, the District had \$135,870,871 in outstanding long-term debt, of which \$17,513,544 is due within one year. The liability for compensated absences increased \$42,915 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 93,815,000	106,820,000	(12)%
Certificates of participation payable	3,955,000	4,975,000	(21)%
Three mill notes payable	33,730,000	36,335,000	(7)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	1,370,871	1,327,956	3%
Total	\$ <u>135,870,871</u>	<u>152,457,956</u>	<u>(11)%</u>

DeSoto County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 2014 - 2015 year increased by 1% to 33,236 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, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 97,322,618
Cash with fiscal agents	136,067
Investments	20,353,578
Due from other governments	7,541,948
Other receivables, net	40,606
Inventories	205,103
Restricted assets	1,021,994
Capital assets, non-depreciable:	
Land	11,664,548
Construction in progress	18,174,409
Capital assets, net of accumulated depreciation:	
Buildings	274,238,375
Building improvements	15,890,870
Improvements other than buildings	13,470,047
Mobile equipment	9,742,146
Furniture and equipment	2,705,152
Total Assets	<u>472,507,461</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	2,654,966
Pension related	34,143,566
Total Deferred Outflows of Resources	<u>36,798,532</u>
Liabilities	
Accounts payable and accrued liabilities	7,427,496
Unearned revenue	237,667
Interest payable on long-term liabilities	1,064,876
Long-term liabilities (due within one year):	
Capital related liabilities	17,445,000
Non-capital related liabilities	68,544
Long-term liabilities (due beyond one year):	
Capital related liabilities	117,055,000
Bond premium, capital related	4,849,995
Bond discount, capital related	(29,012)
Non-capital related liabilities	1,302,327
Net pension liability	258,878,135
Total Liabilities	<u>408,300,028</u>
Deferred Inflows of Resources	
Pension related	37,526,288
Total Deferred Inflows of Resources	<u>37,526,288</u>
Net Position:	
Net Investment in Capital Assets	209,219,530
Restricted For:	
Expendable:	
School-based activities	4,244,909
Debt service	13,902,699
Capital projects	5,854,000
Unemployment benefits	540,000
Unrestricted	(170,281,461)
Total Net Position (Deficit)	<u>\$ 63,479,677</u>

The accompanying notes are an integral part of this statement.

DESOTO COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental Activities:				
<i>Instruction</i>	132,935,626	7,420,713	9,400,414	(116,114,499)
<i>Support services</i>	82,795,728	--	11,424,535	(71,371,193)
<i>Noninstructional services</i>	14,754,045	3,854,024	8,861,961	(2,038,060)
<i>Pension expense</i>	20,335,606	--	--	(20,335,606)
<i>Interest on long-term liabilities</i>	4,619,154	--	--	(4,619,154)
Total Governmental Activities	<u>\$ 255,440,159</u>	<u>\$ 11,274,737</u>	<u>\$ 29,686,910</u>	<u>(214,478,512)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				60,136,367
<i>Debt purpose levies</i>				19,812,098
Unrestricted grants and contributions:				
<i>State</i>				145,215,251
<i>Federal</i>				1,197,965
<i>Unrestricted investment earnings</i>				484,467
<i>Other</i>				317,988
Total General Revenues				<u>227,164,136</u>
Change in Net Position				<u>12,685,624</u>
Net Position - Beginning, as previously reported				315,027,361
Prior Period Adjustment				<u>(264,233,308)</u>
Net Position (Deficit) - Beginning, as restated				50,794,053
Net Position (Deficit) - Ending				<u>\$ 63,479,677</u>

The accompanying notes are an integral part of this statement.

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DESOTO COUNTY SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2015

	General Fund	Title I Basic Fund
	<hr/>	<hr/>
Assets		
<i>Cash and cash equivalents</i>	\$ 70,157,223	\$ 271,432
<i>Cash with fiscal agents</i>	136,027	--
<i>Investments</i>	20,003,578	--
<i>Due from other governments</i>	2,792,825	759,525
<i>Other receivables, net</i>	40,219	--
<i>Due from other funds</i>	4,527,509	2,326
<i>Inventories</i>	--	--
Total Assets	<u>\$ 97,657,381</u>	<u>\$ 1,033,283</u>
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 4,033,807	\$ 268,562
<i>Due to other funds</i>	273,307	764,721
<i>Unearned revenue</i>	--	--
Total Liabilities	<u>4,307,114</u>	<u>1,033,283</u>
Fund Balances:		
<i>Nonspendable:</i>		
<i>Inventory</i>	--	--
<i>Restricted:</i>		
<i>Unemployment benefits</i>	--	--
<i>Capital projects</i>	--	--
<i>Debt service</i>	--	--
<i>Grant activities</i>	--	--
<i>Food services</i>	--	--
<i>Committed:</i>		
<i>Capital projects</i>	--	--
<i>Assigned:</i>		
<i>Activity funds</i>	2,819,769	--
<i>Grant activities</i>	345,963	--
Unassigned	<u>90,184,535</u>	<u>--</u>
Total Fund Balances	<u>93,350,267</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 97,657,381</u>	<u>\$ 1,033,283</u>

The accompanying notes are an integral part of this statement.

Miscellaneous Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,587,071	\$ 18,306,892	\$ 97,322,618
--	13,314	149,341
--	1,358,720	21,362,298
--	1,583,830	5,136,180
--	387	40,606
--	42,060	4,571,895
--	205,103	205,103
<u>\$ 8,587,071</u>	<u>\$ 21,510,306</u>	<u>\$ 128,788,041</u>
\$ 2,756,044	\$ 369,083	\$ 7,427,496
--	1,128,099	2,166,127
--	237,667	237,667
<u>2,756,044</u>	<u>1,734,849</u>	<u>9,831,290</u>
--	205,103	205,103
--	540,000	540,000
--	22,973	22,973
--	14,967,575	14,967,575
--	380,590	380,590
--	3,659,216	3,659,216
5,831,027	--	5,831,027
--	--	2,819,769
--	--	345,963
--	--	90,184,535
<u>5,831,027</u>	<u>19,775,457</u>	<u>118,956,751</u>
<u>\$ 8,587,071</u>	<u>\$ 21,510,306</u>	<u>\$ 128,788,041</u>

DESOTO COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances for governmental funds \$ 118,956,751

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.	345,885,547
Liabilities due in one year are not reported in the funds.	(17,513,544)
Payables for bond principal which are not due in the current period are not reported in the funds.	(83,130,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,064,876)
Payables for notes which are not due in the current period are not reported in the funds.	(31,040,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(1,302,327)
Certificates of participation which are not due in the current period are not reported in the funds.	(2,885,000)
Bond discounts are reported in the SNP but not in the funds.	29,012
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(258,878,135)
Deferred Inflow of Resources related to the pension plan are not reported in the funds.	(37,526,288)
Deferred Outflow of Resources related to the pension plan are not reported in the funds.	34,143,566
Loss on bond redemption is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	2,654,966
Bond premiums are amortized in the SNP but not in the funds.	(4,849,995)

Net position of governmental activities \$ 63,479,677

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, 2015**

	General Fund	Title I Basic Fund
Revenues:		
Local sources	\$ 67,477,084	\$ 1,551
State sources	146,294,598	--
Federal sources	1,276,082	4,009,233
Total Revenues	<u>215,047,764</u>	<u>4,010,784</u>
Expenditures:		
Instruction	130,201,285	2,330,045
Support services	77,664,593	1,066,314
Noninstructional services	903,760	30,962
Facilities acquisition and construction	2,165,276	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>210,934,914</u>	<u>3,427,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,112,850</u>	<u>583,463</u>
Other Financing Sources (Uses):		
Insurance recovery	156,472	--
Payment to QSCB escrow agent	--	--
Payment to QSCB debt escrow agent	--	--
Operating transfers in	1,288,208	--
Other financing sources	535,578	--
Operating transfers out	(6,676,382)	(583,463)
Other financing uses	(535,578)	--
Total Other Financing Sources (Uses)	<u>(5,231,702)</u>	<u>(583,463)</u>
Net change in fund balances	<u>(1,118,852)</u>	<u>--</u>
Fund Balances:		
July 1, 2014, as previously reported	94,469,119	--
Prior period adjustments	--	--
July 1, 2014, as restated	<u>94,469,119</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2015	<u>\$ 93,350,267</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Miscellaneous Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 21,057	\$ 24,123,858	\$ 91,623,550
--	3,315,788	149,610,386
5,045,671	16,560,862	26,891,848
<u>5,066,728</u>	<u>44,000,508</u>	<u>268,125,784</u>
--	7,363,474	139,894,804
1,942,693	7,514,533	88,188,133
--	13,210,357	14,145,079
18,883,545	--	21,048,821
--	16,630,000	16,630,000
--	5,244,547	5,244,547
--	16,522	16,522
<u>20,826,238</u>	<u>49,979,433</u>	<u>285,167,906</u>
<u>(15,759,510)</u>	<u>(5,978,925)</u>	<u>(17,042,122)</u>
--	--	156,472
--	180,158	180,158
--	(180,158)	(180,158)
--	7,767,147	9,055,355
--	--	535,578
--	(1,795,510)	(9,055,355)
--	(898)	(536,476)
<u>--</u>	<u>5,970,739</u>	<u>155,574</u>
<u>(15,759,510)</u>	<u>(8,186)</u>	<u>(16,886,548)</u>
21,585,225	19,820,539	135,874,883
5,312	--	5,312
<u>21,590,537</u>	<u>19,820,539</u>	<u>135,880,195</u>
--	(36,896)	(36,896)
<u>\$ 5,831,027</u>	<u>\$ 19,775,457</u>	<u>\$ 118,956,751</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, 2015*

Net change in fund balances for total governmental funds \$ (16,886,548)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	23,814,685
The depreciation of capital assets used in governmental activities is not reported in the funds.	(11,290,883)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(2,118,583)
The gain or loss on the sale of capital assets is not reported in the funds.	(2,914)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	13,005,000
Repayment of certificates of participation principal is an expenditure in the funds but is not an expense in the SOA.	1,020,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	2,605,000
(Increase) decrease in accrued interest from beginning of period to end of period.	82,357
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(36,896)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(42,915)
Bond premiums are amortized in the SOA.	1,175,014
Bond discounts are amortized in the SOA.	(3,627)
Loss on bond redemption is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	(611,829)
Pension contributions made after the measurement date.	22,313,369
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(20,335,606)

Change in net position of governmental activities \$ 12,685,624

The accompanying notes are an integral part of this statement.

DESOTO COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds
	<hr/>
Assets	
<i>Cash and cash equivalents</i>	\$ 16,048,112
<i>Other receivable</i>	5,705
<i>Due from other funds</i>	244,799
Total Assets	\$ <u>16,298,616</u>
 Liabilities	
<i>Accounts payable & accrued liabilities</i>	\$ 12,392,045
<i>Due to student clubs</i>	305,045
<i>Due to other funds</i>	2,650,567
<i>Other payables</i>	950,959
Total Liabilities	\$ <u>16,298,616</u>

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, 2015

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015

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.

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

The school district reports the following major governmental funds:

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 special revenue fund is the school district's federally funded program to supplement classroom teaching efforts.

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.

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.

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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.

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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

E. Assets, liabilities, deferred outflows/inflows, 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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

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.

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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, e.g. Qualified School Construction Bonds sinking funds.

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.

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

The following schedule details the capitalization thresholds:

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

	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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has a deferred outflow from advance refunding debt and pension.

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

See Note 15 for further details.

8. 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).

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. 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 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

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.

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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 \$97,322,618 and \$16,048,112, 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, 2015, none of the district's bank balance of \$116,961,784 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 \$149,341.

Investments

As of June 30, 2015, the district had \$1,008,720 investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 11:

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury SLGS Deposit	No Rating	More than one year	\$ 1,008,720
PNC Bank NA Note	A2	More than one year	503,310
BB&T Corporation	A2	More than one year	501,120
Small Business Administration	No Rating	More than one year	1,029,992
Small Business Series 2014	No Rating	More than one year	948,674
Small Business Series 2015	No Rating	More than one year	500,800
General Electric CAP Corporation	A1	More than one year	553,410
Federal Farm Credit Bank	Aaa	More than one year	1,503,230
Federal Home Loan Mortgage Company	Aaa	More than one year	2,789,493
Madison Company Mississippi GO Refunding Bonds	Aa2	More than one year	327,139
Mississippi State GO Bonds	Aa2	More than one year	1,130,275
Cornell University Notes	Aa1	More than one year	56,179
Vanderbilt University Notes	Aa2	More than one year	167,739
Wells Fargo Company	A2	More than one year	501,965
Federal National Mortgage Association	No Rating	More than one year	4,782,462
Mississippi Development Bank	A+	More than one year	480,722
Lincoln County Mississippi General Obligation	No Rating	More than one year	50,041
J.P. Mortgage Chase and Company	A3	More than one year	550,750
Goldman Sachs Treasury Obligations Administration	No Rating	More than one year	350,000
Federal Home Loan Bank	Aaa	More than one year	1,998,785
FHLMC REMIC	No Rating	More than one year	1,627,492
Total			<u>\$ 21,362,298</u>

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply. These investments are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
US Treasury SLGS Deposit	\$ 1,008,720	5%
PNC Bank NA Note	503,310	2%
BB&T Corporation	501,120	2%
Small Business Administration	1,029,992	5%
Small Business Series 2014	948,674	5%
Small Business Series 2015	500,800	2%
General Electric CAP Corporation	553,410	3%
Federal Farm Credit Bank	1,503,230	7%
Federal Home Loan Mortgage Company	2,789,493	13%
Madison Company Mississippi GO Refunding Bonds	327,139	2%
Mississippi State GO Bonds	1,130,275	5%
Cornell University Notes	56,179	0%
Vanderbilt University Notes	167,739	1%
Wells Fargo Company	501,965	2%
Federal National Mortgage Association	4,782,462	22%
Mississippi Development Bank	480,722	2%
Lincoln County Mississippi General Obligation	50,041	0%
J.P. Mortgage Chase and Company	550,750	3%
Goldman Sachs Treasury Obligations Administration	350,000	2%
Federal Home Loan Bank	1,998,785	9%
FHLMC REMIC	1,627,492	8%
Total	<u>\$ 21,362,298</u>	<u>100%</u>

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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	Other Governmental Fund	\$ 1,112,221
	Title I Basic Fund	764,721
	Fiduciary Funds	2,650,567
Title I Basic Fund	General Fund	2,326
Other Governmental Funds	General Fund	26,182
	Other Governmental Fund	15,878
Fiduciary Funds	General Fund	244,799
Total		\$ <u>4,816,694</u>

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 704,745
	Title I Basic Fund	583,463
Other Governmental Funds	General Fund	6,676,382
	Other Governmental Funds	1,090,765
Total		\$ <u>9,055,355</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 with fiscal agents and investment balance, totaling \$13,274 and \$1,008,720, respectively, of the QSCB Bond Retirement Fund.

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Note 5 - Capital Assets

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

	Balance 7-1-2014	Additions	Retirements	Completed Construction	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,667,462		2,914		11,664,548
Construction in progress	10,495,392	20,969,069		(13,290,052)	18,174,409
Total non-depreciable capital assets	22,162,854	20,969,069	2,914	(13,290,052)	29,838,957
<u>Depreciable capital assets:</u>					
Buildings	344,018,440	51,307		10,997,925	355,067,672
Building improvements	19,600,469		51,855	1,875,937	21,424,551
Improvements other than buildings	22,706,734	79,752	2,964,012	416,190	20,238,664
Mobile equipment	25,944,571	1,818,431	619,384		27,143,618
Furniture and equipment	13,818,294	896,126	491,701		14,222,719
Total depreciable assets	426,088,508	2,845,616	4,126,952	13,290,052	438,097,224
<u>Less accumulated depreciation:</u>					
Buildings	73,895,896	6,933,401			80,829,297
Building improvements	4,693,293	859,056	18,668		5,533,681
Improvements other than buildings	6,802,473	914,628	948,484		6,768,617
Mobile equipment	16,254,442	1,704,476	557,446		17,401,472
Furniture and equipment	11,122,016	879,322	483,771		11,517,567
Total accumulated depreciation	112,768,120	11,290,883	2,008,369	0	122,050,634
Total depreciable capital assets	313,320,388	(8,445,267)	2,118,583	13,290,052	316,046,590
Governmental capital assets, net	\$ 335,483,242	12,523,802	2,121,497	0	345,885,547

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 7,903,618
Support services	2,258,177
Non-instructional	1,129,088
Total depreciation expense	\$ 11,290,883

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
CTW Building	\$ 9,323,895	1,469,105
OMB Renovation	2,785,590	488,409
SHS Storm Drainage	295,034	7,568
HHS Outdoor Activity Fields	17,800	
CTW Parkwood Avenue Extended	705,487	106,615
SMS Kitchen Renovation	194,206	366,144
HSE HVAC Replacement	1,482,625	567,375
OGCE HVAC Replacement	1,439,593	559,407
DCH Classroom Addition	824,971	726,804
DCM Classroom Addition	769,957	812,898
HHS Access Road	262,949	195,742
OBHS Parking Lot Repaving	47,157	
SES Parking Lot Repaving	25,145	5,073
Total	\$ 18,174,409	5,305,140

Construction projects included in governmental activities are funded from the Miscellaneous Construction Fund. OBHS and DCHS Kitchen Renovations are funded from School Lunch Fund.

Note 6 - Long-term Liabilities

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

	Balance 7-1-2014	Additions	Reductions	Balance 6-30-2015	Amounts due within one year
A. General obligation bonds payable	\$ 106,820,000		13,005,000	93,815,000	13,685,000
B. Certificates of participation payable	4,975,000		1,020,000	3,955,000	1,070,000
C. Three mill notes payable	36,335,000		2,605,000	33,730,000	2,690,000
D. Qualified school construction bonds payable	3,000,000			3,000,000	
E. Compensated absences payable	1,327,956	42,915		1,370,871	68,544
Total	\$ 152,457,956	42,915	16,630,000	135,870,871	17,513,544

	Balance 7-1-2014	Change	Balance 6-30-2015
Bond Premiums	\$ 6,025,009	(1,175,014)	4,849,995
Bond Discounts	(32,639)	3,627	(29,012)
Total	\$ 5,992,370	(1,171,387)	4,820,983

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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
1. General obligation bonds, Series 2008	3.25-4.5%	10-01-08	04-01-21	\$ 15,000,000	11,500,000
2. General obligation bonds, Refunding Series 2009A	3.0-3.5%	04-01-09	04-01-21	25,000,000	18,625,000
3. General obligation bonds, Series 2009B	2.5-2.9%	12-15-09	10-01-20	5,000,000	3,900,000
4. General obligation bonds, Series 2010	2.5-3.0%	04-01-10	04-01-21	15,000,000	12,000,000
5. General obligation bonds, Series 2010 refunding	2.0-3.7%	03-09-10	12-01-19	13,455,000	6,440,000
6. General obligation bonds, Series 2012 refunding	2.0-5.0%	03-20-12	05-01-19	53,930,000	37,840,000
7. General obligation bonds, Refunding Series 2013A Tax Exempt	0.75-2.5%	10-10-13	06-01-20	3,610,000	3,510,000
8. General obligation bonds, Refunding Series 2013B Taxable	0.75-2.5%	10-10-13	06-01-15	<u>1,265,000</u>	<u>0</u>
Total				\$ <u>132,260,000</u>	<u>93,815,000</u>

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

1. General obligation bond issue of 2008:

Year Ending June 30	Principal	Interest	Total
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	1,400,000	281,250	1,681,250
2020	2,000,000	213,250	2,213,250
2021	<u>4,200,000</u>	<u>86,625</u>	<u>4,286,625</u>
Total	\$ <u>11,500,000</u>	<u>1,744,500</u>	<u>13,244,500</u>

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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

2. General obligation bond issue of 2009-A:

Year Ending June 30	Principal	Interest	Total
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	1,800,000	509,625	2,309,625
2020	7,285,000	448,875	7,733,875
2021	5,540,000	193,900	5,733,900
Total	<u>\$ 18,625,000</u>	<u>2,931,275</u>	<u>21,556,275</u>

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

3. General obligation bond issue of 2009-B:

Year Ending June 30	Principal	Interest	Total
2016	\$ 400,000	99,700	499,700
2017	500,000	87,638	587,638
2018	600,000	73,575	673,575
2019	700,000	56,975	756,975
2020	800,000	36,875	836,875
2021	900,000	12,938	912,938
Total	<u>\$ 3,900,000</u>	<u>367,701</u>	<u>4,267,701</u>

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

4. General obligation bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
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	1,000,000	240,000	1,240,000
2020	2,500,000	210,000	2,710,000
2021	4,500,000	135,000	4,635,000
Total	<u>\$ 12,000,000</u>	<u>1,505,000</u>	<u>13,505,000</u>

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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

5. General obligation refunding bond issue of 2010:

Year Ending June 30	Principal	Interest	Total
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	1,490,000	66,931	1,556,931
2020	765,000	13,866	778,866
Total	\$ <u>6,440,000</u>	<u>553,507</u>	<u>6,993,507</u>

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

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

Year Ending June 30	Principal	Interest	Total
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	10,370,000	518,500	10,888,500
Total	\$ <u>37,840,000</u>	<u>4,696,800</u>	<u>42,536,800</u>

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

7. General obligation refunding tax exempt bond issue of 2013-A:

Year Ending June 30	Principal	Interest	Total
2016	\$ 670,000	77,425	747,425
2017	690,000	64,025	754,025
2018	705,000	50,225	755,225
2019	715,000	36,125	751,125
2020	730,000	18,250	748,250
Total	\$ <u>3,510,000</u>	<u>246,050</u>	<u>3,756,050</u>

This debt will be retired from the 2013A GO Refunding Bond Debt Service Fund (#4041).

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

8. General obligation refunding taxable bond issue of 2013-B:

This debt was paid off and retired from the 2013B GO Refund Bond Debt Service Fund (#4042).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 13,685,000	3,509,944	17,194,944
2017	16,500,000	3,020,457	19,520,457
2018	16,935,000	2,435,447	19,370,447
2019	17,475,000	1,709,406	19,184,406
2020	14,080,000	941,116	15,021,116
2021	15,140,000	428,463	15,568,463
Total	<u>\$ 93,815,000</u>	<u>12,044,833</u>	<u>105,859,833</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, 2015, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2014.

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2008 Certificates of Participation	4.0-4.6%	12-03-08	12-01-18	<u>\$ 10,000,000</u>	<u>3,955,000</u>

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

Year Ending June 30	Principal	Interest	Total
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	605,000	15,125	620,125
Total	<u>\$ 3,955,000</u>	<u>389,018</u>	<u>4,344,018</u>

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

This debt will be partially retired from the 2008 Certificate of Participation Debt Service Fund.

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	0
2006 Three Mill Note	4.0-5.25%	11-20-06	04-01-26	24,530,000	3,880,000
2008 Three Mill Note	2.75-4.7%	07-08-08	04-01-27	8,470,000	6,295,000
2011 Three Mill Note	1.45-3.0%	08-24-11	04-01-22	8,765,000	7,960,000
2013 Limited Tax Note	0.7-3.25%	10-10-13	06-30-24	6,055,000	5,955,000
2014 Limited Tax Refunding Note	2.0-2.9%	04-24-14	06-30-25	9,790,000	9,640,000
Total				<u>\$ 74,060,000</u>	<u>33,730,000</u>

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

1. Three mill note payable issue of 2002:

This debt was retired and paid off from the Three Mill Note Retirement Fund (#4021).

2. Three mill note payable issue of 2006:

Year Ending June 30	Principal	Interest	Total
2016	\$ 895,000	858,231	1,753,231
2026	<u>2,985,000</u>	<u>364,650</u>	<u>3,349,650</u>
Total	<u>\$ 3,880,000</u>	<u>1,222,881</u>	<u>5,102,881</u>

During the prior fiscal year, the District partially refunded the 2017-2022 and 2024-2025 maturities of the Series 2006 Limited Tax Note in the principal amount totaling \$14,350,000.

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

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

3. Three mill note payable issued in 2008.

Year Ending June 30	Principal	Interest	Total
2016	\$ 425,000	270,713	695,713
2017	440,000	253,712	693,712
2018	460,000	236,113	696,113
2019	475,000	217,713	692,713
2020	495,000	198,475	693,475
2021 - 2025	2,805,000	656,982	3,461,982
2026 - 2027	1,195,000	80,180	1,275,180
Total	\$ <u>6,295,000</u>	<u>1,913,888</u>	<u>8,208,888</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
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	1,240,000	120,770	1,360,770
2020	1,295,000	89,770	1,384,770
2021 - 2022	1,870,000	72,600	1,942,600
Total	\$ <u>7,960,000</u>	<u>800,420</u>	<u>8,760,420</u>

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

5. Three mill note payable issued in 2013.

Year Ending June 30	Principal	Interest	Total
2016	\$ 70,000	188,883	258,883
2017	70,000	187,903	257,903
2018	70,000	186,923	256,923
2019	75,000	185,418	260,418
2020	75,000	183,805	258,805
2021 - 2024	5,595,000	626,933	6,221,933
Total	\$ <u>5,955,000</u>	<u>1,559,865</u>	<u>7,514,865</u>

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

This debt will be retired from the General Obligation Refunding Bond Series 2013A Fund (#4041).

6. Three mill note payable issued in 2014.

Year Ending June 30	Principal	Interest	Total
2016	\$ 140,000	224,145	364,145
2017	1,065,000	221,345	1,286,345
2018	1,085,000	200,045	1,285,045
2019	1,105,000	178,345	1,283,345
2020	1,110,000	156,245	1,266,245
2021 -2025	5,135,000	491,665	5,626,665
Total	\$ <u>9,640,000</u>	<u>1,471,790</u>	<u>11,111,790</u>

This debt will be retired from the General Obligation Refunding Bond Series 2013B Fund (#4042).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,690,000	1,733,512	4,423,512
2017	2,760,000	837,680	3,597,680
2018	2,825,000	774,101	3,599,101
2019	2,895,000	702,246	3,597,246
2020	2,975,000	628,295	3,603,295
2021 - 2025	15,405,000	1,848,180	17,253,180
2026 - 2027	4,180,000	444,830	4,624,830
Total	\$ <u>33,730,000</u>	<u>6,968,844</u>	<u>40,698,844</u>

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:

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

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

E. Compensated absences payable

As more fully explained in Note 1(E)(8), 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. On June 30, 2015, \$14,350,000 of bonds outstanding are defeased.

Note 8 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 - Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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, 2015 was 15.75% 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, 2015, 2014 and 2013 were \$22,313,369, \$20,525,826, \$17,912,156, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$258,878,135 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 2.132761 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$20,335,606. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,038,422	\$
Net difference between projected and actual earnings on pension plan investments		37,526,288
Changes in proportion and differences between District contributions and proportionate share of contributions	7,791,775	
District contributions subsequent to the measurement date	22,313,369	
Total	<u>\$ 34,143,566</u>	<u>\$ 37,526,288</u>

\$22,313,369 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (5,126,105)
2017	(5,126,105)
2018	(6,062,309)
2019	(9,381,572)
Total	<u>\$ (25,696,091)</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ <u>352,928,096</u>	\$ <u>258,878,135</u>	\$ <u>180,426,483</u>

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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 \$24,648 was transferred to the fund during fiscal year end 2015. The district had no year end liability because cash on deposit in the trust of \$152,976 (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, 2015 was \$1,021,994. The amount accumulated in the sinking fund at the

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

Year Ending June 30		Amount
2016	\$	200,000
2017		200,000
2018		200,000
2019		200,000
2020		200,000
2021 -2025		<u>1,000,000</u>
Total	\$	<u><u>2,000,000</u></u>

Note 12 - Trust Certificates

The trust agreement dated December 3, 2008 with U.S. Bank 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 part of the school district's financial statements,

DeSoto County School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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 - Insurance Loss Recoveries

The DeSoto County School District received \$156,472 in insurance loss recoveries related to storm damage during the 2014 - 2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to support services.

Note 15 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$209,219,530 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$2,654,966, balance of the deferred outflow of resources at June 30, 2015 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$170,281,461) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$34,143,566 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$170,281,461) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$37,526,288 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

DeSoto County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 16 - Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(284,764,446)
Deferred outflows - contributions made during fiscal year 2014	<u>20,525,826</u>
Total prior period adjustment related to GASB 68 and 71	(264,238,620)
2. To correctly present retainage recorded in prior year.	<u>5,312</u>
Total	<u><u>\$ (264,233,308)</u></u>

Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
Miscellaneous Construction Fund	See explanation above	<u><u>\$ 5,312</u></u>

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of 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 a subsequent event has occurred requiring disclosure in the notes to the financial statements:

On August 9, 2015, the school district issued a Limited Tax Refunding Note, Series 2015 in the amount of \$8,515,000, with a 1.2 - 3.0% interest rate. The note matures on June 30, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

DESOTO COUNTY SCHOOL DISTRICT**Exhibit 1**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 64,496,885	65,039,308	67,477,084	542,423	2,437,776
State sources	145,934,797	145,934,797	146,294,598	0	359,801
Federal sources	1,115,000	1,115,000	1,276,082	0	161,082
Total Revenues	<u>211,546,682</u>	<u>212,089,105</u>	<u>215,047,764</u>	<u>542,423</u>	<u>2,958,659</u>
Expenditures:					
Instruction	133,245,109	132,611,049	130,201,285	634,060	2,409,764
Support services	82,548,381	84,855,371	77,664,593	(2,306,990)	7,190,778
Noninstructional services	86,200	886,873	903,760	(800,673)	(16,887)
Facilities acquisition and construction			2,165,276	0	(2,165,276)
Total Expenditures	<u>215,879,690</u>	<u>218,353,293</u>	<u>210,934,914</u>	<u>(2,473,603)</u>	<u>7,418,379</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,333,008)</u>	<u>(6,264,188)</u>	<u>4,112,850</u>	<u>(1,931,180)</u>	<u>10,377,038</u>
Other Financing Sources (Uses):					
Insurance recovery			156,472	0	156,472
Operating transfers in			1,288,208	0	1,288,208
Other financing sources	32,938,231	32,820,456	535,578	(117,775)	(32,284,878)
Operating transfers out			(6,676,382)	0	(6,676,382)
Other financing uses	(40,783,417)	(38,855,448)	(535,578)	1,927,969	38,319,870
Total Other Financing Sources (Uses)	<u>(7,845,186)</u>	<u>(6,034,992)</u>	<u>(5,231,702)</u>	<u>1,810,194</u>	<u>803,290</u>
Net Change in Fund Balances	<u>(12,178,194)</u>	<u>(12,299,180)</u>	<u>(1,118,852)</u>	<u>(120,986)</u>	<u>11,180,328</u>
Fund Balances:					
July 1, 2014	80,035,758	94,365,407	94,469,119	14,329,649	103,712
June 30, 2015	<u>\$ 67,857,564</u>	<u>82,066,227</u>	<u>93,350,267</u>	<u>14,208,663</u>	<u>11,284,040</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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	0	1,551	0	1,551
Federal sources	3,577,016	4,842,182	4,009,233	1,265,166	(832,949)
Total Revenues	<u>3,577,016</u>	<u>4,842,182</u>	<u>4,010,784</u>	<u>1,265,166</u>	<u>(831,398)</u>
Expenditures:					
Instruction	1,895,817	2,708,575	2,330,045	(812,758)	378,530
Support services	994,382	1,412,835	1,066,314	(418,453)	346,521
Noninstructional services	52,349	55,248	30,962	(2,899)	24,286
Total Expenditures	<u>2,942,548</u>	<u>4,176,658</u>	<u>3,427,321</u>	<u>(1,234,110)</u>	<u>749,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>634,468</u>	<u>665,524</u>	<u>583,463</u>	<u>31,056</u>	<u>(82,061)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(634,468)</u>	<u>(665,524)</u>	<u>(583,463)</u>	<u>(31,056)</u>	<u>82,061</u>
Total Other Financing Sources (Uses)	<u>(634,468)</u>	<u>(665,524)</u>	<u>(583,463)</u>	<u>(31,056)</u>	<u>82,061</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, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2015	<u><u>\$ 0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

DeSoto County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

		2015
District's proportion of the net pension liability (asset)	\$	<u>258,878,135</u>
District's proportionate share of the net pension liability (asset)		2.132761%
District's covered - employee payroll		130,322,705
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		198.643924%
Plan fiduciary net position as a percentage of the total pension liability		67.207687%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

DeSoto County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

		2015
Contractually required contribution	\$	<u>22,313,369</u>
Contributions in relation to the contractually required contribution		22,313,369
Contribution deficiency (excess)	\$	<u><u>-</u></u>
District's covered - employee payroll		141,672,184
Contributions as a percentage of covered - employee payroll		15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

DeSoto County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules presents 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.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

DeSoto County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 1,322,874
National School Lunch Program	10.555	8,609,954
Summer Food Service Program for Children	10.559	64,845
Total Child Nutrition Cluster		9,997,673
Total Passed-Through the Mississippi Department of Education		9,997,673
Total U. S. Department of Agriculture		9,997,673
<u>U. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	37,160
Total U. S. Department of Defense		37,160
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	785,810
Total Federal Communications Commission		785,810
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	4,010,784
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	131,044
Career and Technical Education - Basic Grants to States	84.048	204,572
English Language Acquisition Grants	84.365	170,087
Improving Teacher Quality - State Grants	84.367	719,577
Subtotal		5,236,064
Special Education Cluster:		
Special Education - Grants to States	84.027	5,155,118
Special Education - Preschool Grants	84.173	146,473
Total Special Education Cluster		5,301,591
Total Passed-Through the Mississippi Department of Education		10,537,655
Total U. S. Department of Education		10,537,655
<u>U.S. Department of Homeland Security</u>		
Direct Program:		
Hazard Mitigation Grant	97.039	25,896
Total U. S. Department of Homeland Security		25,896
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	181,577
Total Passed-Through the Mississippi Department of Education		181,577
Total U. S. Department of Health and Human Services		181,577
TOTAL FOR ALL FEDERAL AWARDS		\$ 21,565,771

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, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 189,283,831	144,248,644	10,106,558	12,705,348	22,223,281
Other	95,884,075	16,521,081	1,345,294	389,147	77,628,553
Total	\$ <u>285,167,906</u>	<u>160,769,725</u>	<u>11,451,852</u>	<u>13,094,495</u>	<u>99,851,834</u>
Total number of students *	<u>33,236</u>				
Cost per student	\$ <u>8,580</u>	<u>4,837</u>	<u>345</u>	<u>394</u>	<u>3,004</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 and 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"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 67,477,084	65,807,948	63,250,408	62,220,002
State sources	146,294,598	140,741,042	136,562,746	126,452,662
Federal sources	1,276,082	1,047,142	1,462,755	1,391,256
Total Revenues	<u>215,047,764</u>	<u>207,596,132</u>	<u>201,275,909</u>	<u>190,063,920</u>
Expenditures:				
Instruction	130,201,285	119,544,097	114,529,295	109,299,614
Support services	77,664,593	75,733,596	69,953,623	65,948,985
Noninstructional services	903,760	863,845	997,556	1,043,831
Facilities acquisition and construction	2,165,276	178,455	0	0
Total Expenditures	<u>210,934,914</u>	<u>196,319,993</u>	<u>185,480,474</u>	<u>176,292,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,112,850</u>	<u>11,276,139</u>	<u>15,795,435</u>	<u>13,771,490</u>
Other Financing Sources (Uses):				
Insurance recovery	156,472	51,590	117,423	315,888
Sale of other property	0	20,000	95,000	0
Operating transfers in	1,288,208	133,886	322,165	0
Other financing sources	535,578	450,269	488,590	0
Operating transfers out	(6,676,382)	(6,249,947)	(6,181,625)	(4,921,274)
Other financing uses	(535,578)	(450,269)	(488,590)	0
Total Other Financing Sources (Uses)	<u>(5,231,702)</u>	<u>(6,044,471)</u>	<u>(5,647,037)</u>	<u>(4,605,386)</u>
Net Change in Fund Balances	<u>(1,118,852)</u>	<u>5,231,668</u>	<u>10,148,398</u>	<u>9,166,104</u>
Fund Balances:				
July 1,	94,469,119	89,237,451	79,089,053	69,922,949
June 30,	<u>\$ 93,350,267</u>	<u>94,469,119</u>	<u>89,237,451</u>	<u>79,089,053</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"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 91,623,550	90,228,461	89,527,720	88,566,604
Intermediate sources	0	35,647	31,000	0
State sources	149,610,386	143,755,961	139,487,372	129,196,272
Federal sources	26,891,848	22,085,017	22,992,331	25,029,803
Total Revenues	<u>268,125,784</u>	<u>256,105,086</u>	<u>252,038,423</u>	<u>242,792,679</u>
Expenditures:				
Instruction	139,894,804	128,751,231	123,815,292	120,858,186
Support services	88,188,133	85,164,456	78,867,585	74,260,056
Noninstructional services	14,145,079	14,370,572	14,084,109	13,549,940
Facilities acquisition and construction	21,048,821	14,555,731	6,745,912	4,530,848
Debt service:				
Principal	16,630,000	17,105,000	16,380,000	17,880,000
Interest	5,244,547	6,006,637	6,764,452	6,431,591
Other	16,522	64,192	13,933	30,441
Total Expenditures	<u>285,167,906</u>	<u>266,017,819</u>	<u>246,671,283</u>	<u>237,541,062</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,042,122)</u>	<u>(9,912,733)</u>	<u>5,367,140</u>	<u>5,251,617</u>
Other Financing Sources (Uses):				
Insurance recovery	156,472	51,975	117,423	315,888
Refunding bonds issued	0	20,720,000	0	62,695,000
Payment to QSCB escrow agent	180,158	184,783	200,000	0
Premiums on bonds and refunding bonds issued	0	189,459	0	7,201,964
Payment to refunded bond escrow agent	0	(20,724,056)	0	(69,894,623)
Payment to QSCB debt escrow agent	(180,158)	(184,783)	(200,000)	0
Sale of other property	0	20,000	95,000	0
Operating transfers in	9,055,355	7,919,468	8,031,401	4,921,274
Other financing sources	535,578	450,269	488,590	0
Operating transfers out	(9,055,355)	(7,919,468)	(8,031,401)	(4,921,274)
Other financing uses	(536,476)	(450,269)	(488,590)	0
Total Other Financing Sources (Uses)	<u>155,574</u>	<u>257,378</u>	<u>212,423</u>	<u>318,229</u>
Net Change in Fund Balances	<u>(16,886,548)</u>	<u>(9,655,355)</u>	<u>5,579,563</u>	<u>5,569,846</u>
Fund Balances:				
July 1, as previously reported	135,874,883	145,533,131	139,882,618	134,342,912
Prior period adjustment	5,312			
July 1, as restated	<u>135,880,195</u>	<u>145,533,131</u>	<u>139,882,618</u>	<u>134,342,912</u>
Increase (Decrease) in inventory	<u>(36,896)</u>	<u>(2,893)</u>	<u>70,950</u>	<u>(30,140)</u>
June 30,	<u>\$ 118,956,751</u>	<u>135,874,883</u>	<u>145,533,131</u>	<u>139,882,618</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 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, 2015, 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 February 28, 2016.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 28, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND 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 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, 2015. 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.

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

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, 2015.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 28, 2016

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, 2015, which collectively comprise DeSoto County School District's basic financial statements and have issued our report thereon dated February 28, 2016. 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 \$0 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. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 28, 2016

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, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$646,973.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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