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DESOTO COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2020

Charles L. Shivers, CPA, LLC  
Ridgeland, MS

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## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	15
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	17
Exhibit B Statement of Activities.....	18
Governmental Funds Financial Statements	
Exhibit C Balance Sheet .....	19
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	20
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances.....	21
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	22
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Assets and Liabilities.....	23
Notes to the Financial Statements.....	25
REQUIRED SUPPLEMENTARY INFORMATION.....	49
Budgetary Comparison Schedule for the General Fund.....	51
Budgetary Comparison Schedule for the Major Special Revenue Fund – EHA Part B Fund.....	52
Schedule of the District's Proportionate Share of the Net Pension Liability.....	53
Schedule of District Contributions (PERS).....	54
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	55
Schedule of District Contributions (OPEB).....	56
Notes to the Required Supplementary Information.....	57
SUPPLEMENTARY INFORMATION.....	61
Schedule of Expenditures of Federal Awards.....	63
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	65
OTHER INFORMATION.....	67
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	69
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	70
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	71
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 <i>Government Auditing Standards</i> ...	73
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	75
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	81

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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
DeSoto County School District

### **Report on the Financial Statements**

I 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, 2020, 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***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability and Schedule of District Contributions (OPEB) 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 my 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, I do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 12, 2021, on my consideration of the DeSoto County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DeSoto County School District's 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.

***Charles L Shivers, CPA, LLC***

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
May 12, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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DESOTO COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 2020 increased \$1,953,051, including a prior period adjustment of \$421,107, which represents a 43% increase from fiscal year 2019. Total net position for 2019 increased \$7,175,332, which represents a 61% increase from fiscal year 2018.
- General revenues amounted to \$276,914,907 and \$261,124,277, or 87% and 86% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$40,634,007, or 13% of total revenues for 2020, and \$42,629,678, or 14% of total revenues for 2019.
- The District had \$316,016,970 and \$296,578,623 in expenses for fiscal years 2020 and 2019; only \$40,634,007 for 2020 and \$42,629,678 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$276,914,907 for 2020 and \$261,124,277 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$266,283,364 in revenues and \$245,901,150 in expenditures for 2020, and \$245,263,592 in revenues and \$231,696,462 in expenditures in 2019. The General Fund's fund balance increased by \$13,391,389, including a prior period adjustment of \$421,107 from 2019 to 2020, and increased by \$6,691,562 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$5,772,737 for 2020 and decreased by \$1,879,045 for 2019. The increase for 2020 was due primarily to the addition of construction projects and the addition of other capital assets.
- Long-term debt increased by \$37,052,611, including compensated absences, for 2020 and decreased by \$21,689,896 for 2019. This increase for 2020 was due primarily to the issuance of certificates of participation and three mill notes. The liability for compensated absences decreased by \$3,389 for 2020 and decreased by \$4,896 for 2019.

## 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.

### 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, deferred outflows, liabilities, and deferred inflows, with the differences between them 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, OPEB 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 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.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

## Notes to the financial statements

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

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District’s Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District’s Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required

supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

## Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,571,959 as of June 30, 2020.

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, 2020 and June 30, 2019.

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

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Current assets	\$ 113,702,886	\$ 95,579,276	18.96 %
Restricted assets	60,790,814	26,106,354	132.86 %
Capital assets, net	344,141,741	338,369,004	1.71 %
<b>Total assets</b>	<b>518,635,441</b>	<b>460,054,634</b>	<b>12.73 %</b>
<b>Deferred outflows of resources</b>	<b>47,269,205</b>	<b>33,008,844</b>	<b>43.20 %</b>
Current liabilities	7,316,934	5,211,192	40.41 %
Long-term debt outstanding	102,643,503	65,587,266	56.50 %
Net OPEB liability	25,138,483	22,163,582	13.42 %
Net pension liability	427,633,596	395,701,208	8.07 %
<b>Total liabilities</b>	<b>562,732,516</b>	<b>488,663,248</b>	<b>15.16 %</b>
<b>Deferred inflows of resources</b>	<b>5,744,089</b>	<b>8,925,240</b>	<b>(35.64) %</b>
<b>Net position:</b>			
Net investment in capital assets	283,168,183	274,928,498	3.00 %
Restricted	21,498,781	24,033,498	(10.55) %
Unrestricted	(307,238,923)	(303,487,006)	(1.24) %
<b>Total net position</b>	<b>\$ (2,571,959)</b>	<b>\$ (4,525,010)</b>	<b>43.16 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (307,238,923)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	411,689,454
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 104,450,531</u>

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 \$5,772,737.
- The addition of long term debt in the amount of \$67,351,000.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$317,548,914 and \$303,753,955, respectively. The total cost of all programs and services was \$316,016,970 for 2020 and \$296,578,623 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

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

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 11,068,845	\$ 12,931,600	(14.40) %
Operating grants and contributions	29,565,162	29,698,078	(0.45) %
General revenues:			
Property taxes	98,639,665	95,073,786	3.75 %
Grants and contributions not restricted	173,752,517	161,443,615	7.62 %
Investment earnings	4,522,725	3,533,494	28.00 %
Other	0	1,073,382	(100.00) %
<b>Total revenues</b>	<u><b>317,548,914</b></u>	<u><b>303,753,955</b></u>	<b>4.54 %</b>
<b>Expenses:</b>			
Instruction	154,135,554	145,546,048	5.90 %
Support services	98,455,872	97,534,819	0.94 %
Non-instructional	13,019,534	11,770,578	10.61 %
Pension expense	45,394,614	37,567,910	20.83 %
OPEB expense	1,754,949	1,231,686	42.48 %
Interest on long-term liabilities	3,256,447	2,927,582	11.23 %
<b>Total expenses</b>	<u><b>316,016,970</b></u>	<u><b>296,578,623</b></u>	<b>6.55 %</b>
<b>Increase (Decrease) in net position</b>	<u><b>1,531,944</b></u>	<u><b>7,175,332</b></u>	<b>(78.65) %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>(4,525,010)</b></u>	<u><b>(11,700,342)</b></u>	<b>61.33 %</b>
<b>Prior Period Adjustment</b>	<u><b>421,107</b></u>	<u><b>0</b></u>	<b>N/A</b>
<b>Net Position, July 1, as restated</b>	<u><b>(4,103,903)</b></u>	<u><b>(11,700,342)</b></u>	<b>64.92 %</b>
<b>Net Position, June 30</b>	<u><b>\$ (2,571,959)</b></u>	<u><b>\$ (4,525,010)</b></u>	<b>43.16 %</b>

### Governmental activities

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

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

	Total Expenses		Percentage Change
	2020	2019	
Instruction	\$ 154,135,554	\$ 145,546,048	5.90 %
Support services	98,455,872	97,534,819	0.94 %
Non-instructional	13,019,534	11,770,578	10.61 %
Pension Expense	45,394,614	37,567,910	20.83 %
OPEB Expense	1,754,949	1,231,686	42.48 %
Interest on long-term liabilities	3,256,447	2,927,582	11.23 %
<b>Total expenses</b>	<b>\$ 316,016,970</b>	<b>\$ 296,578,623</b>	<b>6.55 %</b>

  

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (135,113,712)	\$ (124,809,652)	(8.26) %
Support services	(90,214,060)	(91,257,113)	1.14 %
Non-instructional	350,819	3,844,998	(90.88) %
Pension Expense	(45,394,614)	(37,567,910)	(20.83) %
OPEB Expense	(1,754,949)	(1,231,686)	(42.48) %
Interest on long-term liabilities	(3,256,447)	(2,927,582)	(11.23) %
<b>Total net (expense) revenue</b>	<b>\$ (275,382,963)</b>	<b>\$ (253,948,945)</b>	<b>(8.44) %</b>

- Net cost of governmental activities (\$275,382,963 for 2020 and \$253,948,945 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$98,639,665 for 2020 and \$95,073,786 for 2019) and state and federal revenues (\$173,752,517 for 2020 and \$161,443,615 for 2019).
- Investment earnings amounted to \$4,522,725 for 2020 and \$3,533,494 for 2019.

## 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 \$167,723,342, an increase of \$50,825,423, which includes a prior period adjustment of \$421,107 and an increase in inventory of \$458,773. \$101,985,360 or 61% 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 \$65,737,982 or 39% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$13,391,389, which includes a prior period adjustment of \$421,107. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,024,186, which includes a prior period adjustment of \$50,328 and an increase in reserve for inventory of \$458,773. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA Part B Fund	no increase or decrease
2019A Certificates of Participation	\$ 15,394,295
2019B Certificates of Participation	\$ 24,063,925



## 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 and major special revenue fund(s) is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$522,538,117, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$17,068,953 from 2019. Total accumulated depreciation as of June 30, 2020, was \$178,396,376, and total depreciation expense for the year was \$12,480,630, resulting in total net capital assets of \$344,141,741.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 12,237,017	\$ 11,664,653	4.91 %
Construction in Progress	14,513,617	4,004,845	262.40 %
Buildings	261,636,683	265,966,456	(1.63) %
Building improvements	31,043,676	30,229,450	2.69 %
Improvements other than buildings	11,824,768	12,193,286	(3.02) %
Mobile equipment	11,147,988	12,333,942	(9.62) %
Furniture and equipment	1,737,992	1,976,372	(12.06) %
<b>Total</b>	<b>\$ 344,141,741</b>	<b>\$ 338,369,004</b>	<b>1.71 %</b>

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

**Debt Administration.** At June 30, 2020, the District had \$102,654,385 in outstanding long-term debt, of which \$22,379,919 is due within one year. The liability for compensated absences decreased \$3,389 from the prior year.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 15,140,000	\$ 29,220,000	(48.19) %
Certificates of participation payable	63,402,000	9,355,000	577.73 %
Three mill notes payable	19,854,000	22,765,000	(12.79) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	1,258,385	1,261,774	(0.27) %
<b>Total</b>	<b>\$ 102,654,385</b>	<b>\$ 65,601,774</b>	<b>56.48 %</b>

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's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any 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, Mississippi 38632.

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## BASIC FINANCIAL STATEMENTS

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DESOTO COUNTY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2020

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 74,508,371
Cash with fiscal agent	4,679,938
Investments	27,202,268
Due from other governments	6,326,148
Accrued interest receivable	119,957
Other receivables, net	84,449
Inventories	781,755
Restricted assets (Note 4)	60,790,814
Non-depreciable capital assets (Note 5)	26,750,634
Depreciable capital assets, net (Note 5)	317,391,107
Total Assets	<u>518,635,441</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	42,324,036
Deferred outflow - OPEB (Note 8)	4,502,678
Deferred outflow - advance refunding on bonds	442,491
Total Deferred Outflows of Resources	<u>47,269,205</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	6,435,889
Interest payable on long-term liabilities	546,576
Other payables	334,469
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	22,317,000
Non-capital related liabilities	62,919
Net OPEB liability (Note 8)	946,977
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	79,079,000
Discount on bonds	(10,882)
Non-capital related liabilities	1,195,466
Net OPEB liability (Note 8)	24,191,506
Net pension liability (Note 7)	427,633,596
Total Liabilities	<u>562,732,516</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	4,080,704
Deferred inflows - OPEB (Note 8)	1,663,385
Total Deferred Inflows of Resources	<u>5,744,089</u>
<b>Net Position</b>	
Net investment in capital assets	283,168,183
Restricted net position	
Expendable	
School-based activities	6,494,261
Debt service	14,433,631
Unemployment benefits	570,889
Unrestricted	<u>(307,238,923)</u>
Total Net Position	<u>\$ (2,571,959)</u>

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

DESOTO COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2020

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 154,135,554	7,898,846	11,122,996	(135,113,712)
Support services	98,455,872	67,597	8,174,215	(90,214,060)
Non-instructional	13,019,534	3,102,402	10,267,951	350,819
Pension expense	45,394,614			(45,394,614)
OPEB expense	1,754,949			(1,754,949)
Interest on long-term liabilities	3,256,447			(3,256,447)
Total Governmental Activities	<u>316,016,970</u>	<u>11,068,845</u>	<u>29,565,162</u>	<u>(275,382,963)</u>
General Revenues				
Taxes				
				82,110,031
				16,529,634
Unrestricted grants and contributions				
				173,203,601
				548,916
				4,522,725
				<u>276,914,907</u>
Changes in Net Position				<u>1,531,944</u>
Net Position - Beginning, as previously reported				(4,525,010)
Prior Period Adjustments (Note 9)				421,107
Net Position - Beginning - as restated				<u>(4,103,903)</u>
Net Position - Ending				<u>\$ (2,571,959)</u>

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

DESOTO COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2020

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	EHA Part B Fund	2019A Certificates of Participation	2019B Certificates of Participation	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 74,501,796		6,574		19,375,674	93,884,044
Cash with fiscal agent (Note 2)	1,183,132		4,680,438	6,077,795		11,941,365
Investments (Note 2)	27,202,268		13,184,352	18,907,774	2,061,588	61,355,982
Due from other governments	3,562,725	863,935			1,899,488	6,326,148
Accrued interest receivable			53,863	66,094		119,957
Other receivables, net	19,479				39,011	58,490
Due from other funds (Note 3)	1,826,497				59,392	1,885,889
Inventories					781,755	781,755
<b>Total Assets</b>	<b>108,295,897</b>	<b>863,935</b>	<b>17,925,227</b>	<b>25,051,663</b>	<b>24,216,908</b>	<b>176,353,630</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	2,529,178	13,511	2,530,932	987,738	374,530	6,435,889
Due to other funds (Note 3)	57,803	850,424			951,703	1,859,930
Other payables					334,469	334,469
<b>Total Liabilities</b>	<b>2,586,981</b>	<b>863,935</b>	<b>2,530,932</b>	<b>987,738</b>	<b>1,660,702</b>	<b>8,630,288</b>
<b>Fund Balances</b>						
Nond spendable						
Inventory					781,755	781,755
Restricted						
Debt service						
Capital projects					14,980,207	14,980,207
Unemployment benefits			15,394,295	24,063,925	510,849	39,969,069
Grant activities					570,889	570,889
Assigned					5,712,506	5,712,506
School activities	3,693,124					3,693,124
Grant activities	30,432					30,432
Unassigned	101,985,360					101,985,360
<b>Total Fund Balances</b>	<b>105,708,916</b>	<b>0</b>	<b>15,394,295</b>	<b>24,063,925</b>	<b>22,556,206</b>	<b>167,723,342</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 108,295,897</b>	<b>863,935</b>	<b>17,925,227</b>	<b>25,051,663</b>	<b>24,216,908</b>	<b>176,353,630</b>

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



DESOTO COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2020

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 167,723,342
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	12,237,017	
Construction in progress	14,513,617	
Buildings	378,680,127	
Building improvements	43,708,913	
Improvement other than buildings	22,962,304	
Mobile equipment	34,911,867	
Furniture and equipment	15,524,272	
Accumulated depreciation	<u>(178,396,376)</u>	344,141,741
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(427,633,596)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	42,324,036	
Deferred inflows of resources related to pensions	<u>(4,080,704)</u>	38,243,332
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability		(25,138,483)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	4,502,678	
Deferred inflows of resources related to OPEB	<u>(1,663,385)</u>	2,839,293
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(15,140,000)	
Certificates of participation	(63,402,000)	
Three mill notes	(19,854,000)	
Qualified school construction bonds	(3,000,000)	
Discount on bonds	10,882	
Compensated absences	(1,258,385)	
Unamortized charges	442,491	
Accrued interest payable	<u>(546,576)</u>	(102,747,588)
Total Net Position - Governmental Activities		<u>\$ (2,571,959)</u>

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

DESOTO COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2020

Exhibit D

	Major Funds					
	General Fund	EHA Part B Fund	2019A Certificates of Participation	2019B Certificates of Participation	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 92,801,184		456,796	434,819	20,157,357	113,850,156
State sources	172,933,264				5,518,596	178,451,860
Federal sources	548,916	6,723,214			17,974,768	25,246,898
Total Revenues	266,283,364	6,723,214	456,796	434,819	43,650,721	317,548,914
Expenditures						
Instruction	158,615,392	2,997,162			10,907,663	172,520,217
Support services	85,678,566	3,538,425	305,549	301,396	7,055,008	96,878,944
Noninstructional services	1,599,521				14,296,024	15,895,545
Facilities acquisition and construction	7,671		10,929,351	4,193,307	2,052,657	17,182,986
Debt service						
Principal (Note 6)					30,295,000	30,295,000
Interest					2,554,491	2,554,491
Other					132,740	132,740
Total Expenditures	245,901,150	6,535,587	11,234,900	4,494,703	67,293,583	335,459,923
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,382,214	187,627	(10,778,104)	(4,059,884)	(23,642,862)	(17,911,009)
Other Financing Sources (Uses)						
Proceeds of refunding notes (Note 6)					10,849,000	10,849,000
Proceeds of loans (Note 6)			27,788,000	28,714,000		56,502,000
Insurance loss recoveries (Note 14)	477,410					477,410
Sale of transportation equipment	33,108					33,108
Sale of other property	1,678					1,678
Operating transfers in (Note 3)	325,924				10,860,076	11,186,000
Operating transfers out (Note 3)	(8,243,408)	(187,627)	(1,565,273)	(590,191)	(599,501)	(11,186,000)
Payment held by bond escrow agent					159,693	159,693
Payment to bond escrow agent					(159,693)	(159,693)
Other financing uses	(6,644)				(6,644)	(6,644)
Total Other Financing Sources (Uses)	(7,411,932)	(187,627)	26,222,727	28,123,809	21,109,575	67,856,552
Net Change in Fund Balances	12,970,282	0	15,444,623	24,063,925	(2,533,287)	49,945,543
Fund Balances						
July 1, 2019, as previously reported	92,317,527	0	0	0	24,580,392	116,897,919
Prior period adjustments (Note 9)	421,107		(50,328)		50,328	421,107
July 1, 2019, as restated	92,738,634	0	(50,328)	0	24,630,720	117,319,026
Increase in reserve for inventory					458,773	458,773
June 30, 2020	\$ 105,708,916	0	15,394,295	24,063,925	22,556,206	167,723,342

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

DESOTO COUNTY SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2020

Exhibit D-1

		<u>Amount</u>
Net Change in Fund Balance - Governmental Funds		\$ 49,945,543
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	18,400,522	
Depreciation expense	<u>(12,480,630)</u>	5,919,892
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(147,155)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(56,502,000)	
Refunding bonds issued	(10,849,000)	
Payments of debt principal	30,295,000	
Accrued interest payable	<u>(123,095)</u>	(37,179,095)
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(45,394,614)	
Contributions made subsequent to the measurement date	<u>29,179,304</u>	(16,215,310)
Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	(1,754,949)	
Contributions made subsequent to the measurement date	<u>946,977</u>	(807,972)
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	3,389	
Change in inventory reserve	458,773	
Amortization of deferred charges, premiums and discounts	<u>(446,121)</u>	16,041
Changes in Net Position of Governmental Activities		<u>\$ 1,531,944</u>

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

DESOTO COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2020

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 14,168,466</u>
Total Assets	<u><u>14,168,466</u></u>
Liabilities	
Accounts payable and accrued liabilities	14,142,507
Due to other funds (Note 3)	<u>25,959</u>
Total Liabilities	<u><u>\$ 14,168,466</u></u>

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

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## DESOTO COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2020

#### 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, the 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).

##### 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, deferred outflows, liabilities, and deferred inflows 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

## DESOTO COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2020

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

**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.

**EHA Part B Fund** - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing certain students with special education services.

**2019A Certificates of Participation** - This capital projects fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a 3 mill note.

**2019B Certificates of Participation** - This capital projects fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a 3 mill note.

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 is used as a clearing account for payroll and payroll related transactions.

**Accounts Payable Clearing** - This fund is used as a clearing account for non-payroll 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.

#### 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.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

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 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, 2014*, 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 deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.



## DESOTO COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

For Year Ended June 30, 2020

#### 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, as well as for its component units, 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.

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 Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 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 or business type activities columns 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

# DESOTO COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

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:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Construction in progress	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

### 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting, OPEB reporting and advance refunding of bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting and OPEB reporting. *(List*

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).

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 if material 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.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

*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 of education and/or the business manager pursuant to authorization established by the school board.

*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/expense 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/expenses 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.

The school board of the district adopted a minimum fund balance policy for the General Fund that consists of 10% of General Fund revenues.

## DESOTO COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2020

#### 13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months. The school district did a partial early implementation of GASB 84.

#### 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 and investments 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 deposit 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.

#### 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 \$93,884,044 and \$14,168,466, 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. 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. 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.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$11,941,365.

#### Investments

As of June 30, 2020, the district had the following investments.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

Types of Investments	Credit Rating	Maturities	Fair Value
Money Markey Funds	Aaa	<1	\$ 24,771
US Treasury SLGS	Aaa	1 to 5	2,036,817
US Assets Backed Securities	Aaa	1 to 5	6,131,328
US Assets Backed Securities	Aaa	5 to 10	4,886,927
US Assets Backed Securities	Aaa	>10	4,067,276
Corporate Bonds - Fixed	A3 / Aaa	1 to 5	1,024,754
Municipal Bonds	A2 / Aaa	1 to 5	2,085,626
Municipal Bonds	A2 / Aaa	5 to 10	1,509,108
US Treasury/Agency Securities	Aaa	<1	1,034,541
US Treasury/Agency Securities	Aaa	1 to 5	2,949,400
US Treasury/Agency Securities	Aaa	5 to 10	2,613,981
US Treasury/Agency Securities	Aaa	>10	899,327
US Treasury Notes/Bonds	Aaa	<1	31,873,932
US Treasury Notes/Bonds	Aaa	1 to 5	218,194
			<u>\$ 61,355,982</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2020:

- All investments are valued using quoted market prices (Level 1 inputs)

**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 investment 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, 2020, the district did not have any investments to which this would apply.

### 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	Major fund - EHA Part B Fund	\$ 850,424
	Other governmental funds	951,703
	Fiduciary funds	24,370
Other governmental funds	General Fund	57,803
	Fiduciary funds	1,589
Total		<u>\$ 1,885,889</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 8,243,408
Major fund - EHA Part B Fund	General Fund	187,627
Major fund - 2019A Certificates of Participation Fund	Other governmental funds	1,565,273
Major fund - 2019B Certificates of Participation Fund	Other governmental funds	590,191
Other governmental funds	General Fund	138,297
	Other governmental funds	461,204
Total		<u>\$ 11,186,000</u>

The transfer out of the General Fund was for the purpose of funding the unemployment compensation fund, vocational fund, debt service funds and other programs in the Other Governmental Funds. The transfer out of the Major Fund - EHA Part B Fund was for indirect cost. The transfer out of the Major Fund - 2019A Certificates of Participation Fund and the Major Fund - 2019B Certificates of Participation Fund was for reimbursement of expenditures incurred by the Miscellaneous Construction fund in the Other Governmental Funds. The transfers out of the Other Governmental Funds were for indirect cost and to finance programs in the Other Governmental Funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash, cash with fiscal agent and investment balance, totaling \$19,375,673, \$7,261,427 and \$34,153,714, respectively, of restricted federal programs, construction funds and debt service which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Balance 6/30/2020
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,664,653	572,364			12,237,017
Construction-in-progress	4,004,845	16,610,622		(6,101,850)	14,513,617
Total non-depreciable capital assets	15,669,498	17,182,986	0	(6,101,850)	26,750,634
<u>Depreciable capital assets:</u>					
Buildings	375,662,867			3,017,260	378,680,127
Building improvements	41,173,775		(52,779)	2,587,917	43,708,913
Improvements other than buildings	22,438,890	26,741		496,673	22,962,304
Mobile equipment	35,207,245	644,466	(939,844)		34,911,867
Furniture and equipment	15,316,889	546,329	(338,946)		15,524,272
Total depreciable capital assets	489,799,666	1,217,536	(1,331,569)	6,101,850	495,787,483
<u>Less accumulated depreciation for:</u>					
Buildings	109,696,411	7,347,033			117,043,444
Building improvements	10,944,325	1,750,468	(29,556)		12,665,237
Improvements other than buildings	10,245,604	891,932			11,137,536
Mobile equipment	22,873,303	1,709,877	(819,301)		23,763,879
Furniture and equipment	13,340,517	781,320	(335,557)		13,786,280
Total accumulated depreciation	167,100,160	12,480,630	(1,184,414)	0	178,396,376
Total depreciable capital assets, net	322,699,506	(11,263,094)	(147,155)	6,101,850	317,391,107
Governmental activities capital assets, net	\$ 338,369,004	5,919,892	(147,155)	0	344,141,741

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 121,235
Support services	11,663,284
Non-instructional	696,111
Total depreciation expense - Governmental activities	\$ 12,480,630

The details of construction-in-progress are as follows:

	Spent to June 30, 2020	Remaining Commitment
<b>Governmental Activities:</b>		
DCH - 9th Grade Building	\$ 5,630,188	1,580,292
Hernando Middle Classroom Addition	1,916,607	483,781
DeSoto Central Middle Classroom Addition	1,537,663	883,851
Hernando Hills Elementary Classroom Addition	772,651	78,399
New Lewisburg Middle School	4,193,308	18,372,982
Olive Branch High Football Field Resurface	69,511	485,722
Olive Branch High Reroof Project	284,062	1,223,020
Hernando Middle Reroof Project	109,627	942,790
Total construction in progress	\$ 14,513,617	24,050,837

Construction projects included in governmental activities are funded with proceeds of loans and local funds.

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	within one year
A. General obligation bonds payable	\$ 29,220,000		14,080,000	15,140,000	15,140,000
B. Certificates of participation payable	9,355,000	56,502,000	2,455,000	63,402,000	4,020,000
C. Three mill notes payable	22,765,000	10,849,000	13,760,000	19,854,000	3,157,000
D. Qualified school construction bonds payable	3,000,000			3,000,000	0
E. Compensated absences payable	1,261,774		3,389	1,258,385	62,919
Total	<u>\$ 65,601,774</u>	<u>67,351,000</u>	<u>30,298,389</u>	<u>102,654,385</u>	<u>22,379,919</u>
Bond Discount	<u>\$ (14,508)</u>		<u>3,626</u>	<u>(10,882)</u>	

**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	10/1/2008	4/1/2021	\$ 15,000,000	4,200,000
2. General obligation bonds, refunding series 2009A	3.0-3.5	4/1/2009	4/1/2021	25,000,000	5,540,000
3. General obligation bonds, series 2009B	2.5-2.9	12/15/2009	10/1/2020	5,000,000	900,000
4. General obligation bonds, series 2010	2.5-3.0	4/1/2010	4/1/2021	15,000,000	4,500,000
5. General obligation bonds, refunding series 2010	2.0-3.7	3/9/2010	12/1/2019	13,445,000	0
6. General obligation bonds, refunding series 2013A	0.75-2.5	10/10/2013	6/1/2020	3,610,000	0
Total				<u>\$ 77,055,000</u>	<u>15,140,000</u>

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

1. General obligation bonds, series 2008:

Year Ending June 30	Principal	Interest	Total
2021	<u>\$ 4,200,000</u>	<u>86,625</u>	<u>4,286,625</u>

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

2. General obligation bonds, refunding series 2009A:

Year Ending June 30	Principal	Interest	Total
2021	<u>\$ 5,540,000</u>	<u>193,900</u>	<u>5,733,900</u>

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



DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

3. General obligation bonds, series 2009B:

Year Ending June 30	Principal	Interest	Total
2021	\$ 900,000	25,875	925,875

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

4. General obligation bonds, series 2010:

Year Ending June 30	Principal	Interest	Total
2021	\$ 4,500,000	135,000	4,635,000

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 15,140,000	441,400	15,581,400

5. The general obligation bonds, refunding series 2010 were paid in full during the fiscal year.

6. The general obligation bonds, refunding series 2013A were paid in full during the fiscal year.

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, 2020, the amount of outstanding bonded indebtedness was equal to 0.8% of property assessments as of October 1, 2019.

**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	Rate	Issue Date	Date	Amount Issued	Outstanding
1. Certificates of Participation, 2016	1.665-1.75	6/1/2016	6/1/2022	\$ 10,000,000	7,300,000
2. Certificates of Participation, 2019A	2.63	8/1/2019	6/30/2034	27,788,000	27,588,000
3. Certificates of Participation, 2019B	2.2	10/7/2019	6/30/2034	28,714,000	28,514,000
Total				\$ 66,502,000	63,402,000

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

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

1. Certificates of participation, 2016:

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,620,000	125,020	3,745,020
2022	3,680,000	63,480	3,743,480
Total	<u>\$ 7,300,000</u>	<u>188,500</u>	<u>7,488,500</u>

This debt will be retired from the 2016 Certificate of Participation Fund (Debt Service Fund).

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$1,038,460) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

2. Certificates of participation, 2019A:

Year Ending June 30	Principal	Interest	Total
2021	\$ 200,000	725,565	925,565
2022	400,000	720,304	1,120,304
2023	470,200	709,784	1,179,984
2024	748,100	697,418	1,445,518
2025	1,038,600	677,742	1,716,342
2026 – 2030	10,024,000	2,813,899	12,837,899
2031 – 2034	14,707,100	1,020,724	15,727,824
Total	<u>\$ 27,588,000</u>	<u>7,365,436</u>	<u>34,953,436</u>

This debt will be retired from the 2019A Certificate of Participation Fund (Debt Service Fund).

3. Certificates of participation, 2019B:

Year Ending June 30	Principal	Interest	Total
2021	\$ 200,000	627,308	827,308
2022	200,000	622,908	822,908
2023	1,668,000	618,508	2,286,508
2024	1,777,000	581,812	2,358,812
2025	1,890,000	542,718	2,432,718
2026 – 2030	11,285,000	2,037,156	13,322,156
2031 – 2034	11,494,000	648,450	12,142,450
Total	<u>\$ 28,514,000</u>	<u>5,678,860</u>	<u>34,192,860</u>

This debt will be retired from the 2019B Certificate of Participation Fund (Debt Service Fund).

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 4,020,000	1,477,893	5,497,893
2022	4,280,000	1,406,692	5,686,692
2023	2,138,200	1,328,292	3,466,492
2024	2,525,100	1,279,230	3,804,330
2025	2,928,600	1,220,460	4,149,060
2026 – 2030	21,309,000	4,851,055	26,160,055
2031 – 2034	26,201,100	4,423,174	30,624,274
Total	<u>\$ 63,402,000</u>	<u>15,986,796</u>	<u>79,388,796</u>

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, 2011	1.45-3.0	8/24/2011	4/1/2022	\$ 8,765,000	1,870,000
2. Limited tax refunding note, 2013	0.7-3.25	10/10/2013	6/30/2024	6,055,000	0
3. Limited tax refunding note, 2014	2.0-2.9	4/24/2014	6/30/2025	9,790,000	0
4. Limited tax refunding note, 2015	2.0-3.0	9/15/2015	6/30/2027	8,515,000	7,135,000
5. Limited tax refunding note, 2020	1.48	4/2/2020	6/30/2025	10,849,000	10,849,000
Total				<u>\$ 43,974,000</u>	<u>19,854,000</u>

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

1. Three mill notes, 2011:

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,320,000	56,100	1,376,100
2022	550,000	16,500	566,500
Total	<u>\$ 1,870,000</u>	<u>72,600</u>	<u>1,942,600</u>

This debt will be retired from the 2011 Limited Tax Notes Fund (Debt Service Fund).

2. The Limited Tax Refunding Note, 2013 was advance refunded during the fiscal and was paid in full.
3. The Limited Tax Refunding Note, 2014 was advance refunded during the fiscal and was paid in full.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

4. Limited tax refunding notes, 2015:

Year Ending June 30	Principal	Interest	Total
2021	\$ 565,000	208,400	773,400
2022	570,000	197,100	767,100
2023	590,000	180,000	770,000
2024	610,000	162,300	772,300
2025	625,000	144,000	769,000
2026 – 2027	4,175,000	141,600	4,316,600
Total	<u>\$ 7,135,000</u>	<u>1,033,400</u>	<u>8,168,400</u>

This debt will be retired from the 2011 Limited Tax Notes Fund (Debt Service Fund).

5. Limited Tax Refunding Note, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ 1,272,000	160,122	1,432,122
2022	1,273,000	141,738	1,414,738
2023	2,707,000	122,898	2,829,898
2024	2,746,000	82,834	2,828,834
2025	2,851,000	42,196	2,893,196
Total	<u>\$ 10,849,000</u>	<u>549,788</u>	<u>11,398,788</u>

This debt will be retired from the 2020 Limited Tax Refunding Notes Fund (Debt Service Fund).

Total three mill note payments for all issues:

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,157,000	424,619	3,581,619
2022	2,393,000	355,340	2,748,340
2023	3,297,000	302,899	3,599,899
2024	3,356,000	245,136	3,601,136
2025	3,476,000	186,194	3,662,194
2026 – 2027	4,175,000	141,600	4,316,600
Total	<u>\$ 19,854,000</u>	<u>1,655,788</u>	<u>21,509,788</u>

Advance Refunding

On April 2, 2020, the district issued \$10,849,000 in Limited Tax Refunding Notes with an interest rate of 1.48% to advance refund \$5,595,000 of outstanding Limited Tax Refunding Notes, 2013 and \$5,135,000 of outstanding Limited Tax Refunding Notes, 2014 with an average interest rate of 2.21%. The net proceeds of \$10,731,753 after payments of \$117,247 for issuance costs were deposited with an escrow agent to provide for all future debt payments.

As a result, the Limited Tax Refunding Notes, 2013 and the Limited Tax Refunding Notes, 2014 are considered to be defeased and the liability for those notes have been removed from long-term liabilities.

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

The district advance refunded the Limited Tax Refunding Notes, 2013 and the Limited Tax Refunding Notes, 2014 to reduce its total debt service payments over the remaining five years of the debt by approximately \$449,810 and to realize an economic gain of \$432,453.

**D. Qualified school construction bonds payable**

As more fully explained in Note 13, 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	12/22/2009	9/15/2024	\$ 3,000,000	3,000,000

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

Year Ending June 30	Principal	Interest	Total
2021	\$	13,200	13,200
2022		13,200	13,200
2023		13,200	13,200
2024		13,200	13,200
2025	3,000,000	13,200	3,013,200
Total	\$ 3,000,000	66,000	3,066,000

**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 – 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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*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 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

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

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.

*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, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$29,179,304, \$24,934,565 and \$23,927,870, 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, 2020, the school district reported a liability of \$427,633,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 2.430845 percent, which was based on a measurement date of June 30, 2019. This was an increase of .051828 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$45,394,614. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 185,697	\$ 337,883
Net difference between projected and actual earnings on pension plan investments	0	3,742,821
Changes of assumptions	3,077,511	0
Changes in proportion and differences between District contributions and proportionate share of contributions	9,881,524	0
District contributions subsequent to the measurement date	29,179,304	0
Total	\$ <u>42,324,036</u>	\$ <u>4,080,704</u>

\$29,179,304 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, 2021. 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 Ending June 30:	
2021	\$4,108,681
2022	4,108,681
2023	1,782,371
2024	(935,705)

*Actuarial assumptions.* The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2020

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 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 most recent 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>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100 %	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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 members. 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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 562,139,178	\$ 427,633,596	\$ 316,611,314

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

#### Note 8 – Other Postemployment Benefits (OPEB)

##### General Information about the OPEB Plan.

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The

# DESOTO COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2020

Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

### *Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

### *Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$946,977 for the year ended June 30, 2020.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2020, the District reported a liability of \$25,138,483 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was 2.9625537 percent. This was an increase of .097376 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,754,949. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 38,010	\$ 359,832
Changes of assumptions	1,874,141	1,303,553
Net difference between projected and actual earnings on OPEB plan investments	474	0
Changes in proportion and differences between District contributions and proportionate share of contributions	1,643,076	0



DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	946,977	0
Total	\$ <u>4,502,678</u>	\$ <u>1,663,385</u>

\$946,977 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2021	\$321,010
2022	321,010
2023	321,010
2024	352,581
2025	414,205
Thereafter	162,500

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate
Pre-Medicare	rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2020

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 27,924,468	\$ 25,138,483	\$ 22,754,812

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 23,294,678	\$ 25,138,483	\$ 27,227,202

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

#### Note 9 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

##### Exhibit B - Statement of Activities

Explanation	Amount
GASB 84 - Reclassify Fiduciary Funds to General Fund	\$ 421,107

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

Fund	Explanation	Amount
General Fund	GASB 84 - Reclassify Fiduciary Funds to General Fund	\$ 421,107
Major Fund - Certificates of Participation 2019A	Error correction - correction of prior year asset	(50,328)
Other governmental funds	Error correction - correction of prior year asset	50,328
Total		\$ 421,107

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2020

**Note 10 – 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.

**Note 11 – 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 school district. An initial \$150,000 was deposited into the trust account and is evaluated each year for the proper amount to be replenished. An additional \$255,258 was transferred to the fund during the fiscal year ended June 30, 2020. The district had no year-end liabilities and cash on hand in the trust account amounted to \$99,022 and a due from other funds of \$57,803 which was received in the 2020-2021 fiscal year. The trust account is reported in the Other Governmental Funds.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 – Trust Certificates**

A trust agreement dated December 3, 2008, was executed by and between the school district and US Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$10,000,000. Approximately \$9,858,000 was used to provide financing for 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.

Another trust agreement dated June 29, 2016, was executed by and between the school district and Whitney Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$10,000,000. Approximately \$9,850,000 was used to provide financing for the renovation and improvement of school buildings and facilities (the "Project"). The remainder of approximately \$150,000 was used to pay the cost of issuance.

The project is 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 lease represents 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 trustee 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 trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project 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.

# DESOTO COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2020

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, fund balances, 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, thereby eliminating the effects of the lease agreement for financial reporting purposes.

### Note 13 – 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 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, 2020 was \$2,061,588. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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
2021	\$ 200,000
2022	200,000
2023	200,000
2024	200,000
Total	<u>\$ 800,000</u>

### Note 14 - Insurance Loss Recoveries

The School District received \$477,410 in insurance loss recoveries related to bus damage, cyber breach and tornado damage during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 224,579	47%	Instruction
252,831	53%	Support services
0	0%	Non-instructional
<u>\$ 477,410</u>	<u>100%</u>	

### Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$307,238,923) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$29,179,304 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$13,144,732 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

## DESOTO COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2020

The unrestricted net position amount of (\$307,238,923) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,080,704 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$307,238,923) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$946,977 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$3,555,701 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$307,238,923) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$1,663,385 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The net investment in capital assets (\$283,168,183) includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$442,491 balance of the deferred outflow of resources at June 30, 2020 will be recognized as an expenditure and decrease unrestricted net position over the next year.

#### **Note 16 – In Lieu Tax Agreement**

On December 9, 2013, the DeSoto County Board of Supervisors, Mississippi Development Authority and Teleflex Medical Corporation entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The payment period is expected to terminate on or about the year 2025 unless an Expansion Agreement is granted in accordance with applicable state laws. The DeSoto County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the DeSoto County School District.

On July 28, 2010, the DeSoto County Board of Supervisors, Mississippi Development Authority and Soladigm, Inc. entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The payment period is expected to terminate on or about the year 2025 unless an Expansion Agreement is granted in accordance with applicable state laws. The DeSoto County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the DeSoto County School District.

On May 6, 2010, the DeSoto County Board of Supervisors, Mississippi Development Authority and McKesson Corporation entered into an agreement for in lieu payments of ad valorem taxes. The agreement provides for annual payments of one third of the taxes otherwise payable for the company property. The payment period will not exceed ten years pursuant to applicable state laws. The payment period is expected to terminate on or about the year 2025 unless an Expansion Agreement is granted in accordance with applicable state laws. The DeSoto County Board of Supervisors is responsible for making the annual in lieu of ad valorem tax payment to the DeSoto County School District.

During the 2019-2020 fiscal year the DeSoto County School District received \$3,843,535 in lieu of ad valorem taxes.

#### **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 School District evaluated the activity of the district through May 12, 2021, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

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DESOTO COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 86,471,471	88,574,234	92,801,184	2,102,763	4,226,950
State sources	166,813,239	166,825,702	172,933,264	12,463	6,107,562
Federal sources	748,156	759,768	548,916	11,612	(210,852)
Total Revenues	<u>254,032,866</u>	<u>256,159,704</u>	<u>266,283,364</u>	<u>2,126,838</u>	<u>10,123,660</u>
Expenditures					
Instruction	162,130,781	160,205,240	158,615,392	1,925,541	1,589,848
Support services	93,452,613	93,683,726	85,678,566	(231,113)	8,005,160
Noninstructional services	842,298	1,611,525	1,599,521	(769,227)	12,004
Facilities acquisition and construction	14,000	14,000	7,671	0	6,329
Total Expenditures	<u>256,439,692</u>	<u>255,514,491</u>	<u>245,901,150</u>	<u>925,201</u>	<u>9,613,341</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,406,826)</u>	<u>645,213</u>	<u>20,382,214</u>	<u>3,052,039</u>	<u>19,737,001</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	477,410	0	477,410
Sale of transportation equipment	0	0	33,108	0	33,108
Sale of other property	0	0	1,678	0	1,678
Operating transfers in	43,509,576	42,414,526	325,924	(1,095,050)	(42,088,602)
Operating transfers out	(50,853,500)	(50,835,051)	(8,243,408)	18,449	42,591,643
Other financing uses	0	0	(6,644)	0	(6,644)
Total Other Financing Sources (Uses)	<u>(7,343,924)</u>	<u>(8,420,525)</u>	<u>(7,411,932)</u>	<u>(1,076,601)</u>	<u>1,008,593</u>
Net Change in Fund Balances			<u>12,970,282</u>		
Fund Balances					
July 1, 2019, as previously reported			92,317,527		
Prior period adjustments			421,107		
July 1, 2019, as restated			<u>92,738,634</u>		
June 30, 2020			<u>\$105,708,916</u>		

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



## DESOTO COUNTY SCHOOL DISTRICT

## Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 8,255,010	8,595,729	6,723,214	340,719	(1,872,515)
Total Revenues	<u>8,255,010</u>	<u>8,595,729</u>	<u>6,723,214</u>	<u>340,719</u>	<u>(1,872,515)</u>
Expenditures					
Instruction	3,587,886	3,957,910	2,997,162	(370,024)	960,748
Support services	4,265,856	4,393,991	3,538,425	(128,135)	855,566
Total Expenditures	<u>7,853,742</u>	<u>8,351,901</u>	<u>6,535,587</u>	<u>(498,159)</u>	<u>1,816,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>401,268</u>	<u>243,828</u>	<u>187,627</u>	<u>(157,440)</u>	<u>(56,201)</u>
Other Financing Sources (Uses)					
Operating transfers out	(401,268)	(243,829)	(187,627)	157,439	56,202
Total Other Financing Sources (Uses)	<u>(401,268)</u>	<u>(243,829)</u>	<u>(187,627)</u>	<u>157,439</u>	<u>56,202</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2019			<u>0</u>		
June 30, 2020			<u>\$ 0</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 \*

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	2.430845%	2.379017%	2.338529%	2.328765%	2.267688%	2.132761%
District's proportionate share of the net pension liability	\$ 427,633,596	395,701,208	388,742,889	415,975,578	350,539,846	258,878,135
District's covered payroll	\$ 158,314,698	151,922,984	150,017,975	148,976,692	141,672,184	130,322,705
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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 the 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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 29,179,304	24,934,565	23,927,870	23,627,831	23,463,829	22,313,369
Contributions in relation to the contractually required contribution	29,179,304	24,934,565	23,927,870	23,627,831	23,463,829	22,313,369
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 167,697,149	158,314,698	151,922,984	150,017,975	148,976,692	141,672,184
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	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 Statement 68 was implemented in the 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 the District's Proportionate Share of the Net OPEB Liability  
OPEB  
Last 10 Fiscal Years \*

	2020	2019	2018
District's proportion of the net OPEB liability	2.96255370%	2.86517770%	2.76207340%
District's proportionate share of the net OPEB liability	\$ 25,138,483	22,163,582	21,671,476
Covered employee payroll	\$ 151,922,984	151,922,984	150,017,975
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.55%	14.59%	14.45%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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, 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  
OPEB  
Last 10 Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 946,977	1,007,628	923,887
Contributions in relation to the actuarially determined contribution	946,977	1,007,628	923,887
Contribution deficiency (excess)	0	0	0
Covered employee payroll	\$ 167,697,149	158,314,698	151,922,984
Contributions as a percentage of covered employee payroll	0.56%	0.64%	0.61%

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 Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule 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 assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85%

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

2018: None

2019: None

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%



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## SUPPLEMENTARY INFORMATION

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DESOTO COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 2,489,576
National school lunch program	10.555	205MS326N1099	11,167,930
Summer food service program for children	10.559	205MS326N1099	243,002
Total child nutrition cluster			13,900,508
Total passed-through Mississippi Department of Education			13,900,508
<b>Total U.S. Department of Agriculture</b>			13,900,508
<b><u>U.S. Department of Defense</u></b>			
Direct program:			
Reserve officers' training corps	12.xxx		161,519
<b>Total U.S. Department of Defense</b>			161,519
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A190024	5,322,305
Title I - program for neglected and delinquent children	84.013	S010A190024	61,633
Career and technical education - basic grants to states	84.048	V048A190024	292,687
English language acquisition grants	84.365	S365A190024	293,878
Supporting effective instruction - state grants	84.367	S367A190023	897,844
Student support and academic enrichment program	84.424	S424A190025	333,352
Total			7,201,699
Special education cluster:			
Special education - grants to states	84.027	H027A190108	6,932,980
Special education - preschool grants	84.173	H173A190113	188,404
Total special education cluster			7,121,384
Total passed-through Mississippi Department of Education			14,323,083
<b>Total U.S. Department of Education</b>			14,323,083
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	70,097
Total passed-through Mississippi Department of Education			70,097
<b>Total U.S. Department of Health and Human Services</b>			70,097
Total for All Federal Awards			\$ 28,455,207

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

DESOTO COUNTY SCHOOL DISTRICT  
Notes to the Supplementary Information  
For the Year Ended June 30, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards

Donated commodities of \$1,243,844 are included in the National School Lunch Program.

(5) Other Items

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

DESOTO COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 228,550,768	179,503,455	9,543,416	13,752,611	25,751,286
Other	106,909,155	20,483,744	2,010,424	297,428	84,117,559
Total	335,459,923	199,987,199	11,553,840	14,050,039	109,868,845
Total number of students	34,226				
Cost per student	\$ 9,802	5,843	338	411	3,210

Notes to the schedule.

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 function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

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## OTHER INFORMATION



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DESOTO COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 92,801,184	84,208,792	74,961,752	72,477,912
State sources	172,933,264	159,840,191	155,385,250	153,580,933
Federal sources	548,916	1,214,609	887,727	1,352,533
Total Revenues	<u>266,283,364</u>	<u>245,263,592</u>	<u>231,234,729</u>	<u>227,411,378</u>
Expenditures				
Instruction	158,615,392	148,704,959	140,072,758	137,228,634
Support services	85,678,566	82,162,607	79,227,136	77,527,989
Noninstructional services	1,599,521	828,896	833,044	877,412
Facilities acquisition and construction	7,671	0	0	478,302
Total Expenditures	<u>245,901,150</u>	<u>231,696,462</u>	<u>220,132,938</u>	<u>216,112,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,382,214</u>	<u>13,567,130</u>	<u>11,101,791</u>	<u>11,299,041</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	477,410	26,576	79,279	1,131,708
Sale of transportation equipment	33,108	22,767	0	0
Sale of other property	1,678	0	670	5,100
Operating transfers in	325,924	324,304	300,531	1,071,000
Operating transfers out	(8,243,408)	(7,245,335)	(16,921,408)	(16,740,613)
Other financing uses	(6,644)	(3,880)	0	(480,904)
Total Other Financing Sources (Uses)	<u>(7,411,932)</u>	<u>(6,875,568)</u>	<u>(16,540,928)</u>	<u>(15,013,709)</u>
Net Change in Fund Balances	<u>12,970,282</u>	<u>6,691,562</u>	<u>(5,439,137)</u>	<u>(3,714,668)</u>
Fund Balances:				
Beginning of period, as previously reported	92,317,527	85,625,965	91,065,102	94,682,248
Prior period adjustments	421,107	0	0	97,522
Beginning of period, as restated	<u>92,738,634</u>	<u>85,625,965</u>	<u>91,065,102</u>	<u>94,779,770</u>
End of period	<u>\$ 105,708,916</u>	<u>92,317,527</u>	<u>85,625,965</u>	<u>91,065,102</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			
	2020	2019*	2018*	2017*
<b>Revenues</b>				
Local sources	\$ 113,850,156	111,772,682	101,323,820	98,304,663
State sources	178,451,860	165,198,445	160,680,685	156,711,589
Federal sources	25,246,898	25,709,446	23,747,632	24,723,152
<b>Total Revenues</b>	<b>317,548,914</b>	<b>302,680,573</b>	<b>285,752,137</b>	<b>279,739,404</b>
<b>Expenditures</b>				
Instruction	172,520,217	161,549,229	152,476,663	147,749,291
Support services	96,878,944	97,359,847	91,014,412	89,288,675
Noninstructional services	15,895,545	13,703,336	12,879,226	13,956,998
Facilities acquisition and construction	17,182,986	6,398,168	9,470,083	5,993,825
Debt service				
Principal	30,295,000	21,685,000	21,760,000	23,370,000
Interest	2,554,491	2,622,453	3,489,340	4,180,147
Other	132,740	15,049	17,540	74,836
<b>Total Expenditures</b>	<b>335,459,923</b>	<b>303,333,082</b>	<b>291,107,264</b>	<b>284,613,772</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(17,911,009)</b>	<b>(652,509)</b>	<b>(5,355,127)</b>	<b>(4,874,368)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of refunding bonds	10,849,000	0	0	0
Proceeds of loans	56,502,000	0	0	3,705,000
Insurance loss recoveries	477,410	26,576	79,279	1,131,708
Sale of transportation equipment	33,108	22,767	0	0
Sale of other property	1,678	0	670	5,100
Operating transfers in	11,186,000	10,988,284	17,711,702	17,811,613
Payment to refunded bond escrow agent	159,693	(180,953)	0	0
Operating transfers out	(11,186,000)	(10,988,284)	(17,711,702)	(17,811,613)
Payment to refunded QSCB debt escrow agent	0	0	(166,618)	0
Other financing uses	(6,644)	(3,880)	0	(480,904)
Payment to bond escrow agent	(159,693)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>67,856,552</b>	<b>(135,490)</b>	<b>(86,669)</b>	<b>4,360,904</b>
<b>Net Change in Fund Balances</b>	<b>49,945,543</b>	<b>(787,999)</b>	<b>(5,441,796)</b>	<b>(513,464)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	116,897,919	117,594,827	123,071,870	123,341,153
Prior period adjustments	421,107	0	0	103,339
<b>Beginning of period, as restated</b>	<b>117,319,026</b>	<b>117,594,827</b>	<b>123,071,870</b>	<b>123,444,492</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>458,773</b>	<b>91,091</b>	<b>(35,247)</b>	<b>140,842</b>
<b>End of period</b>	<b>\$ 167,723,342</b>	<b>116,897,919</b>	<b>117,594,827</b>	<b>123,071,870</b>

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

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## 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*

### Independent Auditor's Report

Superintendent and School Board  
DeSoto County School District

I 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, 2020, and the related notes to the financial statements, which collectively comprise DeSoto County School District's basic financial statements, and have issued my report thereon dated May 12, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered DeSoto County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DeSoto County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of DeSoto County 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether DeSoto County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC

Ridgeland, MS

May 12, 2021

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Independent Auditor's Report

Superintendent and School Board  
DeSoto County School District

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

I 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, 2020. DeSoto County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of DeSoto County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DeSoto County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of DeSoto County School District's compliance.

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

In my opinion, 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, 2020.

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

Management of DeSoto County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I



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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of DeSoto County 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
May 12, 2021

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

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

Superintendent and School Board  
DeSoto County School District

I 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, 2020, which collectively comprise DeSoto County School District's basic financial statements and have issued my report thereon dated May 12, 2021. I conducted my 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 insure 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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, 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.

*Charles L Shivers, CPA, LLC*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
May 12, 2021

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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DESOTO COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:   | Unmodified    |
| 2. | Noncompliance material to the basic financial statements noted?  | No            |
| 3. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses?  | None Reported |
| 4. | Prior fiscal year financial audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No            |

**Federal Awards:**

- |     |  |               |
|-----|--|---------------|
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unmodified    |
| 6.  | Internal control over major programs:  |               |
|     | a. Material weaknesses identified?   | No            |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?  | None Reported |
| 7.  | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   | No            |
| 8.  | Federal program identified as major program:   |               |
|     | Special Education Cluster  |               |
|     | CFDA #: 84.027, 84.173   |               |
| 9.  | The dollar threshold used to distinguish between type A and type B programs:   | \$853,656     |
| 10. | Auditee qualified as a low-risk auditee?   | Yes           |
| 11. | Prior fiscal year federal award audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No            |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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



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