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DESOTO COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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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, 2021, 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, 2021, 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.

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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 July 27, 2022, 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
July 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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DESOTO COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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 2021 decreased \$12,134,826, including a prior period adjustment of (\$5,355), which represents a 472% decrease from fiscal year 2020. 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
- General revenues amounted to \$282,766,445 and \$276,914,907, or 82% and 87% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$61,768,925, or 18% of total revenues for 2021, and \$40,634,007, or 13% of total revenues for 2020.
- The District had \$356,664,841 and \$316,016,970 in expenses for fiscal years 2021 and 2020; only \$61,768,925 for 2021 and \$40,634,007 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$282,766,445 for 2021 were not adequate to provide for these programs. General revenues of \$276,914,907 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$275,245,393 in revenues and \$251,447,287 in expenditures for 2021, and \$266,283,364 in revenues and \$245,901,150 in expenditures in 2020. The General Fund's fund balance increased by \$13,332,048 from 2020 to 2021, and increased by \$13,391,389, including a prior period adjustment of \$421,107, from 2019 to 2020.
- Capital assets, net of accumulated depreciation, increased by \$20,143,258 for 2021 and increased by \$5,772,737 for 2020. The increase for 2021 was due primarily to the addition of construction in progress.
- Long-term debt decreased by \$21,494,428 for 2021 and increased by \$37,052,611 for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$822,572 for 2021 and decreased by \$3,389 for 2020.

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 are in the governmental funds category.

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.

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 \$14,706,785 as of June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 143,907,148	\$ 113,702,886	26.56 %
Restricted assets	29,479,390	60,790,814	(51.51) %
Capital assets, net	364,284,999	344,141,741	5.85 %
Total assets	537,671,537	518,635,441	3.67 %
Deferred outflows of resources	74,700,089	47,269,205	58.03 %
Current liabilities	29,495,354	7,316,934	303.11 %
Long-term debt outstanding	81,159,957	102,643,503	(20.93) %
Net OPEB liability	23,745,748	25,138,483	(5.54) %
Net pension liability	487,541,494	427,633,596	14.01 %
Total liabilities	621,942,553	562,732,516	10.52 %
Deferred inflows of resources	5,135,858	5,744,089	(10.59) %
Net position:			
Net investment in capital assets	292,625,587	283,168,183	3.34 %
Restricted	16,389,065	21,498,781	(23.77) %
Unrestricted	(323,721,437)	(307,238,923)	(5.36) %
Total net position	\$ (14,706,785)	\$ (2,571,959)	(471.81) %

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)	\$ (323,721,437)
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	441,723,011
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 118,001,574</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 \$20,143,258.
- The principal retirement of \$22,317,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$344,535,370 and \$317,548,914, respectively. The total cost of all programs and services was \$356,664,841 for 2021 and \$316,016,970 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 5,111,943	\$ 11,068,845	(53.82) %
Operating grants and contributions	56,656,982	29,565,162	91.63 %
General revenues:			
Property taxes	104,609,237	98,639,665	6.05 %
Grants and contributions not restricted	175,456,141	173,752,517	0.98 %
Investment earnings	2,384,642	4,522,725	(47.27) %
Other	316,425	0	N/A
Total revenues	344,535,370	317,548,914	8.50 %
Expenses:			
Instruction	179,781,081	154,135,554	16.64 %
Support services	101,974,928	98,455,872	3.57 %
Non-instructional	11,882,133	13,019,534	(8.74) %
Pension expense	59,355,488	45,394,614	30.75 %
OPEB expense	961,107	1,754,949	(45.23) %
Interest on long-term liabilities	2,710,104	3,256,447	(16.78) %
Total expenses	356,664,841	316,016,970	12.86 %
Increase (Decrease) in net position	(12,129,471)	1,531,944	(891.77) %
Net Position, July 1, as previously reported	(2,571,959)	(4,525,010)	43.16 %
Prior Period Adjustment	(5,355)	421,107	(101.27) %
Net Position, July 1, as restated	(2,577,314)	(4,103,903)	37.20 %
Net Position, June 30	\$ (14,706,785)	\$ (2,571,959)	(471.81) %

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
	2021	2020	
Instruction	\$ 179,781,081	\$ 154,135,554	16.64 %
Support services	101,974,928	98,455,872	3.57 %
Non-instructional	11,882,133	13,019,534	(8.74) %
Pension Expense	59,355,488	45,394,614	30.75 %
OPEB Expense	961,107	1,754,949	(45.23) %
Interest on long-term liabilities	2,710,104	3,256,447	(16.78) %
Total expenses	\$ 356,664,841	\$ 316,016,970	12.86 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (150,835,431)	\$ (135,113,712)	(11.64) %
Support services	(84,833,106)	(90,214,060)	5.96 %
Non-instructional	3,799,320	350,819	982.99 %
Pension Expense	(59,355,488)	(45,394,614)	(30.75) %
OPEB Expense	(961,107)	(1,754,949)	45.23 %
Interest on long-term liabilities	(2,710,104)	(3,256,447)	16.78 %
Total net (expense) revenue	\$ (294,895,916)	\$ (275,382,963)	(7.09) %

- Net cost of governmental activities (\$294,895,916 for 2021 and \$275,382,963 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$104,609,237 for 2021 and \$98,639,665 for 2020) and state and federal revenues (\$175,456,141 for 2021 and \$173,752,517 for 2020).
- Investment earnings amounted to \$2,384,642 for 2021 and \$4,522,725 for 2020.

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 \$144,332,892, a decrease of \$23,390,450, which includes a prior period adjustment of (\$5,355) and a decrease in inventory of \$431,812. \$115,270,607 or 80% 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 \$29,062,285 or 20% 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 \$13,332,048. The fund balance of Other Governmental Funds showed a decrease in the amount of \$36,722,498, which includes a prior period adjustment of (\$5,355) and a decrease in reserve for inventory of \$431,812.

There was no increase or decrease in the fund balance for the other major fund, ESSER II Fund.

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$554,372,179, 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 \$31,834,062 from 2020. Total accumulated depreciation as of June 30, 2021, was \$190,087,180, and total depreciation expense for the year was \$12,555,175, resulting in total net capital assets of \$364,284,999.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2021	June 30, 2020	Percentage Change
Land	\$ 12,237,017	\$ 12,237,017	0.00 %
Construction in Progress	32,191,519	14,513,617	121.80 %
Buildings	266,877,874	261,636,683	2.00 %
Building improvements	30,288,974	31,043,676	(2.43) %
Improvements other than buildings	11,582,219	11,824,768	(2.05) %
Mobile equipment	9,726,755	11,147,988	(12.75) %
Furniture and equipment	1,380,641	1,737,992	(20.56) %
Total	\$ 364,284,999	\$ 344,141,741	5.85 %

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

Debt Administration. At June 30, 2021, the District had \$81,159,957 in outstanding long-term debt, of which \$6,777,048 is due within one year. The liability for compensated absences increased \$822,572 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2021	June 30, 2020	Percentage Change
General obligation bonds payable	\$ 0	\$ 15,140,000	(100.00) %
Certificates of participation payable	59,382,000	63,402,000	(6.34) %
Three mill notes payable	16,697,000	19,854,000	(15.90) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	2,080,957	1,258,385	65.37 %
Total	\$ 81,159,957	\$ 102,654,385	(20.94) %

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, 2021

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 104,411,762
Cash with fiscal agent	562,400
Investments	28,060,917
Due from other governments	10,464,171
Accrued interest receivable	1,120
Other receivables, net	56,835
Inventories	349,943
Restricted assets (Note 4)	29,479,390
Non-depreciable capital assets (Note 5)	44,428,536
Depreciable capital assets, net (Note 5)	319,856,463
Total Assets	<u>537,671,537</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	68,236,982
Deferred outflow - OPEB (Note 8)	6,463,107
Total Deferred Outflows of Resources	<u>74,700,089</u>
Liabilities	
Accounts payable and accrued liabilities	28,627,890
Interest payable on long-term liabilities	441,708
Other payables	425,756
Long-term liabilities (Due within one year)	
Capital related liabilities (Note 6)	6,673,000
Non-capital related liabilities (Note 6)	104,048
Net OPEB liability (Note 8)	841,798
Long-term liabilities (Due beyond one year)	
Capital related liabilities (Note 6)	72,406,000
Non-capital related liabilities (Note 6)	1,976,909
Net OPEB liability (Note 8)	22,903,950
Net pension liability (Note 7)	487,541,494
Total Liabilities	<u>621,942,553</u>
Deferred Inflows of Resources	
Deferred inflows - OPEB (Note 8)	5,135,858
Total Deferred Inflows of Resources	<u>5,135,858</u>
Net Position	
Net investment in capital assets	292,625,587
Restricted net position	
Expendable	
School-based activities	8,894,909
Debt service	6,978,830
Insurance trust	52,776
Unemployment benefits	462,550
Unrestricted	<u>(323,721,437)</u>
Total Net Position	<u>\$ (14,706,785)</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, 2021

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 179,781,081	4,842,201	24,103,449	(150,835,431)
Support services	101,974,928		17,141,822	(84,833,106)
Non-instructional	11,882,133	269,742	15,411,711	3,799,320
Pension expense	59,355,488			(59,355,488)
OPEB expense	961,107			(961,107)
Interest on long-term liabilities	2,710,104			(2,710,104)
Total Governmental Activities	<u>356,664,841</u>	<u>5,111,943</u>	<u>56,656,982</u>	<u>(294,895,916)</u>
General Revenues				
Taxes				
				93,202,879
				11,406,358
Unrestricted grants and contributions				
				174,773,213
				682,928
				2,384,642
				316,425
				<u>282,766,445</u>
Changes in Net Position				
				(12,129,471)
Net Position - Beginning, as previously reported				
				(2,571,959)
Prior Period Adjustments (Note 9)				
				(5,355)
Net Position - Beginning - as restated				
				<u>(2,577,314)</u>
Net Position - Ending				
				<u>\$ (14,706,785)</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

Exhibit C

	Major Funds		Other	Total
	General	ESSER II	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents (Note 2)	\$ 103,103,385		15,870,639	118,974,024
Cash with fiscal agent (Note 2)	562,400		12,437,296	12,999,696
Investments (Note 2)	28,060,917		2,479,832	30,540,749
Due from other governments	3,786,559	3,303,360	3,374,252	10,464,171
Accrued interest receivable			1,120	1,120
Other receivables, net	56,447		388	56,835
Due from other funds (Note 3)	2,508,523		42,565	2,551,088
Inventories			349,943	349,943
Total Assets	138,078,231	3,303,360	34,556,035	175,937,626
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	19,037,267	3,302,582	6,288,041	28,627,890
Due to other funds (Note 3)		778	2,550,310	2,551,088
Other payables			425,756	425,756
Total Liabilities	19,037,267	3,303,360	9,264,107	31,604,734
Fund Balances				
Nonspendable				
Inventory			349,943	349,943
Restricted				
Debt service			7,420,538	7,420,538
Capital projects			7,419,588	7,419,588
Unemployment benefits			462,550	462,550
Grant activities			8,544,966	8,544,966
Insurance trust			52,776	52,776
Assigned				
School activities	3,734,809			3,734,809
Grant activities	35,548			35,548
Facility renovations and improvements			1,041,567	1,041,567
Unassigned	115,270,607			115,270,607
Total Fund Balances	119,040,964	0	25,291,928	144,332,892
Total Liabilities and Fund Balances	\$ 138,078,231	3,303,360	34,556,035	175,937,626

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, 2021

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds	\$	144,332,892
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	32,191,519	
Buildings	391,520,892	
Building Improvements	44,743,970	
Improvements other than buildings	23,630,346	
Mobile Equipment	34,424,971	
Furniture and equipment	15,623,464	
Accumulated depreciation	<u>(190,087,180)</u>	364,284,999
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	(487,541,494)	
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	<u>68,236,982</u>	(419,304,512)
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	(23,745,748)	
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	6,463,107	
Deferred inflows of resources related to OPEB	<u>(5,135,858)</u>	(22,418,499)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of participation	(59,382,000)	
Three mill notes	(16,697,000)	
Qualified school construction bonds	(3,000,000)	
Compensated absences	(2,080,957)	
Accrued interest payable	<u>(441,708)</u>	(81,601,665)
Total Net Position - Governmental Activities	\$	<u>(14,706,785)</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, 2021

Exhibit D

	Major Funds		Other	Total
	General	ESSER II	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues				
Local sources	\$ 100,040,646		12,115,040	112,155,686
State sources	174,521,819		5,278,607	179,800,426
Federal sources	682,928	3,303,360	48,276,545	52,262,833
Total Revenues	275,245,393	3,303,360	65,670,192	344,218,945
Expenditures				
Instruction	163,528,452	3,303,360	30,482,583	197,314,395
Support services	87,188,417		11,880,275	99,068,692
Noninstructional services	477,411		13,727,790	14,205,201
Facilities acquisition and construction	253,007		31,968,759	32,221,766
Debt service				
Principal (Note 6)			22,317,000	22,317,000
Interest			2,344,254	2,344,254
Other			17,345	17,345
Total Expenditures	251,447,287	3,303,360	112,738,006	367,488,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,798,106	0	(47,067,814)	(23,269,708)
Other Financing Sources (Uses)				
Insurance loss recoveries (Note 14)	222,392			222,392
Sale of other property	95,084			95,084
Operating transfers in (Note 3)	1,337,716		13,534,773	14,872,489
Other financing sources	90,532			90,532
Operating transfers out (Note 3)	(12,120,775)		(2,751,714)	(14,872,489)
Payment to bond escrow agent			(152,329)	(152,329)
Payment held by bond escrow agent			152,329	152,329
Other financing uses	(91,007)		(576)	(91,583)
Total Other Financing Sources (Uses)	(10,466,058)	0	10,782,483	316,425
Net Change in Fund Balances	13,332,048	0	(36,285,331)	(22,953,283)
Fund Balances				
July 1, 2020, as previously reported	105,708,916	0	62,014,426	167,723,342
Prior period adjustments (Note 9)			(5,355)	(5,355)
July 1, 2020, as restated	105,708,916	0	62,009,071	167,717,987
Decrease in reserve for inventory			(431,812)	(431,812)
June 30, 2021	\$ 119,040,964	0	25,291,928	144,332,892

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, 2021

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (22,953,283)

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	32,776,947	
Depreciation expense	<u>(12,555,175)</u>	20,221,772

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. (78,514)

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:

Payments of debt principal	22,317,000	
Accrued interest payable	<u>104,868</u>	22,421,868

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	(59,355,488)	
Contributions made subsequent to the measurement date	<u>29,441,240</u>	(29,914,248)

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	(961,107)	
Contributions made subsequent to the measurement date	<u>841,798</u>	(119,309)

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	(822,572)	
Change in inventory reserve	(431,812)	
Amortization of deferred charges, premiums and discounts	<u>(453,373)</u>	(1,707,757)

Changes in Net Position of Governmental Activities	<u>\$ (12,129,471)</u>
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The notes to the financial statements are an integral part of this statement.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 funds. 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.

ESSER II Fund - This special revenue fund is federally funded and is used to provide additional funds for the prevention and protection from the COVID 19 pandemic.

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

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.

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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.

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.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 16th 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 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

See Note 5 for details.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 and OPEB reporting.

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.

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.

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:

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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.

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.

GASB 84, *Fiduciary Activities*, was fully implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

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.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 was \$118,974,024.

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 \$12,999,696.

Investments

As of June 30, 2021, the district had the following investments.

Types of Investments	Rating	Maturities	Value
Money Markey Funds	Aaa	Less than 1	\$ 49,613
US Treasury SLGS	Aaa	1 to 5	2,214,076
US Assets Backed Securities	Aaa	Less than 1	439,751
US Assets Backed Securities	Aaa	1 to 5	5,575,213
US Assets Backed Securities	Aaa	5 to 10	4,567,422
US Assets Backed Securities	Aaa	Greater than 10	4,770,928
Corporate Bonds - Fixed	A3/Aaa	1 to 5	651,134
Municipal Bonds	A2/Aaa	Less than 1	758,530
Municipal Bonds	A2/Aaa	1 to 5	1,272,567
Municipal Bonds	A2/Aaa	5 to 10	1,444,376
US Treasury/Agency Securities	Aaa	Less than 1	1,931,360
US Treasury/Agency Securities	Aaa	1 to 5	982,690
US Treasury/Agency Securities	Aaa	5 to 10	3,887,279
US Treasury/Agency Securities	Aaa	Greater than 10	1,779,667
US Treasury Notes/Bonds	Aaa	Less than 1	216,143
			<u>\$30,540,749</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.

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

All investment types 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, 2021, 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	Other governmental funds	\$ 2,508,523
Other governmental funds	Major fund - ESSER II Fund	778
	Other governmental funds	41,787
Total		<u>\$ 2,551,088</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.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 12,120,775
Other governmental funds	General Fund	1,337,716
	Other governmental funds	1,413,998
Total		<u>\$ 14,872,489</u>

The transfer out of the General Fund was for the purpose of funding federal programs, construction and debt service in the Other Governmental Funds. The transfers from the Other Governmental Funds to the General Fund were for indirect costs. The transfers within the Other Governmental Funds were to the consolidated administrative cost fund and to fund debt service.

Note 4 – Restricted Assets

The restricted assets of \$29,479,390 represent the cash, cash with fiscal agent and investment balance, totaling \$14,562,262, \$12,437,296 and \$2,479,832, 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, 2021

	Balance 7/1/2020	Increases	Decreases	Completed Construction	Balance 6/30/2021
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 12,237,017				12,237,017
Construction-in-progress	14,513,617	32,221,766		(14,543,864)	32,191,519
Total non-depreciable capital assets	<u>26,750,634</u>	<u>32,221,766</u>	<u>0</u>	<u>(14,543,864)</u>	<u>44,428,536</u>
<u>Depreciable capital assets:</u>					
Buildings	378,680,127			12,840,765	391,520,892
Building improvements	43,708,913			1,035,057	44,743,970
Improvements other than buildings	22,962,304			668,042	23,630,346
Mobile equipment	34,911,867	280,722	(767,618)		34,424,971
Furniture and equipment	15,524,272	274,459	(175,267)		15,623,464
Total depreciable capital assets	<u>495,787,483</u>	<u>555,181</u>	<u>(942,885)</u>	<u>14,543,864</u>	<u>509,943,643</u>
<u>Less accumulated depreciation for:</u>					
Buildings	117,043,444	7,599,574			124,643,018
Building improvements	12,665,237	1,789,759			14,454,996
Improvements other than buildings	11,137,536	910,591			12,048,127
Mobile equipment	23,763,879	1,625,193	(690,856)		24,698,216
Furniture and equipment	13,786,280	630,058	(173,515)		14,242,823
Total accumulated depreciation	<u>178,396,376</u>	<u>12,555,175</u>	<u>(864,371)</u>	<u>0</u>	<u>190,087,180</u>
Total depreciable capital assets, net	<u>317,391,107</u>	<u>(11,999,994)</u>	<u>(78,514)</u>	<u>14,543,864</u>	<u>319,856,463</u>
Governmental activities capital assets, net	<u>\$ 344,141,741</u>	<u>20,221,772</u>	<u>(78,514)</u>	<u>0</u>	<u>364,284,999</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 66,396
Support services	12,215,355
Non-instructional	273,424
Total depreciation expense - Governmental activities	<u>\$ 12,555,175</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

	Spent to June 30, 2021	Remaining Commitment
Governmental Activities:		
New Lewisburg Middle School	\$ 21,896,102	714,538
Olive Branch High Reroof Project	1,472,801	67,429
SMS Restroom Addition	17,464	173,639
Center Hill Elem Drainage Improvement	9,333	85,518
Olive Branch Intermediate Drainage Improvement	26,129	26,129
LIS Playground	2,800	0
Hernando High 10 Classroom Addition	2,675,652	68,168
DeSoto Central Primary Classroom Addition	622,377	282,091
Pleasant Hill Elem 4 Classroom Addition	863,213	93,583
Lewisburg High 8 Classroom Addition	1,043,485	622,885
Chickasaw Elem Classroom Addition	368,992	300,740
Hernando High School Reroof	30,000	0
Horn Lake Intermediate Reroof	519,585	514,175
DeSoto Central Elem Reroof Project	382,139	497,285
Chickasaw Elem Drainage Improvement	64,044	19,882
DCE HVAC/Lighting Project	1,812,008	199,040
New Lewisburg Middle Football Stadium	261,545	1,746,712
DeSoto Central High Fire Alarm Replacement	114,505	64,447
New HHS Site Land	9,345	0
Total governmental activities	<u>32,191,519</u>	<u>5,476,260</u>
Total construction in progress	<u>\$ 32,191,519</u>	<u>5,476,260</u>

Construction projects included in governmental activities are funded with remaining bond and note proceeds and cash on hand.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. General obligation bonds payable	\$ 15,140,000		(15,140,000)	0	
B. Certificates of participation payable	63,402,000		(4,020,000)	59,382,000	4,280,000
C. Three mill notes payable	19,854,000		(3,157,000)	16,697,000	2,393,000
D. Qualified school construction bonds payable	3,000,000			3,000,000	
E. Compensated absences payable	1,258,385	822,572		2,080,957	104,048
Total	<u>\$ 102,654,385</u>	<u>822,572</u>	<u>(22,317,000)</u>	<u>81,159,957</u>	<u>6,777,048</u>
Bond Discount	<u>\$ (10,882)</u>		<u>10,882</u>	<u>0</u>	

A. General obligation bonds payable

The general obligation bonds were paid in full during the fiscal year.

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:

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Description	Rate	Issue Date	Date	Issued	Outstanding
1. Certificates of Participation, 2016	1.665-1.75	6/1/2016	6/1/2022	\$ 10,000,000	3,680,000
2. Certificates of Participation, 2019A	2.63	8/1/2019	6/30/2034	27,788,000	27,388,000
3. Certificates of Participation, 2019B	2.2	10/7/2019	6/30/2034	28,714,000	28,314,000
Total				<u>\$ 66,502,000</u>	<u>59,382,000</u>

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

1. Certificates of participation, 2016:

Year Ending June 30	Principal	Interest	Total
2022	\$ 3,680,000	63,480	3,743,480

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
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	1,342,200	650,427	1,992,627
2027 – 2031	11,754,000	2,550,270	14,304,270
2032 – 2034	11,634,900	3,387,926	15,022,826
Total	<u>\$ 27,388,000</u>	<u>9,393,871</u>	<u>36,781,871</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

3. Certificates of participation, 2019B:

Year Ending June 30	Principal	Interest	Total
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	2,007,000	501,138	2,508,138
2027 – 2031	11,932,000	1,788,886	13,720,886
2032 – 2034	8,840,000	395,582	9,235,582
Total	<u>\$ 28,314,000</u>	<u>5,051,552</u>	<u>33,365,552</u>

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

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
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	3,349,200	1,151,565	4,500,765
2027 – 2031	23,686,000	4,339,156	28,025,156
2032 – 2034	20,474,900	3,783,508	24,258,408
Total	<u>\$ 59,382,000</u>	<u>14,508,903</u>	<u>73,890,903</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	550,000
2. Limited tax refunding note, 2015	2.0-3.0	9/15/2015	6/30/2027	8,515,000	6,570,000
3. Limited tax refunding note, 2020	1.48	4/2/2020	6/30/2025	10,849,000	9,577,000
Total				<u>\$ 28,129,000</u>	<u>16,697,000</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
2022	<u>\$ 550,000</u>	<u>16,500</u>	<u>566,500</u>

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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This debt will be retired from the 2011 Limited Tax Notes Fund (Debt Service Fund).

2. Three mill notes, 2015:

Year Ending June 30	Principal	Interest	Total
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	3,630,000	125,250	3,755,250
2027	545,000	16,350	561,350
Total	<u>\$ 6,570,000</u>	<u>825,000</u>	<u>7,395,000</u>

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

3. Three mill notes, 2020:

Year Ending June 30	Principal	Interest	Total
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>\$ 9,577,000</u>	<u>389,666</u>	<u>9,966,666</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 2,393,000	355,338	2,748,338
2023	3,297,000	302,898	3,599,898
2024	3,356,000	245,134	3,601,134
2025	3,476,000	186,196	3,662,196
2026	3,630,000	125,250	3,755,250
2027	545,000	16,350	561,350
Total	<u>\$ 16,697,000</u>	<u>1,231,166</u>	<u>17,928,166</u>

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:

DESOTO COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2021

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.44	12/22/09	09/15/24	\$ 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
2023		13,200	13,200
2024		13,200	13,200
2025	3,000,000	13,200	3,013,200
Total	\$ 3,000,000	39,600	3,039,600

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.

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 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, 2021 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, 2021, 2020 and 2019 were \$29,441,240, \$29,179,304 and \$24,934,565, respectively, which equaled the

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2021

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, 2021, the school district reported a liability of \$487,541,494 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 2.518444 percent, which was based on a measurement date of June 30, 2020. This was an increase of .087599 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$59,355,488. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,075,656	\$ 0
Net difference between projected and actual earnings on pension plan investments	16,021,071	0
Changes of assumptions	1,982,153	0
Changes in proportion and differences between District contributions and proportionate share of contributions	17,716,862	0
District contributions subsequent to the measurement date	29,441,240	0
Total	\$ 68,236,982	\$ 0

\$29,441,240 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, 2022. 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:	
2022	\$ 13,050,596
2023	13,050,596
2024	8,689,283
2025	4,005,267

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

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 are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
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	\$ 631,062,556	\$ 487,541,494	\$ 369,078,950

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 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

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2021

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 \$841,798 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$23,745,748 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 3.05133687 percent. This was an increase of .08878317 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$961,107. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 30,269	\$ 4,132,395
Changes of assumptions	3,686,747	1,003,463
Net difference between projected and actual earnings on OPEB plan investments	763	0
Changes in proportion and differences between District contributions and proportionate share of contributions	1,903,530	0
District contributions subsequent to the measurement date	841,798	0
Total	<u>\$ 6,463,107</u>	<u>\$ 5,135,858</u>

\$841,798 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, 2022. 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:	
2022	\$ 100,939
2023	100,939
2024	134,346
2025	202,355
2026	(53,128)

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

Actuarial assumptions. The total OPEB liability in the June 30, 2020 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	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

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, 2020 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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. 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, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 26,240,673	\$ 23,745,748	\$ 21,605,784

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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	\$ 21,925,564	\$ 23,745,748	\$ 25,807,933

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
Error correction - restatement of a prior year asset	\$ (5,355)

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

Fund	Explanation	Amount
Other governmental funds	Error correction - restatement of a prior year asset	\$ (5,355)

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. 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. No additional funds were transferred to the fund during the fiscal year ended June 30, 2021. The district had no year-end liabilities and cash on hand in the trust account amounted to \$54,165. The trust is reported in Other Governmental Funds.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 school districts and covers risks of loss arising from injuries to the members' 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 MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess 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 member school districts 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 June 29, 2016, was executed by and between the school district and the 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 construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$142,000 was used to pay the cost of issuance.

Another trust agreement dated August 1, 2019, was executed by and between the school district and Regions Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$27,788,000. Approximately \$27,529,772 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$258,228 was used to pay the cost of issuance.

Another trust agreement dated October 7, 2019, was executed by and between the school district and Regions Bank, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$28,714,000. Approximately \$28,493,680 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$220,320 was used to pay the cost of issuance.

The projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The leases represents a capital lease under which ownership of the projects 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.

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.

The school district makes equal annual payments into a sinking fund which is used to pay off 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, 2021 was \$2,263,689. The amount

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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
2022	\$	200,000
2023		200,000
2024		200,000
Total	\$	600,000

Note 14 - Insurance loss recoveries

The School District received \$222,392 in insurance loss recoveries related to bus damage, cyber breach, and tornado damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenues.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$323,721,437) 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 \$29,441,240 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, 2022. The \$38,795,742 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$323,721,437) 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 \$841,798 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, 2022. The \$5,621,309 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$323,721,437) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$5,135,858 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

Note 17 – 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.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2021

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 2020-2021 fiscal year the DeSoto County School District received \$3,997,629 in lieu of ad valorem taxes.

Note 18 - 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 July 27, 2022, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

Debt issuance: Certificates of participation issued July 8, 2021 for \$12,880,000 for 15 years at a rate of 1.94%. Proceeds will be used for construction, repairs and renovations of district buildings and facilities.

Debt issuance: Limited tax notes 2021 A issued September 17, 2021 for \$13,100,000 for 10 years at a rate of 1.29%. Proceeds will be used for construction, repairs and renovations of district buildings and facilities.

Debt issuance: Limited tax notes 2021 B issued September 17, 2021 for \$4,050,000 for 1 year at a rate of 1.27%. Proceeds will be used for construction, repairs and renovations of district buildings and facilities.

REQUIRED SUPPLEMENTARY INFORMATION

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DESOTO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 96,116,046	99,146,566	100,040,646	3,030,520	894,080
State sources	165,485,830	165,485,830	174,521,819	0	9,035,989
Federal sources	490,000	490,000	682,928	0	192,928
Total Revenues	<u>262,091,876</u>	<u>265,122,396</u>	<u>275,245,393</u>	<u>3,030,520</u>	<u>10,122,997</u>
Expenditures					
Instruction	163,070,619	167,556,104	163,528,452	(4,485,485)	4,027,652
Support services	99,177,986	94,505,400	87,188,417	4,672,586	7,316,983
Noninstructional services	894,030	737,817	477,411	156,213	260,406
Facilities acquisition and construction	0	132,330	253,007	(132,330)	(120,677)
Total Expenditures	<u>263,142,635</u>	<u>262,931,651</u>	<u>251,447,287</u>	<u>210,984</u>	<u>11,484,364</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,050,759)</u>	<u>2,190,745</u>	<u>23,798,106</u>	<u>3,241,504</u>	<u>21,607,361</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	222,392	0	222,392
Sale of other property	0	0	95,084	0	95,084
Operating transfers in	43,607,967	44,087,859	1,337,716	479,892	(42,750,143)
Other financing sources	0	0	90,532	0	90,532
Operating transfers out	(54,642,650)	(55,219,454)	(12,120,775)	(576,804)	43,098,679
Other financing uses	0	0	(91,007)	0	(91,007)
Total Other Financing Sources (Uses)	<u>(11,034,683)</u>	<u>(11,131,595)</u>	<u>(10,466,058)</u>	<u>(96,912)</u>	<u>665,537</u>
Net Change in Fund Balances			<u>13,332,048</u>		
Fund Balances					
July 1, 2020			<u>105,708,916</u>		
June 30, 2021			<u>\$119,040,964</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 - ESSER II Fund
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 0	16,332,504	3,303,360	16,332,504	(13,029,144)
Total Revenues	0	16,332,504	3,303,360	16,332,504	(13,029,144)
Expenditures					
Instruction	0	4,151,000	3,303,360	(4,151,000)	847,640
Total Expenditures	0	4,151,000	3,303,360	(4,151,000)	847,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	12,181,504	0	12,181,504	(12,181,504)
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2020			0		
June 30, 2021			\$ 0		

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 *

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	2.518444%	2.430845%	2.379017%	2.338529%	2.328765%	2.267688%	2.132761%
District's proportionate share of the net pension liability	\$ 487,541,494	427,633,596	395,701,208	388,742,889	415,975,578	350,539,846	258,878,135
District's covered payroll	\$ 167,697,149	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	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 29,441,240	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	29,441,240	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>	<u>0</u>
District's covered payroll	\$ 169,202,529	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%	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 *

	2021	2020	2019	2018
District's proportion of the net OPEB liability	3.05133687%	2.96255370%	2.86517770%	2.76207340%
District's proportionate share of the net OPEB liability	\$ 23,745,748	25,138,483	22,163,582	21,671,476
Covered employee payroll	\$ 167,697,149	158,314,698	151,922,984	150,017,975
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	14.16%	15.88%	14.59%	14.45%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	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, GASB Statement No. 75 was implemented in FYE 6/30/2018, 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
OPEB
Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially determined contribution	\$ 841,798	946,977	1,007,628	923,887
Contributions in relation to the actuarially determined contribution	841,798	946,977	1,007,628	923,887
Contribution deficiency (excess)	0	0	0	0
Covered employee payroll	\$ 169,202,529	167,697,149	158,314,698	151,922,984
Contributions as a percentage of covered employee payroll	0.50%	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, 2021

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, 2021

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, 2018 valuation for the June 30, 2020 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	30.9 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.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
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	3.50%

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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, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
COVID-19 - summer food service program for children	10.559	215MS326N1099	\$ 12,895,024
Total child nutrition cluster			12,895,024
Total passed-through Mississippi Department of Education			12,895,024
Total U.S. Department of Agriculture			12,895,024
<u>Department of the Treasury</u>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus relief fund	21.019	*	12,106,293
COVID-19 - MS Pandemic Response Broadband Availability Act HB1788	21.019	*	1,224,000
Total passed-through the Mississippi Department of Education			13,330,293
Total Department of the Treasury			13,330,293
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	539,230
Total U.S. Department of Defense			539,230
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A200024	5,326,427
Title I - program for neglected and delinquent children	84.013	S010A200024	58,972
Career and technical education - basic grants to states	84.048	V048A200024	279,700
English language acquisition grants	84.365	S365A200024	289,893
Supporting effective instruction - state grants	84.367	S367A200023	875,520
Student support and academic enrichment program	84.424	S424A200025	321,643
Total			7,152,155
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	5,422,954
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	3,303,360
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425D210031	161,368
Total education stabilization funds			8,887,682
Special education cluster:			
Special education - grants to states	84.027	H027A200108	6,717,328
Special education - preschool grants	84.173	H173A200113	169,009
Total special education cluster			6,886,337
Total passed-through Mississippi Department of Education			22,926,174
Total U.S. Department of Education			22,926,174

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

DESOTO COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	<u>75,728</u>
Total passed-through Mississippi Department of Education			<u>75,728</u>
Total U.S. Department of Health and Human Services			<u>75,728</u>
Total for All Federal Awards			<u><u>\$ 49,766,449</u></u>

* Pass through numbers have not been provided by the Mississippi Department of Education

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2021

(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, 2021. 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 \$1,023,525 are included in the COVID-19 - Summer Food Service Program for Children.

(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, 2021

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 231,667,191	183,739,451	9,545,239	13,744,701	24,637,800
Other	135,821,462	42,280,470	1,312,275	343,008	91,885,709
Total	367,488,653	226,019,921	10,857,514	14,087,709	116,523,509
Total number of students	34,737				
Cost per student	\$ 10,580	6,507	313	406	3,354

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.

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			
	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 100,040,646	92,801,184	84,208,792	74,961,752
State sources	174,521,819	172,933,264	159,840,191	155,385,250
Federal sources	682,928	548,916	1,214,609	887,727
Total Revenues	<u>275,245,393</u>	<u>266,283,364</u>	<u>245,263,592</u>	<u>231,234,729</u>
Expenditures				
Instruction	163,528,452	158,615,392	148,704,959	140,072,758
Support services	87,188,417	85,678,566	82,162,607	79,227,136
Noninstructional services	477,411	1,599,521	828,896	833,044
Facilities acquisition and construction	253,007	7,671	0	0
Total Expenditures	<u>251,447,287</u>	<u>245,901,150</u>	<u>231,696,462</u>	<u>220,132,938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,798,106</u>	<u>20,382,214</u>	<u>13,567,130</u>	<u>11,101,791</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	222,392	477,410	26,576	79,279
Sale of transportation equipment	0	33,108	22,767	0
Sale of other property	95,084	1,678	0	670
Operating transfers in	1,337,716	325,924	324,304	300,531
Other financing sources	90,532	0	0	0
Operating transfers out	(12,120,775)	(8,243,408)	(7,245,335)	(16,921,408)
Other financing uses	(91,007)	(6,644)	(3,880)	0
Total Other Financing Sources (Uses)	<u>(10,466,058)</u>	<u>(7,411,932)</u>	<u>(6,875,568)</u>	<u>(16,540,928)</u>
Net Change in Fund Balances	<u>13,332,048</u>	<u>12,970,282</u>	<u>6,691,562</u>	<u>(5,439,137)</u>
Fund Balances:				
Beginning of period, as previously reported	105,708,916	92,317,527	85,625,965	91,065,102
Prior period adjustments	0	421,107	0	0
Beginning of period, as restated	<u>105,708,916</u>	<u>92,738,634</u>	<u>85,625,965</u>	<u>91,065,102</u>
End of period	<u>\$ 119,040,964</u>	<u>105,708,916</u>	<u>92,317,527</u>	<u>85,625,965</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			
	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 112,155,686	113,850,156	111,772,682	101,323,820
State sources	179,800,426	178,451,860	165,198,445	160,680,685
Federal sources	52,262,833	25,246,898	25,709,446	23,747,632
Total Revenues	<u>344,218,945</u>	<u>317,548,914</u>	<u>302,680,573</u>	<u>285,752,137</u>
Expenditures				
Instruction	197,314,395	172,520,217	161,549,229	152,476,663
Support services	99,068,692	96,878,944	97,359,847	91,014,412
Noninstructional services	14,205,201	15,895,545	13,703,336	12,879,226
Facilities acquisition and construction	32,221,766	17,182,986	6,398,168	9,470,083
Debt service				
Principal	22,317,000	30,295,000	21,685,000	21,760,000
Interest	2,344,254	2,554,491	2,622,453	3,489,340
Other	17,345	132,740	15,049	17,540
Total Expenditures	<u>367,488,653</u>	<u>335,459,923</u>	<u>303,333,082</u>	<u>291,107,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,269,708)</u>	<u>(17,911,009)</u>	<u>(652,509)</u>	<u>(5,355,127)</u>
Other Financing Sources (Uses)				
Proceeds of refunding bonds	0	10,849,000	0	0
Proceeds of loans	0	56,502,000	0	0
Insurance loss recoveries	222,392	477,410	26,576	79,279
Sale of transportation equipment	0	33,108	22,767	0
Sale of other property	95,084	1,678	0	670
Operating transfers in	14,872,489	11,186,000	10,988,284	17,711,702
Other financing sources	90,532	0	0	0
Operating transfers out	(14,872,489)	(11,186,000)	(10,988,284)	(17,711,702)
Payment to bond escrow agent	(152,329)	(159,693)	(180,953)	(166,618)
Payment held by bond escrow agent	152,329	159,693	0	0
Other financing uses	(91,583)	(6,644)	(3,880)	0
Total Other Financing Sources (Uses)	<u>316,425</u>	<u>67,856,552</u>	<u>(135,490)</u>	<u>(86,669)</u>
Net Change in Fund Balances	<u>(22,953,283)</u>	<u>49,945,543</u>	<u>(787,999)</u>	<u>(5,441,796)</u>
Fund Balances:				
Beginning of period, as previously reported	167,723,342	116,897,919	117,594,827	123,071,870
Prior period adjustments	(5,355)	421,107	0	0
Beginning of period, as restated	<u>167,717,987</u>	<u>117,319,026</u>	<u>117,594,827</u>	<u>123,071,870</u>
Increase (Decrease) in reserve for inventory	<u>(431,812)</u>	<u>458,773</u>	<u>91,091</u>	<u>(35,247)</u>
End of period	<u>\$ 144,332,892</u>	<u>167,723,342</u>	<u>116,897,919</u>	<u>117,594,827</u>

* 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, 2021, 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 July 27, 2022.

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) as a basis for designing 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 financial statements. 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

July 27, 2022

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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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, 2021. 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, 2021.

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
July 27, 2022

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, 2021

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | | | | | | | | | | | | | | |
|---|---|---|--------|------------------------------------|--------|---|--------|--|---------|---|---------|--|---------|---|--|
| 4. Internal control over major programs: | | | | | | | | | | | | | | | |
| a. Material weakness(es) identified? | No | | | | | | | | | | | | | | |
| b. Significant deficiency(ies) identified? | None Reported | | | | | | | | | | | | | | |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified | | | | | | | | | | | | | | |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No | | | | | | | | | | | | | | |
| 7. Federal program identified as major program: | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%;"><tr><td style="text-align: left;"><u>CFDA Number</u></td><td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td></tr><tr><td>21.019</td><td>COVID-19 – coronavirus relief fund</td></tr><tr><td>21.019</td><td>COVID-19 – MS pandemic response broadband availability act HB1788</td></tr><tr><td>84.010</td><td>Title I – grants to local educational agencies</td></tr><tr><td>84.425D</td><td>COVID-19 – education stabilization fund (ESSER) I</td></tr><tr><td>84.425D</td><td>COVID-19 – education stabilization fund (ESSER) II</td></tr><tr><td>84.425U</td><td>COVID-19 – education stabilization fund (ESSER) ARP III</td></tr></table> | <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | 21.019 | COVID-19 – coronavirus relief fund | 21.019 | COVID-19 – MS pandemic response broadband availability act HB1788 | 84.010 | Title I – grants to local educational agencies | 84.425D | COVID-19 – education stabilization fund (ESSER) I | 84.425D | COVID-19 – education stabilization fund (ESSER) II | 84.425U | COVID-19 – education stabilization fund (ESSER) ARP III | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | | | | | | |
| 21.019 | COVID-19 – coronavirus relief fund | | | | | | | | | | | | | | |
| 21.019 | COVID-19 – MS pandemic response broadband availability act HB1788 | | | | | | | | | | | | | | |
| 84.010 | Title I – grants to local educational agencies | | | | | | | | | | | | | | |
| 84.425D | COVID-19 – education stabilization fund (ESSER) I | | | | | | | | | | | | | | |
| 84.425D | COVID-19 – education stabilization fund (ESSER) II | | | | | | | | | | | | | | |
| 84.425U | COVID-19 – education stabilization fund (ESSER) ARP III | | | | | | | | | | | | | | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,492,993 | | | | | | | | | | | | | | |
| 9. Auditee qualified as a low-risk auditee? | Yes | | | | | | | | | | | | | | |
| 10. 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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