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DESOTO COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DeSoto County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DeSoto County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DeSoto County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DeSoto County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *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 presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the DeSoto County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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
March 22, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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DESOTO COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 2022 increased \$57,841,425, including a prior period adjustment of \$15,074, which represents a 393% increase from fiscal year 2021. 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.
- General revenues amounted to \$294,711,199 and \$282,766,445, or 82% and 82% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$63,109,095, or 18% of total revenues for 2022, and \$61,768,925, or 18% of total revenues for 2021.
- The District had \$299,993,943 and \$356,664,841 in expenses for fiscal years 2022 and 2021; only \$63,109,095 for 2022 and \$61,768,925 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$294,711,199 for 2022 were adequate to provide for these programs. General revenues of \$282,766,445 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$296,263,470 in revenues and \$260,563,098 in expenditures for 2022, and \$275,245,393 in revenues and \$251,447,287 in expenditures in 2021. The General Fund's fund balance increased by \$24,790,343 from 2021 to 2022 and increased by \$13,332,048 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, increased by \$6,232,937 for 2022 and increased by \$20,143,258 for 2021. The increase for 2022 was due primarily to the addition of capital assets and completed construction.
- Long-term debt increased by \$19,292,812 for 2022 and decreased by \$21,494,428 for 2021. This increase for 2022 was due primarily to the issuance of new debt. The liability for compensated absences increased by \$156,216 for 2022 and increased by \$822,572 for 2021.

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 – All 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 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43,134,640 as of June 30, 2022.

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

Table 1 presents a summary of the District's net position at June 30, 2022 and June 30, 2021.

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 166,979,856	\$ 143,907,148	16.03 %
Restricted assets	51,108,935	29,479,390	73.37 %
Capital assets, net	370,517,936	364,284,999	1.71 %
Total assets	588,606,727	537,671,537	9.47 %
Deferred outflows of resources	75,865,355	74,700,089	1.56 %
Current liabilities	25,933,686	29,495,354	(12.08) %
Long-term debt outstanding	100,452,769	81,159,957	23.77 %
Net OPEB liability	20,943,616	23,745,748	(11.80) %
Net pension liability	376,130,639	487,541,494	(22.85) %
Total liabilities	523,460,710	621,942,553	(15.83) %
Deferred inflows of resources	97,876,732	5,135,858	1805.75 %
Net position:			
Net investment in capital assets	296,765,109	292,625,587	1.41 %
Restricted	23,698,017	16,389,065	44.60 %
Unrestricted	(277,328,486)	(323,721,437)	14.33 %
Total net position	\$ 43,134,640	\$ (14,706,785)	393.30 %

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)	\$ (277,328,486)
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	419,085,632
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 141,757,146</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 \$6,232,937.
- The principal retirement of \$12,633,000 of long-term debt.
- The issue of new long-term debt in the amount of \$30,030,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$357,820,294 and \$344,535,370, respectively. The total cost of all programs and services was \$299,993,943 for 2022 and \$356,664,841 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 9,053,533	\$ 5,111,943	77.11 %
Operating grants and contributions	54,055,562	56,656,982	(4.59) %
General revenues:			
Property taxes	111,722,403	104,609,237	6.80 %
Grants and contributions not restricted	184,164,081	175,456,141	4.96 %
Investment earnings	(1,424,728)	2,384,642	(159.75) %
Other	249,443	316,425	(21.17) %
Total revenues	357,820,294	344,535,370	3.86 %
Expenses:			
Instruction	163,578,680	179,781,081	(9.01) %
Support services	110,232,163	101,974,928	8.10 %
Non-instructional	14,727,479	11,882,133	23.95 %
Pension expense	9,396,791	59,355,488	(84.17) %
OPEB expense	(437,706)	961,107	(145.54) %
Interest on long-term liabilities	2,496,536	2,710,104	(7.88) %
Total expenses	299,993,943	356,664,841	(15.89) %
Increase (Decrease) in net position	57,826,351	(12,129,471)	576.74 %
Net Position, July 1, as previously reported	(14,706,785)	(2,571,959)	(471.81) %
Prior Period Adjustment	15,074	(5,355)	381.49 %
Net Position, July 1, as restated	(14,691,711)	(2,577,314)	(470.04) %
Net Position, June 30	\$ 43,134,640	\$ (14,706,785)	393.30 %

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
	2022	2021	
Instruction	\$ 163,578,680	\$ 179,781,081	(9.01) %
Support services	110,232,163	101,974,928	8.10 %
Non-instructional	14,727,479	11,882,133	23.95 %
Pension Expense	9,396,791	59,355,488	(84.17) %
OPEB Expense	(437,706)	961,107	(145.54) %
Interest on long-term liabilities	2,496,536	2,710,104	(7.88) %
Total expenses	\$ 299,993,943	\$ 356,664,841	(15.89) %

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (140,739,932)	\$ (150,835,431)	6.69 %
Support services	(95,656,273)	(84,833,106)	(12.76) %
Non-instructional	10,966,978	3,799,320	188.66 %
Pension Expense	(9,396,791)	(59,355,488)	84.17 %
OPEB Expense	437,706	(961,107)	145.54 %
Interest on long-term liabilities	(2,496,536)	(2,710,104)	7.88 %
Total net (expense) revenue	\$ (236,884,848)	\$ (294,895,916)	19.67 %

- Net cost of governmental activities (\$236,884,848 for 2022 and \$294,895,916 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$111,722,403 for 2022 and \$104,609,237 for 2021) and state and federal revenues (\$184,164,081 for 2022 and \$175,456,141 for 2021).
- Investment earnings amounted to (\$1,424,728) for 2022 and \$2,384,642 for 2021.

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 \$192,902,381, an increase of \$48,569,489, which includes a decrease in inventory of \$35,596. \$138,716,733 or 72% 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 \$54,185,648 or 28% 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 \$24,790,343. The fund balance of Other Governmental Funds showed an increase in the amount of \$23,779,146, which includes a decrease in reserve for inventory of \$35,596.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$573,649,939, 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 \$19,277,760 from 2021. Total accumulated depreciation as of June 30, 2022, was \$203,132,003, and total depreciation expense for the year was \$13,450,948, resulting in total net capital assets of \$370,517,936.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Land	\$ 14,213,972	\$ 12,237,017	16.16 %
Construction in Progress	12,048,869	32,191,519	(62.57) %
Buildings	286,847,368	266,877,874	7.48 %
Building improvements	33,726,615	30,288,974	11.35 %
Improvements other than buildings	11,289,404	11,582,219	(2.53) %
Mobile equipment	10,707,515	9,726,755	10.08 %
Furniture and equipment	1,684,193	1,380,641	21.99 %
Total	\$ 370,517,936	\$ 364,284,999	1.71 %

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

Debt Administration. At June 30, 2022, the District had \$100,452,769 in outstanding long-term debt, of which \$7,529,148 is due within one year. The liability for compensated absences increased \$156,216 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 67,172,000	59,382,000	13.12 %
Three mill notes payable	26,304,000	16,697,000	57.54 %
Premiums	1,739,596	0	N/A
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	2,237,173	2,080,957	7.51 %
Total	\$ 100,452,769	\$ 81,159,957	23.77 %

Additional information on the District's long-term debt can be found in Note 7 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.

BASIC FINANCIAL STATEMENTS

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DESOTO COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$128,845,776
Cash with fiscal agent	837,024
Investments	26,257,733
Due from other governments	10,651,363
Accrued interest receivable	9,623
Other receivables, net	63,992
Inventories	314,345
Restricted assets	51,108,935
Non-depreciable capital assets	26,262,841
Depreciable capital assets, net	344,255,095
Total Assets	<u>588,606,727</u>
Deferred Outflows of Resources	
Deferred outflow - pensions	68,990,545
Deferred outflow - OPEB	6,874,810
Total Deferred Outflows of Resources	<u>75,865,355</u>
Liabilities	
Accounts payable and accrued liabilities	24,816,418
Interest payable on long-term liabilities	747,276
Other payables	369,992
Long-term liabilities (Due within one year)	
Capital related liabilities	7,224,000
Bond premiums	193,289
Non-capital related liabilities	111,859
Net OPEB liability	654,855
Long-term liabilities (Due beyond one year)	
Capital related liabilities	89,252,000
Bond premiums	1,546,307
Non-capital related liabilities	2,125,314
Net OPEB liability	20,288,761
Net pension liability	376,130,639
Total Liabilities	<u>523,460,710</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	90,619,600
Deferred inflows - OPEB	7,257,132
Total Deferred Inflows of Resources	<u>97,876,732</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Exhibit A

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	296,765,109
Restricted net position	
Expendable	
School-based activities	9,998,281
Debt service	5,088,571
Insurance trust	150,002
Contractual commitments	7,414,815
Unemployment benefits	1,046,348
Unrestricted	<u>(277,328,486)</u>
Total Net Position	<u><u>\$ 43,134,640</u></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, 2022

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 163,578,680	8,621,751	14,216,997	(140,739,932)
Support services	110,232,163		14,575,890	(95,656,273)
Non-instructional	14,727,479	431,782	25,262,675	10,966,978
Pension expense	9,396,791			(9,396,791)
OPEB expense	(437,706)			437,706
Interest on long-term liabilities	2,496,536			(2,496,536)
Total Governmental Activities	<u>299,993,943</u>	<u>9,053,533</u>	<u>54,055,562</u>	<u>(236,884,848)</u>
General Revenues				
Taxes				
General purpose levies				105,028,482
Debt purpose levies				6,693,921
Unrestricted grants and contributions				
State				183,461,483
Federal				702,598
Unrestricted investment earnings				(1,424,728)
Other				249,443
Total General Revenues				<u>294,711,199</u>
Changes in Net Position				<u>57,826,351</u>
Net Position - Beginning , as previously reported				(14,706,785)
Prior Period Adjustments				<u>15,074</u>
Net Position - Beginning - as restated				<u>(14,691,711)</u>
Net Position - Ending				<u>\$ 43,134,640</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

Exhibit C

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 128,845,778	35,253,958	164,099,736
Cash with fiscal agent	837,024	12,416,875	13,253,899
Investments	26,257,733	3,438,100	29,695,833
Due from other governments	3,632,696	7,018,667	10,651,363
Accrued interest receivable		9,623	9,623
Other receivables, net	62,613	1,379	63,992
Due from other funds	4,369,947	53,293	4,423,240
Inventories		314,345	314,345
Total Assets	<u>164,005,791</u>	<u>58,506,240</u>	<u>222,512,031</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	20,174,484	4,641,934	24,816,418
Due to other funds		4,423,240	4,423,240
Other payables		369,992	369,992
Total Liabilities	<u>20,174,484</u>	<u>9,435,166</u>	<u>29,609,650</u>
Fund Balances			
Nonspendable			
Inventory		314,345	314,345
Restricted			
Debt service		5,835,847	5,835,847
Capital projects		24,462,769	24,462,769
Unemployment benefits		1,046,348	1,046,348
Grant activities		9,683,936	9,683,936
Self insurance		150,002	150,002
Contractual commitment	423,555	6,991,260	7,414,815
Assigned			
School activities	4,691,019		4,691,019
Facility renovations and improvements		586,567	586,567
Unassigned	138,716,733		138,716,733
Total Fund Balances	<u>143,831,307</u>	<u>49,071,074</u>	<u>192,902,381</u>
Total Liabilities and Fund Balances	<u>\$ 164,005,791</u>	<u>58,506,240</u>	<u>222,512,031</u>

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

DESOTO COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 192,902,381
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	14,213,972	
Construction in progress	12,048,869	
Buildings	419,638,125	
Building improvements	50,189,178	
Improvement other than buildings	24,273,544	
Mobile equipment	37,116,544	
Furniture and equipment	16,169,707	
Accumulated depreciation	<u>(203,132,003)</u>	370,517,936
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	(376,130,639)	
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	68,990,545	
Deferred inflows of resources related to pensions	<u>(90,619,600)</u>	(397,759,694)
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	(20,943,616)	
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	6,874,810	
Deferred inflows of resources related to OPEB	<u>(7,257,132)</u>	(21,325,938)
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 payable	(67,172,000)	
Three mill notes payable	(26,304,000)	
Qualified school construction bonds payable	(3,000,000)	
Compensated absences	(2,237,173)	
Unamortized bond premiums	(1,739,596)	
Accrued interest payable	<u>(747,276)</u>	(101,200,045)
Total Net Position - Governmental Activities		<u>\$ 43,134,640</u>

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

DESOTO COUNTY SCHOOL DISTRICT

Exhibit D

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

For the Year Ended June 30, 2022

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 112,099,388	7,251,817	119,351,205
State sources	183,461,483	3,363,387	186,824,870
Federal sources	702,599	50,692,177	51,394,776
Total Revenues	296,263,470	61,307,381	357,570,851
Expenditures			
Instruction	166,342,509	15,992,207	182,334,716
Support services	92,833,908	17,394,239	110,228,147
Noninstructional services	893,981	16,735,028	17,629,009
Facilities acquisition and construction	492,700	15,519,480	16,012,180
Debt service			
Principal		12,633,000	12,633,000
Interest		2,370,242	2,370,242
Other		14,015	14,015
Total Expenditures	260,563,098	80,658,211	341,221,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,700,372	(19,350,830)	16,349,542
Other Financing Sources (Uses)			
Proceeds of loans		30,030,000	30,030,000
Bond premium on debt		1,932,885	1,932,885
Insurance loss recoveries	78,600		78,600
Sale of other property	170,843		170,843
Operating transfers in	2,313,216	14,942,530	17,255,746
Other financing sources	113,680	48,856	162,536
Operating transfers out	(13,467,047)	(3,788,699)	(17,255,746)
Payment to bond escrow agent		(127,135)	(127,135)
Payment held by bond escrow agent		127,135	127,135
Other financing uses	(119,321)		(119,321)
Total Other Financing Sources (Uses)	(10,910,029)	43,165,572	32,255,543
Net Change in Fund Balances	24,790,343	23,814,742	48,605,085
Fund Balances			
July 1, 2021	119,040,964	25,291,928	144,332,892
Decrease in reserve for inventory		(35,596)	(35,596)
June 30, 2022	\$ 143,831,307	49,071,074	192,902,381

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

DESOTO COUNTY SCHOOL DISTRICT

Exhibit D-1

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, 2022

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 48,605,085

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	19,703,992	
Depreciation expense	<u>(13,450,948)</u>	6,253,044

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.

(35,181)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(30,030,000)	
Premiums on bonds	(1,932,885)	
Payments of debt principal	12,633,000	
Accrued interest payable	<u>(305,568)</u>	(19,635,453)

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	(9,396,791)	
Contributions made subsequent to the measurement date	<u>30,941,609</u>	21,544,818

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	437,706	
Contributions made subsequent to the measurement date	<u>654,855</u>	1,092,561

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	(156,216)	
Change in inventory reserve	(35,596)	
Amortization of premiums	<u>193,289</u>	1,477

Changes in Net Position of Governmental Activities

\$ 57,826,351

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

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DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2022

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.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for the 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.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Investments

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

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

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

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 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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(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 Notes 8, 9 and 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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The school district uses the incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Long-term Liabilities and Bond Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 7 for details.

11. 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.

12. 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.

13. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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.

14. Accounting Standards Update

GASB 87, Leases, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$164,099,736.

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 \$13,253,899.

Investments

As of June 30, 2022, the district had the following investments.

Types of Investments	Credit Rating	Maturities	Fair Value
Money Markey Funds	Aaa	<1	\$ 225,507
US Treasury SLGS	Aaa	1 to 5	2,214,173
US Assets Backed Securities	Aaa	<1	494,705
US Assets Backed Securities	Aaa	1 to 5	3,668,939
US Assets Backed Securities	Aaa	5 to 10	5,234,317
US Assets Backed Securities	Aaa	>10	6,342,946
Corporate Bonds - Fixed	A3 / Aaa	1 to 5	245,157
Municipal Bonds	A2 / Aaa	<1	665,130
Municipal Bonds	A2 / Aaa	1 to 5	749,214

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Types of Investments	Credit Rating	Maturities	Fair Value
Municipal Bonds	A2 / Aaa	5 to 10	1,716,754
US Treasury/Agency Securities	Aaa	<1	9,438
US Treasury/Agency Securities	Aaa	1 to 5	1,979,868
US Treasury/Agency Securities	Aaa	5 to 10	3,835,817
US Treasury/Agency Securities	Aaa	>10	1,315,448
US Treasury Notes/Bonds	Aaa	<1	998,420
			<u>\$ 29,695,833</u>

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

The district has the following recurring fair value measurements as of June 30, 2022: The investments of \$29,695,833 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, 2022, the district did not have any investments to which this would apply.

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

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	\$ 4,369,947
Other governmental funds	Other governmental funds	53,293
Total		<u>\$ 4,423,240</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 13,467,047
Other governmental funds	General Fund	2,313,216
	Other governmental funds	<u>1,475,483</u>
Total		<u>\$ 17,255,746</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 fund the consolidated administrative cost pool and to fund debt service.

Note 4 – Restricted Assets

The restricted assets of \$51,108,935 represent the cash, cash with fiscal agent and investment balance, totaling \$35,253,960, \$12,416,875 and \$3,438,100, 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:

	Balance 7/1/2021	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2022
Governmental Activities:						
Non-depreciable capital assets:						
Land	\$ 12,237,017	\$ 1,985,598	\$ (11,443)	\$	\$ 2,800	\$ 14,213,972
Construction-in-progress	32,191,519	13,636,645		(33,769,950)	(9,345)	12,048,869
Total non-depreciable capital assets	<u>44,428,536</u>	<u>15,622,243</u>	<u>(11,443)</u>	<u>(33,769,950)</u>	<u>(6,545)</u>	<u>26,262,841</u>
Depreciable capital assets:						
Buildings	391,520,892			28,117,233		419,638,125
Building improvements	44,743,970	32,396		5,412,812		50,189,178
Improvements other than buildings	23,630,346	403,293		239,905		24,273,544
Mobile equipment	34,424,971	2,768,594	(77,021)			37,116,544
Furniture and equipment	15,623,464	877,466	(332,068)		845	16,169,707
Total depreciable capital assets	<u>509,943,643</u>	<u>4,081,749</u>	<u>(409,089)</u>	<u>33,769,950</u>	<u>845</u>	<u>547,387,098</u>
Less accumulated depreciation for:						
Buildings	124,643,018	8,147,739				132,790,757
Building improvements	14,454,996	2,007,567				16,462,563
Improvements other than buildings	12,048,127	934,097			1,916	12,984,140
Mobile equipment	24,698,216	1,777,353	(57,775)		(8,765)	26,409,029
Furniture and equipment	14,242,823	584,192	(327,576)		(13,925)	14,485,514
Total accumulated depreciation	<u>190,087,180</u>	<u>13,450,948</u>	<u>(385,351)</u>	<u>0</u>	<u>(20,774)</u>	<u>203,132,003</u>
Total depreciable capital assets, net	<u>319,856,463</u>	<u>(9,369,199)</u>	<u>(23,738)</u>	<u>33,769,950</u>	<u>21,619</u>	<u>344,255,095</u>
Governmental activities capital assets, net	<u>\$ 364,284,999</u>	<u>\$ 6,253,044</u>	<u>\$ (35,181)</u>	<u>\$ 0</u>	<u>\$ 15,074</u>	<u>\$ 370,517,936</u>

Depreciation expense was charged to the following governmental functions:

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	<u>Amount</u>
Governmental activities:	
Instruction	\$ 88,841
Support services	13,139,587
Non-instructional	<u>222,520</u>
Total depreciation expense - Governmental activities	<u>\$ 13,450,948</u>

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

<u>Governmental Activities:</u>	<u>Spent to June 30, 2022</u>	<u>Remaining Commitment</u>
LIS Playground	\$ 79,000	\$ 17,544
Hernando High School Reroof	1,650,066	225,226
Horn Lake Intermediate Reroof	980,935	52,825
New Lewisburg Middle Football Stadium	1,948,123	60,134
SHS Storm Drainage	1,800	59,768
SIS Reroof *	25,292	0
WES Reroof *	9,757	0
CHES Reroof Project *	28,557	0
OBM Reroof *	35,488	0
New HHS Campus Buildings *	1,103,075	0
New HHS Campus Site Prep	240,860	1,165,560
PHE Playground	7,000	124,305
CHE Playground	6,150	114,726
OGC Ditch/Drainage Project	7,282	107,212
DCM Classroom Addition	608,824	3,095,745
DCM Café Expansion	350,088	868,294
SIS Classroom Addition	629,251	669,709
DCH Café Expansion	343,224	238,656
HHE Classroom Addition	916,809	615,111
OES Partial HVAC Replacement	931,345	315,615
CHE Partial HVAC Replacement	77,288	726,556
CES Partial HVAC Replacement	267,820	22,340
HMS Partial HVAC Replacement	57,962	715,798
HES Partial HVAC Replacement	43,250	292,783
LES Full HVAC Replacement	666,997	605,157
DCM Partial HVAC Replacement	65,267	776,093
DCHS Partial HVAC Replacement	124,220	1,206,394
SIS Partial HVAC Replacement	42,614	294,013
GES Full HVAC Replacement	116,961	466,479
CHHS Partial HVAC Replacement	<u>683,564</u>	<u>1,453,563</u>
	<u>\$ 12,048,869</u>	<u>\$ 14,289,607</u>

* Project not yet bid out by the DeSoto County Board of Education.

DESOTO COUNTY SCHOOL DISTRICT
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Construction projects included in governmental activities are funded with cash on hand, note proceeds and federal ESSER funds.

Note 6 – Leases

As Lessee:

The school district is a lessee for various noncancellable leases of [buildings, equipment, etc.]. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

Currently, the school district does not have any leases of equipment, buildings, etc. that have a lease term of more than 12 months at commencement.

As Lessor:

The school district currently does not have any leases as the lessor.

Note 7 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Certificates of participation payable	\$ 59,382,000	\$ 12,880,000	\$ 5,090,000	\$ 67,172,000	\$ 2,897,000
B. Three mill notes payable	16,697,000	17,150,000	7,543,000	26,304,000	4,327,000
Premiums	0	1,932,885	193,289	1,739,596	193,289
C. Qualified school construction bonds payable	3,000,000			3,000,000	0
D. Compensated absences payable	2,080,957	156,216		2,237,173	111,859
Total	\$ 81,159,957	\$ 32,119,101	\$ 12,826,289	\$ 100,452,769	\$ 7,529,148

A. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Certificates of Participation, 2019A	2.63	8/1/2019	6/30/2034	27,788,000	26,988,000
2. Certificates of Participation, 2019B	2.2	10/7/2019	6/30/2034	28,714,000	28,114,000
3. Certificates of Participation, 2021	1.9	7/8/2021	4/1/2036	12,880,000	12,070,000
Total				\$ 69,382,000	\$ 67,172,000

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

DESOTO COUNTY SCHOOL DISTRICT
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1. Certificates of participation, 2019A:

Year Ending June 30	Principal	Interest	Total
2023	\$ 470,000	\$ 709,784	\$ 1,179,784
2024	748,300	697,418	1,445,718
2025	1,038,600	677,742	1,716,342
2026	1,342,200	650,427	1,992,627
2027	1,659,300	615,130	2,274,430
2028 – 2032	13,558,900	4,995,136	18,554,036
2033 – 2034	8,170,700	327,930	8,498,630
Total	<u>\$ 26,988,000</u>	<u>\$ 8,673,567</u>	<u>\$ 35,661,567</u>

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$1,060,532) 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, 2019B:

Year Ending June 30	Principal	Interest	Total
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	2,127,000	456,984	2,583,984
2028 – 2032	12,602,000	1,526,382	14,128,382
2033 – 2034	6,043,000	201,102	6,244,102
Total	<u>\$ 28,114,000</u>	<u>\$ 4,428,644</u>	<u>\$ 32,542,644</u>

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$1,060,532) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

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Notes to the Financial Statements
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3. Certificates of participation, 2021:

Year Ending June 30	Principal	Interest	Total
2023	\$ 759,000	\$ 234,158	\$ 993,158
2024	773,000	219,433	992,433
2025	788,000	204,437	992,437
2026	804,000	189,150	993,150
2027	819,000	173,552	992,552
2028 – 2032	4,341,000	623,148	4,964,148
2033 – 2036	3,786,000	185,406	3,971,406
Total	\$ 12,070,000	\$ 1,829,284	\$ 13,899,284

This debt will be retired from the 2021 Certificates of Participation Fund (Debt Service Fund).

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2023	\$ 2,897,000	\$ 1,562,450	\$ 4,459,450
2024	3,298,300	1,498,663	4,796,963
2025	3,716,600	1,424,897	5,141,497
2026	4,153,200	1,340,715	5,493,915
2027	4,605,300	1,245,666	5,850,966
2028 – 2032	30,501,900	7,144,666	37,646,566
2033 – 2036	17,999,700	714,438	18,714,138
Total	\$ 67,172,000	\$ 14,931,495	\$ 82,103,495

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax refunding note, 2015	2.0-3.0	9/15/2015	6/30/2027	8,515,000	6,000,000
2. Limited tax refunding note, 2020	1.48	4/2/2020	6/30/2025	10,849,000	8,304,000
3. Limited tax refunding note, 2021A	3.0-5.0	9/17/2021	9/17/2030	13,100,000	12,000,000
Total				\$ 32,464,000	26,304,000

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

DESOTO COUNTY SCHOOL DISTRICT
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1. Limited tax notes, 2015:

Year Ending June 30	Principal	Interest	Total
2023	\$ 570,000	\$ 180,000	\$ 750,000
2024	630,000	162,300	792,300
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>\$ 6,000,000</u>	<u>\$ 627,900</u>	<u>\$ 6,627,900</u>

This debt will be retired from the 2015 Limited Tax Note Retirement Fund (Debt Service Fund).

2. Limited tax notes, 2020:

Year Ending June 30	Principal	Interest	Total
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>\$ 8,304,000</u>	<u>\$ 247,928</u>	<u>\$ 8,551,928</u>

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

3. Limited tax notes, 2021A:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,050,000	\$ 508,000	\$ 1,558,000
2024	1,075,000	455,500	1,530,500
2025	1,225,000	401,750	1,626,750
2026	1,285,000	340,500	1,625,500
2027	1,350,000	276,250	1,626,250
2028 – 2031	6,015,000	487,450	6,502,450
Total	<u>\$ 12,000,000</u>	<u>\$ 2,469,450</u>	<u>\$ 14,469,450</u>

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

DESOTO COUNTY SCHOOL DISTRICT
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Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2023	\$ 4,327,000	\$ 810,898	\$ 5,137,898
2024	4,451,000	700,634	5,151,634
2025	4,701,000	587,946	5,288,946
2026	4,915,000	465,750	5,380,750
2027	1,895,000	292,600	2,187,600
2028 – 2031	6,015,000	487,450	6,502,450
Total	<u>\$ 26,304,000</u>	<u>\$ 3,345,278</u>	<u>\$ 29,649,278</u>

C. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

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	<u>\$ 3,000,000</u>	<u>\$ 39,600</u>	<u>\$ 3,039,600</u>

This debt will be retired from the QSCB Retirement Fund (Debt Service Fund).

D. 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 8 – 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)

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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, 2022 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, 2022, 2021 and 2020 were \$30,941,609, \$29,441,240 and \$29,179,304, respectively, which equaled the required contributions for each year.

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

At June 30, 2022, the school district reported a liability of \$376,130,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2022 net pension liability was 2.544787 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.026343 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$9,396,791. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,464,241	\$ 0
Net difference between projected and actual earnings on pension plan investment	0	90,619,600
Changes of assumptions	21,483,507	0

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between District contributions and proportionate share of contributions	12,101,188	0
District contributions subsequent to the measurement date	30,941,609	0
Total	\$ <u>68,990,545</u>	\$ <u>90,619,600</u>

\$30,941,609 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, 2023. 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:	
2023	\$ (9,443,463)
2024	(9,443,463)
2025	(11,028,838)
2026	(22,654,900)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2022

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	<u>1% Decrease (6.55%)</u>	<u>Current Discount Rate (7.55%)</u>	<u>1% Increase (8.55%)</u>
District's proportionate share of the net pension liability	\$ 532,689,167	\$ 376,130,639	\$ 247,113,959

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 9 – 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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$654,855 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$20,943,616 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 3.25372101 percent. This was an increase of 0.20238414 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$437,706). At June 30, 2022, 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	\$ 22,776	\$ 6,548,797
Changes of assumptions	3,391,972	708,335
Net difference between projected and actual earnings on OPEB plan investments	976	0
Changes in proportion and differences between District contributions and proportionate share of contributions	2,804,231	0
District contributions subsequent to the measurement date	654,855	0

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Total	\$ <u>6,874,810</u>	\$ <u>7,257,132</u>
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\$654,855 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, 2023. 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:	
2023	\$ (200,699)
2024	(163,038)
2025	(80,476)
2026	(344,339)
2027	(248,625)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of
Pre-Medicare	4.50% by 2030

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 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 (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 23,181,591	\$ 20,943,616	\$ 19,035,407

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	\$ 19,399,205	\$ 20,943,616	\$ 22,691,385

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 10 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Note 11 – Risk Management

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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. Additional funds in the amount of \$270,505 were transferred into the fund during the fiscal year ended June 30, 2022. The district had year-end liabilities in the amount of \$2,885 and cash on hand in the trust account amounted to \$152,851. The trust is reported in Other Governmental Funds.

Participation in Public Entity Risk Pool

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

Note 12 – Trust Certificates

A trust agreement dated 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.

Another trust agreement dated July 8, 2021, 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 \$12,880,000. Approximately \$12,700,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$180,000 was used to pay the cost of issuance.

The project is 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 agreement represents an installment purchase under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The 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 agreement; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 7 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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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 debt 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, 2022 was \$2,439,680. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2023	\$ 200,000
2024	200,000
Total	<u>\$ 400,000</u>

Note 14 - Insurance loss recoveries

The School District received \$78,600 in insurance loss recoveries related to building damage during the 2021-2022 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 (\$277,328,486) 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 \$30,941,609 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, 2023. The \$38,048,936 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$277,328,486) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$90,619,600 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$277,328,486) 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 \$654,855 resulting from the school district contribution subsequent to the measurement date will be recognized as a

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

reduction of the net OPEB liability in the year ended June 30, 2023. The \$6,219,955 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$277,328,486) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$7,257,132 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16 – In Lieu Tax Agreement

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

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

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

During the 2021-2022 fiscal year the DeSoto County School District received \$4,237,748 in lieu of ad valorem taxes.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through March 22, 2023, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Debt Issuance – Certificates of participation were issued December 20, 2022 for \$65,580,000 for 12 years with an interest rate ranging from 3.67 % to 4.28%. Proceeds of the debt will be used for construction, repairs and renovations to district buildings and facilities.

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REQUIRED SUPPLEMENTARY INFORMATION

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DESOTO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 99,471,513	99,779,127	112,099,388	307,614	12,320,261
State sources	175,517,416	175,517,416	183,461,483	0	7,944,067
Federal sources	1,051,240	1,051,240	702,599	0	(348,641)
Total Revenues	276,040,169	276,347,783	296,263,470	307,614	19,915,687
Expenditures					
Instruction	171,971,557	173,762,881	166,342,509	(1,791,324)	7,420,372
Support services	100,621,721	100,717,961	92,833,908	(96,240)	7,884,053
Noninstructional services	894,030	1,025,979	893,981	(131,949)	131,998
Facilities acquisition and construction	0	0	492,700	0	(492,700)
Total Expenditures	273,487,308	275,506,821	260,563,098	(2,019,513)	14,943,723
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,552,861	840,962	35,700,372	(1,711,899)	34,859,410
Other Financing Sources (Uses)					
Insurance loss recoveries	0	0	78,600	0	78,600
Sale of other property	0	0	170,843	0	170,843
Operating transfers in	50,290,211	50,609,656	2,313,216	319,445	(48,296,440)
Other financing sources	0	0	113,680	0	113,680
Operating transfers out	(58,645,852)	(58,854,146)	(13,467,047)	(208,294)	45,387,099
Other financing uses	0	0	(119,321)	0	(119,321)
Total Other Financing Sources (Uses)	(8,355,641)	(8,244,490)	(10,910,029)	111,151	(2,665,539)
Net Change in Fund Balances			24,790,343		
Fund Balances					
July 1, 2021			119,040,964		
June 30, 2022			\$ 143,831,307		

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 *

	2022	2021	2020
District's proportion of the net pension liability	2.544787%	2.518444%	2.430845%
District's proportionate share of the net pension liability	\$ 376,130,639	487,541,494	427,633,596
District's covered payroll	\$ 169,202,529	167,697,149	158,314,698
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	2.379017%	2.338529%	2.328765%	2.267688%	2.132761%
District's proportionate share of the net pension liability	395,701,208	388,742,889	415,975,578	350,539,846	258,878,135
District's covered payroll	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	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	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

	2022	2021	2020
Contractually required contribution	\$ 30,941,609	29,441,240	29,179,304
Contributions in relation to the contractually required contribution	30,941,609	29,441,240	29,179,304
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 177,825,339	169,202,529	167,697,149
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%

	2019	2018	2017	2016	2015
Contractually required contribution	24,934,565	23,927,870	23,627,831	23,463,829	22,313,369
Contributions in relation to the contractually required contribution	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>
District's covered payroll	158,314,698	151,922,984	150,017,975	148,976,692	141,672,184
Contributions as a percentage of covered payroll	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 *

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	3.25372101%	3.05133687%	2.96255370%	2.86517770%	2.76207340%
District's proportionate share of the net OPEB liability	\$ 20,943,616	23,745,748	25,138,483	22,163,582	21,671,476
Covered employee payroll	\$ 169,202,529	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	12.38%	14.16%	15.88%	14.59%	14.45%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	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

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 654,855	841,798	946,977	1,007,628	923,887
Contributions in relation to the actuarially determined contribution	654,855	841,798	946,977	1,007,628	923,887
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered employee payroll	\$ 177,825,339	169,202,529	167,697,149	158,314,698	151,922,984
Contributions as a percentage of covered employee payroll	0.37%	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, 2022

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 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%.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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% 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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	2.19%

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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, 2022

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:			
National school lunch program - seamless summer option	10.555	225MS326N1099	\$ 17,761,193
Total child nutrition cluster			17,761,193
Total passed-through Mississippi Department of Education			17,761,193
Total U.S. Department of Agriculture			17,761,193
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	214,777
Total U.S. Department of Defense			214,777
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A210024	6,630,358
Title I - program for neglected and delinquent children	84.013	S010A210024	93,394
Career and technical education - basic grants to states	84.048	V048A210024	250,911
English language acquisition grants	84.365	S365A210024	252,964
Supporting effective instruction - state grants	84.367	S367A210023	1,097,584
Student support and academic enrichment program	84.424	S424A210025	328,973
Total			8,654,184
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	60,707
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	5,368,653
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	4,028,561
COVID-19 - School nurse grant	84.425D	S425D200031	121,421
COVID-19 - CTE ESSER Grant	84.425D	S425D200031	22,735
Total education stabilization funds			9,602,077
Special education cluster:			
Special education - grants to states	84.027	H027A210108	5,660,800
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	1,519,545
Special education - preschool grants	84.173	H173A210113	148,813
COVID-19 - Special education - preschool grants ARP	84.173X	H173X210113	95,628
Total special education cluster			7,424,786
Total passed-through Mississippi Department of Education			25,681,047
Total U.S. Department of Education			25,681,047
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2205MS5ADM	138,614
Total passed-through Mississippi Department of Education			138,614
Total U.S. Department of Health and Human Services			138,614
Total for All Federal Awards			\$ 43,795,631

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2022

(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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards

Donated commodities of \$1,243,761 are included in the national school lunch program - seamless summer option.

(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, 2022

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 240,876,059	191,130,592	9,859,139	14,506,328	25,380,000
Other	100,345,250	22,653,490	1,785,033	292,317	75,614,410
Total	<u>341,221,309</u>	<u>213,784,082</u>	<u>11,644,172</u>	<u>14,798,645</u>	<u>100,994,410</u>
Total number of students	<u>34,487</u>				
Cost per student	<u>\$ 9,894</u>	<u>6,199</u>	<u>338</u>	<u>429</u>	<u>2,928</u>

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

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OTHER INFORMATION

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

	UNAUDITED			
	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 112,099,388	100,040,646	92,801,184	84,208,792
State sources	183,461,483	174,521,819	172,933,264	159,840,191
Federal sources	702,599	682,928	548,916	1,214,609
Total Revenues	<u>296,263,470</u>	<u>275,245,393</u>	<u>266,283,364</u>	<u>245,263,592</u>
Expenditures				
Instruction	166,342,509	163,528,452	158,615,392	148,704,959
Support services	92,833,908	87,188,417	85,678,566	82,162,607
Noninstructional services	893,981	477,411	1,599,521	828,896
Facilities acquisition and construction	492,700	253,007	7,671	0
Total Expenditures	<u>260,563,098</u>	<u>251,447,287</u>	<u>245,901,150</u>	<u>231,696,462</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,700,372</u>	<u>23,798,106</u>	<u>20,382,214</u>	<u>13,567,130</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	78,600	222,392	477,410	26,576
Sale of transportation equipment	0	0	33,108	22,767
Sale of other property	170,843	95,084	1,678	0
Operating transfers in	2,313,216	1,337,716	325,924	324,304
Other financing sources	113,680	90,532	0	0
Operating transfers out	(13,467,047)	(12,120,775)	(8,243,408)	(7,245,335)
Other financing uses	(119,321)	(91,007)	(6,644)	(3,880)
Total Other Financing Sources (Uses)	<u>(10,910,029)</u>	<u>(10,466,058)</u>	<u>(7,411,932)</u>	<u>(6,875,568)</u>
Net Change in Fund Balances	<u>24,790,343</u>	<u>13,332,048</u>	<u>12,970,282</u>	<u>6,691,562</u>
Fund Balances:				
Beginning of period, as previously reported	119,040,964	105,708,916	92,317,527	85,625,965
Prior period adjustments	<u>0</u>	<u>0</u>	<u>421,107</u>	<u>0</u>
Beginning of period, as restated	<u>119,040,964</u>	<u>105,708,916</u>	<u>92,738,634</u>	<u>85,625,965</u>
End of period	<u>\$ 143,831,307</u>	<u>119,040,964</u>	<u>105,708,916</u>	<u>92,317,527</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			
	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 119,351,205	112,155,686	113,850,156	111,772,682
State sources	186,824,870	179,800,426	178,451,860	165,198,445
Federal sources	51,394,776	52,262,833	25,246,898	25,709,446
Total Revenues	<u>357,570,851</u>	<u>344,218,945</u>	<u>317,548,914</u>	<u>302,680,573</u>
Expenditures				
Instruction	182,334,716	197,314,395	172,520,217	161,549,229
Support services	110,228,147	99,068,692	96,878,944	97,359,847
Noninstructional services	17,629,009	14,205,201	15,895,545	13,703,336
Facilities acquisition and construction	16,012,180	32,221,766	17,182,986	6,398,168
Debt service				
Principal	12,633,000	22,317,000	30,295,000	21,685,000
Interest	2,370,242	2,344,254	2,554,491	2,622,453
Other	14,015	17,345	132,740	15,049
Total Expenditures	<u>341,221,309</u>	<u>367,488,653</u>	<u>335,459,923</u>	<u>303,333,082</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,349,542</u>	<u>(23,269,708)</u>	<u>(17,911,009)</u>	<u>(652,509)</u>
Other Financing Sources (Uses)				
Proceeds of refunding bonds	0	0	10,849,000	0
Proceeds of loans	30,030,000	0	56,502,000	0
Bond premium on debt	1,932,885	0	0	0
Insurance loss recoveries	78,600	222,392	477,410	26,576
Sale of transportation equipment	0	0	33,108	22,767
Sale of other property	170,843	95,084	1,678	0
Operating transfers in	17,255,746	14,872,489	11,186,000	10,988,284
Other financing sources	162,536	90,532	0	0
Operating transfers out	(17,255,746)	(14,872,489)	(11,186,000)	(10,988,284)
Payment to bond escrow agent	(127,135)	(152,329)	(159,693)	(180,953)
Payment held by bond escrow agent	127,135	152,329	159,693	
Other financing uses	(119,321)	(91,583)	(6,644)	(3,880)
Total Other Financing Sources (Uses)	<u>32,255,543</u>	<u>316,425</u>	<u>67,856,552</u>	<u>(135,490)</u>
Net Change in Fund Balances	<u>48,605,085</u>	<u>(22,953,283)</u>	<u>49,945,543</u>	<u>(787,999)</u>
Fund Balances:				
Beginning of period, as previously reported	144,332,892	167,723,342	116,897,919	117,594,827
Prior period adjustments	<u>0</u>	<u>(5,355)</u>	<u>421,107</u>	<u>0</u>
Beginning of period, as restated	144,332,892	167,717,987	117,319,026	117,594,827
Increase (Decrease) in reserve for inventory	<u>(35,596)</u>	<u>(431,812)</u>	<u>458,773</u>	<u>91,091</u>
End of period	<u>\$ 192,902,381</u>	<u>144,332,892</u>	<u>167,723,342</u>	<u>116,897,919</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, 2022, 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 March 22, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
March 22, 2023

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

Opinion on Each Major Federal Program

I have audited DeSoto County School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In my opinion, DeSoto County School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

I am required to be independent of DeSoto County School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of DeSoto County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to DeSoto County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DeSoto County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DeSoto County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I did

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding DeSoto County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of DeSoto County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 DeSoto County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control Over Compliance

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, I did identify certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

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 a 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item [2022-001], to be significant deficiency.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on DeSoto County School District's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. DeSoto County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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
March 22, 2023

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

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
DeSoto County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2022, which collectively comprise DeSoto County School District's basic financial statements and have issued my report thereon dated March 22, 2023. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
March 22, 2023

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, 2022

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? | Yes |
| 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)? | Yes |
| 7. Federal program identified as major program: | |

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
10.555	National school lunch program – seamless summer option
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
84.425D	COVID-19 – School Nurse Grant
84.425D	COVID-19 – CTE ESSER Grant

- | | |
|--|-------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,313,869 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year 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

Significant deficiencies identified that are not considered to be material weaknesses.

DESOTO COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding 2022-001

Assisting Listing Number No. 10.555 Program title: National school lunch program – seamless summer option
Passed through the Mississippi Department of Education

Compliance Requirement Allowable Cost / Cost Principles

CRITERIA: The 2021-22 fiscal year calculation of indirect cost on the child nutrition program should be based on the adjusted expenditures for the current grant year, i.e., the 2021-22 grant year.

CONDITION: The district calculated indirect cost based on adjusted expenditures for the child nutrition program for the current grant year and the previous two grant years. This resulted in an excess amount of indirect cost being charged to the child nutrition program.

CAUSE: The cause of the condition was an error by management.

EFFECT: The effect of the condition resulted in \$605,187 excess indirect cost being charged to the federal program.

QUESTIONED COSTS: \$605,187

PERSPECTIVE FOR JUDGING THE PREVALENCE AND CONSEQUENCE OF THE AUDIT FINDING: This is an isolated matter.

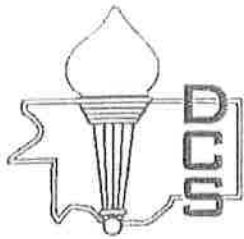
REPEAT OF A FINDING: This is not a repeat finding.

RECOMMENDATION: It is recommended that indirect cost for the child nutrition program be calculated using the current grant year adjusted expenditures.

VIEWS OF RESPONSIBLE OFFICIAL: See management's response in the Corrective Action Plan.

AUDITEE'S CORRECTIVE ACTION PLAN

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DESOTO COUNTY SCHOOLS

5 East South Street • Hernando, Mississippi 38632
662-429-5271 • fax 662-429-4198 • Website: www.desotocountyschools.org

"EXCELLENCE IS A COMMITMENT"

Corrective Action Plan

March 24, 2023 ,

As required by 2 CFR 200.511(a), the DeSoto County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

Finding 2022-001

Corrective Action Plan

- a. Contact person responsible for corrective action: Stacey Graves, CFO
- b. Description of corrective action to be taken: The district will exercise caution in ensuring calculations for indirect cost will be calculated as directed by the Mississippi Department of Education.
- c. Anticipated completion date of corrective action: 3-24-23

Sincerely,

Stacey Graves
Chief Financial Officer

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