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DESOTO COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

St. Clair CPA, PLLC
Carriere, MS

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
DeSoto County School District

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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 my 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, 2023, 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

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the DeSoto County School District and to meet my other ethical responsibilities, in accordance with the 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 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.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 my 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 my 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.

I am 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 I 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) on pages 9-16, 59-60, 61, 62, 63 and 64 respectively, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 my 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 my auditor’s report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2024, on my consideration of the DeSoto County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DeSoto County School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto County School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

March 15, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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DESOTO COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, 2023. 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 2023 increased \$12,913,347, including a prior period adjustment of \$24,381, which represents a 30% increase from fiscal year 2022. 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.
- General revenues amounted to \$355,985,053 and \$294,711,199, or 82% and 82% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$72,787,548, or 18% of total revenues for 2023, and \$63,109,095, or 18% of total revenues for 2022.
- The District had \$395,883,635 and \$299,993,943 in expenses for fiscal years 2023 and 2022; only \$72,787,548 for 2023 and \$63,109,095 for 2022 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$335,985,053 for 2023 and \$294,711,199 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$335,785,109 in revenues and \$295,134,700 in expenditures for 2023, and \$296,263,470 in revenues and \$260,563,098 in expenditures in 2022. The General Fund's fund balance increased by \$21,972,778 from 2022 to 2023, including a prior year adjustment of (\$11,249) and increased by \$24,790,343 from 2021 to 2022.
- Capital assets, net of accumulated depreciation, increased by \$39,490,607 for 2023 and increased by \$6,232,937 for 2022. The increase for 2023 was due primarily to the increase in construction in progress and the addition of leased and subscription based IT assets.
- Long-term debt increased by \$56,111,582 for 2023 and increased by \$19,292,812 for 2022. This increase for 2023 was due primarily to the issuance of certificates of participation payable and the addition of leased and subscription based IT assets. The liability for compensated absences increased by \$26,463 for 2023 and increased by \$156,216 for 2022.

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 currently reported as governmental funds.

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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,047,987 as of June 30, 2023.

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, 2023 and June 30, 2022.

Table 1
Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Percentage Change
Current assets	\$ 226,026,098	\$ 166,979,856	35.36 %
Restricted assets	71,057,119	51,108,935	39.03 %
Capital assets, net	410,008,543	370,517,936	10.66 %
Total assets	707,091,760	588,606,727	20.13 %
Deferred outflows of resources	117,201,285	75,865,355	54.49 %
Current liabilities	43,783,798	25,933,686	68.83 %
Long-term debt outstanding	152,562,743	100,452,769	51.88 %
Lease liability	2,433,215	0	N/A
SBITA liability	1,568,393	0	N/A
Net OPEB liability	16,069,178	20,943,616	(23.27) %
Net pension liability	531,685,687	376,130,639	41.36 %
Total liabilities	748,103,014	523,460,710	42.91 %
Deferred inflows of resources	20,142,044	97,876,732	(79.42) %
Net position:			
Net investment in capital assets	311,394,764	296,765,109	4.93 %
Restricted	26,338,412	23,698,017	11.14 %
Unrestricted	(281,685,189)	(277,328,486)	(1.57) %
Total net position	\$ 56,047,987	\$ 43,134,640	29.94 %

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)	\$(281,685,189)
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	450,695,624
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$169,010,435</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 \$39,490,607.
- The addition of new debt in the amount of \$65,580,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$408,772,601 and \$357,820,294, respectively. The total cost of all programs and services was \$395,883,634 for 2023 and \$299,993,943 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2023</u>	<u>Year Ended</u> <u>June 30, 2022</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 13,345,091	\$ 9,053,533	47.40 %
Operating grants and contributions	53,722,347	54,055,562	(0.62) %
Capital Grants and Contributions	5,720,110	0	N/A
General revenues:			
Property taxes	119,659,157	111,722,403	7.10 %
Grants and contributions not restricted	209,150,905	184,164,081	13.57 %
Investment earnings	6,377,762	(1,424,728)	547.65 %
Other	797,229	249,443	219.60 %
Total revenues	408,772,601	357,820,294	14.24 %
Expenses:			
Instruction	190,711,361	163,578,680	16.59 %
Support services	121,454,699	110,232,163	10.18 %
Non-instructional	13,656,392	14,727,479	(7.27) %
Pension expense	67,877,993	9,396,791	622.35 %
OPEB expense	(1,414,081)	(437,706)	(223.07) %
Interest on long-term liabilities	3,597,271	2,496,536	44.09 %
Total expenses	395,883,635	299,993,943	31.96 %
Increase (Decrease) in net position	12,888,966	57,826,351	(77.71) %
Net Position, July 1, as previously reported	43,134,640	(14,706,785)	393.30 %
Prior Period Adjustment	24,381	15,074	61.74 %
Net Position, July 1, as restated	43,159,021	(14,691,711)	393.76 %
Net Position, June 30	\$ 56,047,987	\$ 43,134,640	29.94 %

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
	2023	2022	
Instruction	\$ 190,711,361	\$ 163,578,680	16.59 %
Support services	121,454,699	110,232,163	10.18 %
Non-instructional	13,656,392	14,727,479	(7.27) %
Pension Expense	67,877,993	9,396,791	622.35 %
OPEB Expense	(1,414,081)	(437,706)	(223.07) %
Interest on long-term liabilities	3,597,271	2,496,536	44.09 %
Total expenses	\$ 395,883,635	\$ 299,993,943	31.96 %

	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (157,022,750)	\$ (140,739,932)	(11.57) %
Support services	(101,800,935)	(95,656,273)	(6.42) %
Non-instructional	5,788,781	10,966,978	(47.22) %
Pension Expense	(67,877,993)	(9,396,791)	(622.35) %
OPEB Expense	1,414,081	437,706	223.07 %
Interest on long-term liabilities	(3,597,271)	(2,496,536)	(44.09) %
Total net (expense) revenue	\$ (323,096,087)	\$ (236,884,848)	(36.39) %

- Net cost of governmental activities (\$323,096,087 for 2023 and \$236,884,848 for 2022) was financed by general revenue, which is primarily made up of property taxes (\$119,659,157 for 2023 and \$111,722,403 for 2022) and state and federal revenues (\$209,150,905 for 2023 and \$184,164,081 for 2022).
- Investment earnings amounted to \$6,377,762 for 2023 and (\$1,424,728) for 2022.

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 \$254,722,092, an increase of \$61,819,711, which includes a prior period adjustment of (\$12,070) and a decrease in inventory of \$54,340. \$161,071,268 or 63% 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 \$93,647,824 or 37% 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 \$21,972,778 including a prior period adjustment of (\$11,249). The fund balance of Other Governmental

Funds showed a decrease in the amount of \$8,153,985, which includes a prior period adjustment of (\$821) and a decrease in reserve for inventory of \$54,340. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ARP ESSER III Fund	no increase or decrease
2022 Certificate of Participation Fund	\$ 48,000,918

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the District’s total capital assets were \$625,243,296, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and net intangible right to use assets. This amount represents an increase of \$51,593,357 from 2022. Total accumulated depreciation as of June 30, 2023, was \$215,234,753, and total depreciation expense for the year was \$13,640,726, resulting in total net capital assets of \$410,008,543.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Land	\$ 15,672,378	\$ 14,213,972	10.26 %
Construction in Progress	47,038,068	12,048,869	290.39 %
Buildings	283,303,112	286,847,368	(1.24) %
Building improvements	35,962,481	33,726,615	6.63 %
Improvements other than buildings	12,934,064	11,289,404	14.57 %
Mobile equipment	9,278,209	10,707,515	(13.35) %
Furniture and equipment	1,879,559	1,684,193	11.60 %
Leased asset, net	2,422,978	0	N/A
Leased/subscription-based IT assets, net	1,517,694	0	N/A
Total	\$ 410,008,543	\$ 370,517,936	10.66 %

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

Debt Administration. At June 30, 2023, the District had \$156,564,351 in outstanding long-term debt, of which \$14,449,545 is due within one year. The liability for compensated absences increased \$26,463 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage</u> <u>Change</u>
Certificates of participation payable	123,795,800	67,172,000	84.30 %
Three mill notes payable	21,957,000	26,304,000	(16.53) %
Premiums	1,546,307	1,739,596	(11.11)
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	2,263,636	2,237,173	1.18 %
Lease liabilities	2,433,215	0	N/A
Subscription based IT liabilities	1,568,393	0	N/A
Total	<u>\$ 156,564,351</u>	<u>\$ 100,452,769</u>	55.86 %

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

Exhibit A

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$154,522,492
Cash with fiscal agent	1,864,645
Investments	44,842,813
Due from other governments	24,141,735
Accrued interest receivable	338,173
Other receivables, net	56,235
Inventories	260,005
Restricted assets (Note 4)	71,057,119
Non-depreciable capital assets (Note 5)	
Land	15,672,378
Construction in progress	47,038,068
Depreciable capital assets, net of accumulated depreciation (Note 5)	
Buildings	283,303,112
Building improvements	35,962,481
Improvements other than buildings	12,934,064
Mobile Equipment	9,278,209
Furniture and equipment	1,879,559
Leased assets	2,422,978
Subscription IT assets	1,517,694
Total Assets	<u><u>707,091,760</u></u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	111,801,498
Deferred outflow - OPEB (Note 9)	5,399,787
Total Deferred Outflows of Resources	<u><u>117,201,285</u></u>
Liabilities	
Accounts payable and accrued liabilities	42,053,972
Interest payable on long-term liabilities	1,422,673
Other payables	307,153
Long-term liabilities (Due within one year)	
Capital related liabilities (Note 7)	12,168,100
Bond premiums (discounts) (Note 7)	193,289
Non-capital related liabilities (Note 7)	113,182
Lease liabilities (Note 6)	664,757
SBITA liabilities (Note 6)	1,310,217
Net OPEB liability (Note 9)	792,843

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

	Governmental Activities
Long-term liabilities (Due beyond one year)	
Capital related liabilities (Note 7)	136,584,700
Bond premiums (discounts) (Note 7)	1,353,018
Non-capital related liabilities (Note 7)	2,150,454
Lease liabilities (Note 6)	1,768,458
SBITA liabilities (Note 6)	258,176
Net OPEB liability (Note 9)	15,276,335
Net pension liability (Note 8)	531,685,687
Total Liabilities	<u>748,103,014</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	11,692,421
Deferred inflows - OPEB (Note 9)	8,449,623
Total Deferred Inflows of Resources	<u>20,142,044</u>
Net Position	
Net investment in capital assets	311,394,764
Restricted net position	
Expendable	
School-based activities	18,938,118
Debt service	6,185,158
Self insurance	150,727
Unemployment benefits	1,064,409
Unrestricted	<u>(281,685,189)</u>
Total Net Position	<u>\$ 56,047,987</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, 2023

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 190,711,361	9,929,632	23,758,979		(157,022,750)
Support services	121,454,699		13,933,654	5,720,110	(101,800,935)
Non-instructional	13,656,392	3,415,459	16,029,714		5,788,781
Pension expense	67,877,993				(67,877,993)
OPEB expense	(1,414,081)				1,414,081
Interest on long-term liabilities	3,597,271				(3,597,271)
Total Governmental Activities	395,883,635	13,345,091	53,722,347	5,720,110	(323,096,087)
General Revenues					
Taxes					
General purpose levies					
Debt purpose levies					
Unrestricted grants and contributions					
State					
Federal					
Unrestricted investment earnings					
Other					
Total General Revenues					
Changes in Net Position					
Net Position - Beginning, as previously reported					
Prior Period Adjustments (Note 10)					
Net Position - Beginning - as restated					
Net Position - Ending					

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

DESOTO COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2023

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	ARP ESSER III Fund	2022 Cert of Participation Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents (Note 2)	\$ 128,135,750			33,709,678	161,845,428
Cash with fiscal agent (Note 2)	1,864,645		20,237	376,074	2,260,956
Investments (Note 2)	44,842,813		53,694,201	9,643,671	108,180,685
Due from other governments	4,134,626	10,883,593		9,123,516	24,141,735
Accrued interest receivable	107,567		209,100	21,506	338,173
Other receivables, net	54,857			1,378	56,235
Due from other funds (Note 3)	9,080,676			318,916	9,399,592
Inventories				260,005	260,005
Total Assets	188,220,934	10,883,593	53,923,538	53,454,744	306,482,809
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	22,365,690	8,838,414	5,922,620	4,927,248	42,053,972
Due to other funds (Note 3)	51,159	2,045,179		7,303,254	9,399,592
Other payables				307,153	307,153
Total Liabilities	22,416,849	10,883,593	5,922,620	12,537,655	51,760,717
Fund Balances					
Nonspendable					
Inventory				260,005	260,005
Restricted					
Debt service				7,607,831	7,607,831
Capital projects			48,000,918	7,686,018	55,686,936
Self insurance				150,727	150,727
Unemployment benefits				1,064,409	1,064,409
Grant activities				18,678,113	18,678,113
Assigned					
School activities	4,729,817				4,729,817
Facility renovations and improvements				5,469,986	5,469,986
Unassigned	161,074,268			0	161,074,268
Total Fund Balances	165,804,085	0	48,000,918	40,917,089	254,722,092
Total Liabilities and Fund Balances	\$ 188,220,934	10,883,593	53,923,538	53,454,744	306,482,809

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

DESOTO COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 254,722,092
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	15,672,378
Construction in progress	47,038,068
Buildings	424,335,557
Building improvements	54,589,557
Improvement other than buildings	26,945,334
Mobile equipment	36,357,473
Furniture and equipment	16,364,257
Leased assets, net	2,422,978
Subscription based IT assets, net	1,517,694
Accumulated depreciation	<u>(215,234,753)</u>
	410,008,543
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	(531,685,687)
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	111,801,498
Deferred inflows of resources related to pensions	<u>(11,692,421)</u>
	100,109,077
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	(16,069,178)
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	5,399,787
Deferred inflows of resources related to OPEB	<u>(8,449,623)</u>
	(3,049,836)
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	(123,795,800)
Limited tax notes payable	(21,957,000)
Qualified school construction bonds payable	(3,000,000)
Lease obligations	(2,433,215)
Subscription IT Obligations	(1,568,393)
Compensated absences	(2,263,636)
Unamortized premiums	(1,546,307)
Accrued interest payable	<u>(1,422,673)</u>
	<u>(157,987,024)</u>
Total Net Position - Governmental Activities	<u>\$ 56,047,987</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	ARP ESSER III Fund	2022 Cert of Participation Fund		
Revenues					
Local sources	\$ 126,634,204		1,137,910	11,609,896	139,382,010
State sources	208,835,588			2,981,329	211,816,917
Federal sources	315,317	14,220,339		42,240,789	56,776,445
Total Revenues	335,785,109	14,220,339	1,137,910	56,832,014	407,975,372
Expenditures					
Instruction	184,065,870	11,696,231		16,334,025	212,096,126
Support services	106,821,221	2,445,033	645,741	12,655,521	122,567,516
Noninstructional services	805,260			16,140,921	16,946,181
Facilities acquisition and construction	1,907,034	79,075	18,071,251	28,016,548	48,073,908
Debt service					
Principal (Note 6 and Note 7)	1,510,517			13,654,196	15,164,713
Interest	24,798			3,090,365	3,115,163
Other				15,830	15,830
Total Expenditures	295,134,700	14,220,339	18,716,992	89,907,406	417,979,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,650,409	0	(17,579,082)	(33,075,392)	(10,004,065)
Other Financing Sources (Uses)					
Proceeds of loans (Note 7)			65,580,000		65,580,000
Leases issued (Note 6)	2,466,605				2,466,605
SBITAs issued (Note 6)	2,421,492			736,405	3,157,897
Insurance loss recoveries (Note 15)	482,528				482,528
Sale of other property	140,523				140,523
Payment held by bond escrow agent				150,295	150,295
Operating transfers in (Note 3)	1,538,979			27,220,656	28,759,635
Other financing sources	111,545			62,633	174,178
Operating transfers out (Note 3)	(25,716,509)			(3,043,126)	(28,759,635)
Payment to bond escrow agent				(150,295)	(150,295)
Other financing uses	(111,545)				(111,545)
Total Other Financing Sources (Uses)	(18,666,382)	0	65,580,000	24,976,568	71,890,186
Net Change in Fund Balances	21,984,027	0	48,000,918	(8,098,824)	61,886,121
Fund Balances					
July 1, 2022, as previously reported	143,831,307			49,071,074	192,902,381
Prior period adjustments (Note 10)	(11,249)			(821)	(12,070)
July 1, 2022, as restated	143,820,058	0	0	49,070,253	192,890,311
Increase in reserve for inventory				(54,340)	(54,340)
June 30, 2023	\$ 165,804,085	0	48,000,918	40,917,089	254,722,092

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

DESOTO COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2023

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 61,886,121

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 and lease and subscription based assets	54,935,964	
Depreciation and amortization expense	(15,541,847)	39,394,117

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.

(178,580)

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	(65,580,000)	
Lease equipment liability issued	(2,466,605)	
Subscription IT liability issued	(3,157,897)	
Payments of debt principal, leases and SBITAs	15,164,713	
Accrued interest payable	(675,397)	(56,715,186)

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	(67,877,993)	
Contributions made subsequent to the measurement date	34,061,077	(33,816,916)

Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

OPEB expense	1,414,081	
Contributions made subsequent to the measurement date	792,843	2,206,924

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	(26,463)	
Change in inventory reserve	(54,340)	
Amortization of premiums and other charges	193,289	112,486

Changes in Net Position of Governmental Activities	\$ 12,888,966
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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, 2023

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

2022 Cert of Participation Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of certificates of participation.

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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

2. Receivables and payables

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

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

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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 or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

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

The following schedule details the capitalization thresholds:

	<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
Leased property	**	**
Subscription IT asset	***	***

(**) A capitalization threshold amount has not been set for the right to use property asset. Right to use leased property assets will be amortized in a rational and systematic manner over the shorter of the lease term of the useful life of the underlying asset.

(***) A capitalization threshold amount has not been set for the right to use subscription IT assets. Right to use subscription IT assets will be amortized in a rational and systematic manner over the shorter of the subscription term of the useful life of the underlying IT asset.

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

and OPEB reporting.

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

See Note 8, 9 and 16 for further details.

8. Compensated Absences

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

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

9. 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 its estimated incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs.

11. Long-term Liabilities and Bond Discounts/Premiums

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

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

12. 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.

13. 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.

14. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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 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.

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

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.

15. Accounting Standards Update

GASB 96, Subscription-Based Information Technology Arrangements, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, relatability, relevance, and consistency of information about SBITAs.

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$161,845,428.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

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 \$2,260,956.

Investments

As of June 30, 2023, the district had the following investments.

Types of Investments	Credit Rating	Maturities	Fair Value
Money Markey Funds	Aaa	<1	\$ 53,709
US Treasury SLGS	Aaa	1 to 5	2,598,900
US Assets Backed Securities	Aaa	1 to 5	4,163,583
US Assets Backed Securities	Aaa	5 to 10	4,336,722
US Assets Backed Securities	Aaa	>10	5,826,429
Corporate Bonds - Fixed	A3 / Aaa	1 to 5	195,947
Municipal Bonds	A2 / Aaa	<1	253,847
Municipal Bonds	A2 / Aaa	1 to 5	921,240
Municipal Bonds	A2 / Aaa	5 to 10	1,831,176
US Treasury/Agency Securities	Aaa	<1	3,399,617
US Treasury/Agency Securities	Aaa	1 to 5	1,624,781
US Treasury/Agency Securities	Aaa	5 to 10	2,452,267
US Treasury/Agency Securities	Aaa	>10	1,511,096
US Treasury Notes/Bonds	Aaa	<1	31,167,445
US Treasury Notes/Bonds	Aaa	1 to 5	47,843,926
			<u>\$108,180,685</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, 2023: Investments of \$108,180,685 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. If the district has adopted a credit risk policy, then explain such policy.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the

DESOTO COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2023

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, 2023, 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	Major Fund - ARP ESSER III Fund	\$ 2,045,179
	Other Governmental Funds	7,035,497
Other Governmental Funds	General Fund	51,159
	Other Governmental Funds	267,757
Total		<u>\$ 9,399,592</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 25,716,509
Other governmental funds	General Fund	1,538,979
	Other governmental funds	1,504,147
Total		<u>\$ 28,759,635</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent and investment balance, totaling \$ 7,322,936, \$396,311 and \$ 63,337,872, respectively, of the capital project funds and debt service funds which are legally restricted and may not be used for purposes that support the district’s programs.

Note 5 – Capital Assets

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

DESOTO COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2023

	Balance 7/1/2022	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2023
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 14,213,972	\$ 247,421		\$ 1,210,985		\$ 15,672,378
Construction-in-progress	12,048,869	46,497,765		(11,508,566)		47,038,068
Total non-depreciable capital assets	26,262,841	46,745,186	0	(10,297,581)	0	62,710,446
<u>Depreciable capital assets:</u>						
Buildings	419,638,125	1,236,538		3,460,894		424,335,557
Building improvements	50,189,178			4,400,379		54,589,557
Improvements other than buildings	24,273,544	235,482		2,436,308		26,945,334
Mobile equipment	37,116,544	406,407	(1,165,478)			36,357,473
Furniture and equipment	16,169,707	703,974	(510,908)		1,484	16,364,257
Total depreciable capital assets	547,387,098	2,582,401	(1,676,386)	10,297,581	1,484	558,592,178
<u>Less accumulated depreciation for:</u>						
Buildings	132,790,757	8,241,688				141,032,445
Building improvements	16,462,563	2,164,513				18,627,076
Improvements other than buildings	12,984,140	1,027,130				14,011,270
Mobile equipment	26,409,029	1,672,938	(992,007)		(10,696)	27,079,264
Furniture and equipment	14,485,514	534,457	(505,799)		(29,474)	14,484,698
Total accumulated depreciation	203,132,003	13,640,726	(1,497,806)	0	(40,170)	215,234,753
Total depreciable capital assets, net	344,255,095	(11,058,325)	(178,580)	10,297,581	41,654	343,357,425
Governmental activities capital assets, net	\$ 370,517,936	\$ 35,686,861	\$ (178,580)	\$ 0	\$ 41,654	\$ 406,067,871

Leased equipment and subscription based IT assets, net (Note 6) 3,940,672

Total capital assets, net, as reported in the statement of net position \$410,008,543

Depreciation expense was charged to the following governmental functions:

	Amount
<u>Governmental activities:</u>	
Instruction	\$ 83,604
Support services	13,415,859
Non-instructional	141,263
Total depreciation expense - Governmental activities	<u>\$ 13,640,726</u>

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

<u>Governmental Activities:</u>	<u>Spent to June 30, 2023</u>	<u>Remaining Commitment</u>
SIS Reroof	1,807,820	100,772
WES Reroof	482,263	44,466
CHES Reroof Project	1,254,453	155,514
OBM Reroof	1,464,704	300,460
New HHS Campus Buildings	24,667,984	64,432,085
DCM Classroom Addition	3,672,433	83,134

DESOTO COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2023

DCM Café Expansion	1,209,911	25,393
CHE Partial HVAC Replacement	742,840	61,004
HMS Partial HVAC Replacement	553,587	220,272
HES Partial HVAC Replacement	208,668	127,365
LES Full HVAC Replacement	1,179,464	92,690
DCM Partial HVAC Replacement	601,287	240,073
DCHS Partial HVAC Replacement	1,231,261	99,353
SIS Partial HVAC Replacement	161,337	175,405
GES Full HVAC Replacement	520,304	63,267
CHHS Partial HVAC Replacement	2,061,492	75,635
OBHS HVAC Replacement	99,461	430,573
DCP 10 Classroom Addition	1,630,820	1,997,794
LHS FB Turf Field	937,486	443,710
SHS FB Turf Field	1,547,706	95,241
Transport Addition Office	176,327	657,123
LHS Band Hall Addition	660,304	985,916
CHHS Classroom Addition	92,800	2,902,598
SMS Canopies/Improvements	*	0
OGC Reroof	*	0
OBMS Surveillance	*	0
CHHS Surveillance	*	0
C/S Wiring Upgrade	*	0
OBM Restroom Renovation	*	0
HLHS Athletic Field Erosion	*	0
SES SPED Playground	*	0
LIS SPED Playground	*	0
	<u>\$ 47,038,068</u>	<u>\$ 73,809,843</u>

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

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

Note 6 – Intangible Right-to-Use Leases and Subscription Based IT Assets

A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

	Balance 7/1/2022	Additions	Adjustments	Deductions	Balance 6/30/2023
Lease assets:					
Furniture and equipment		2,466,605	287,452		2,754,057
Total lease assets	0	2,466,605	287,452	0	2,754,057
Less accumulated amortization:					
Lease assets:					
Furniture and equipment		277,043	54,036		331,079
Total accumulated amortization	0	277,043	54,036	0	331,079
Total lease assets, net	0	2,189,562	233,416	0	2,422,978
Subscription IT assets		3,141,772			3,141,772
Less accumulated amortization		1,624,078			1,624,078
Subscription IT assets, net	0	1,517,694	0	0	1,517,694
Total lease and subscription IT assets, net	\$ 0	\$ 3,707,256	\$ 233,416	\$ 0	\$ 3,940,672

Adjustments are for correcting lease assets balance as of 7/01/2022.

A summary of lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Adjustments	Deductions	Balance 6/30/2023	Amounts due within one year
Lease liabilities		2,466,605	238,619	272,009	2,433,215	664,757
Subscription IT liabilities		3,157,897		1,589,504	1,568,393	1,310,217
Total	0	5,624,502	238,619	1,861,513	4,001,608	1,974,974

Adjustments are for correcting lease liabilities balance as of 7/01/2022.

Leases

The school district is a lessee for various noncancellable leases of equipment. 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.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain a similar financed purchase at the date of lease inception.

The lease term includes the noncancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

As Lessee:

The district has contracts for multiple leased assets such as postage machines, printers and Loomis safes ranging from a lease term of 4 to 5 years. The lease agreements can only be cancelled if both parties agree. There are no options to extend the lease agreements and no variable payment options.

For purposes of this note disclosure, leased equipment assets and liabilities are grouped into one category.

Description	Discount Rate	Term	Issue Date	Maturity Date	Monthly Payment	Amount Outstanding
Postage machines, printers & Loomis safes	0.478% - 3.269%	4 - 5 years	7/1/2021	2/28/2028	<u>\$ 60,830</u>	<u>2,433,215</u>

The following is a schedule by years of the total payments due on the leased equipment assets:

Year Ending June 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 664,757	\$ 65,925	\$ 730,682
2025	684,735	45,947	730,682
2026	650,724	25,403	676,127
2027	432,741	5,329	438,070
2028	258	2	260
	<u>\$ 2,433,215</u>	<u>\$ 142,606</u>	<u>\$ 2,575,821</u>

Subscription Based IT Arrangements (SBITA)

The school district has contracts for multiple subscription-based IT arrangements for items such as software, user seats and various site licenses. For contracts that have a maximum possible term of 12 months or less at commencement, the school district recognizes expenses based on the provisions of the contract. For all other contracts, other than short term, the school district recognizes subscription liability and a right to use subscription asset.

At commencement, the school district initially measures the liability at the present value of payments expected during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalized implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

The school district generally uses its estimated incremental borrowing rate as the discount rate unless the rate that the vendor charges is known. The estimated incremental borrowing rate is the rate the district would be charged for borrowing the subscription payment amount during the subscription term.

The subscription term includes the noncancellable period of the contract plus any additional periods covered by either a school district or vendor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Description	Discount Rate	Term	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Subscription-based IT liabilities	1.71% - 3.1%	1 - 3 years	7/1/2022	6/30/2026	<u>\$ 3,157,897</u>	<u>1,568,393</u>

Year Ending

June 30	Principal Payments	Interest Payments	Total
2024	\$ 1,310,217	\$ 32,873	\$ 1,343,090
2025	237,747	6,181	243,928
2026	20,429	188	20,617
	<u>\$ 1,568,393</u>	<u>\$ 32,242</u>	<u>\$ 1,607,635</u>

Note 7 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. Certificates of participation payable	67,172,000	65,580,000	8,956,200	123,795,800	7,737,100
B. Three mill notes payable	26,304,000		4,347,000	21,957,000	4,431,000
Premiums	1,739,596		193,289	1,546,307	193,289
C. Qualified school construction bonds payable	3,000,000			3,000,000	0
D. Compensated absences payable	2,237,173	26,463		2,263,636	113,182
Total	<u>\$ 100,452,769</u>	<u>\$ 65,606,463</u>	<u>\$ 13,496,489</u>	<u>\$ 152,562,743</u>	<u>\$ 12,474,571</u>

A. Certificates of participation payable

As more fully explained in Note 13, 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	\$ 26,517,800
2. Certificates of Participation, 2019B	2.2	10/7/2019	6/30/2034	28,714,000	26,446,000
3. Certificates of Participation, 2021	1.9	7/8/2021	4/1/2036	12,880,000	11,311,000
4. Certificates of Participation, 2022	3.72	12/20/2022	4/1/2034	65,580,000	59,521,000
Total				<u>\$ 134,962,000</u>	<u>\$ 123,795,800</u>

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

1. Certificates of participation issue of 2019A:

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For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
2024	\$ 748,100	\$ 697,418	\$ 1,445,518
2025	1,038,600	677,742	1,716,342
2026	1,342,200	650,427	1,992,627
2027	1,659,300	615,130	2,274,430
2028	1,990,300	571,490	2,561,790
2029 – 2033	15,441,200	4,638,536	20,079,736
2034	4,298,100	113,040	4,411,140
Total	<u>\$ 26,517,800</u>	<u>\$ 7,963,783</u>	<u>\$ 34,481,583</u>

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

2. Certificates of participation issue of 2019B:

Year Ending June 30	Principal	Interest	Total
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	2,253,000	410,190	2,663,190
2029 – 2033	13,294,000	1,249,138	14,543,138
2034	3,098,000	68,156	3,166,156
Total	<u>\$ 26,446,000</u>	<u>\$ 3,810,136</u>	<u>\$ 30,256,136</u>

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

The Certificates of Participation, 2019A and Certificates of Participation, 2019B are partially secured by an irremovable pledge of its Education Enhancement Funds for buildings and buses (the EEF Funds) as allowed by Section 37-61-33 of the Mississippi Code of 1972, with an annual allotment of \$1,060,532 through fiscal year 2024.

3. Certificates of participation issue of 2021:

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Year Ending June 30	Principal	Interest	Total
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	835,000	157,664	992,664
2029 – 2033	4,425,000	538,932	4,963,932
2034 – 2036	2,867,000	111,958	2,978,958
Total	\$ 11,311,000	\$ 1,595,126	\$ 12,906,126

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

4. Certificates of participation issue of 2022:

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,439,000	\$ 2,253,244	\$ 6,692,244
2025	4,629,000	2,063,255	6,692,255
2026	4,816,000	1,876,706	6,692,706
2027	5,001,000	1,690,809	6,691,809
2028	5,189,000	1,503,272	6,692,272
2029 – 2033	28,992,000	4,468,514	33,460,514
2034	6,455,000	236,898	6,691,898
Total	\$ 59,521,000	\$ 14,092,698	\$ 73,613,698

This debt will be retired from the 2022 Cert of Participation Fund (Debt Service Fund).

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 7,737,100	\$ 3,751,907	\$ 11,489,007
2025	8,345,600	3,488,152	11,833,752
2026	8,969,200	3,217,421	12,186,621
2027	9,606,300	2,936,475	12,542,775
2028	10,267,300	2,642,616	12,909,916
2029 – 2033	62,152,200	10,895,120	73,047,320
2034 – 2036	16,718,100	530,052	17,248,152
Total	\$ 123,795,800	\$ 27,461,743	\$ 151,257,543

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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 note refunding notes, 2015	2.0-3.0	9/15/2015	6/30/2027	\$ 8,515,000	\$ 5,410,000
2. Limited tax note refunding notes, 2020	1.48	4/2/2020	6/30/2025	10,849,000	5,597,000
3. Limited tax note refunding notes, 2021A	3.0-5.0	9/17/2021	9/17/2030	13,100,000	10,950,000
Total				<u>\$ 32,464,000</u>	<u>\$ 21,957,000</u>

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

1. Limited tax notes payable issue of 2015:

Year Ending June 30	Principal	Interest	Total
2024	\$ 610,000	\$ 162,300	\$ 772,300
2025	625,000	144,000	769,000
2026	3,630,000	125,250	3,755,250
2027	545,000	16,350	561,350
Total	<u>\$ 5,410,000</u>	<u>\$ 447,900</u>	<u>\$ 5,857,900</u>

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

2. Limited tax notes payable issue of 2020:

Year Ending June 30	Principal	Interest	Total
2024	\$ 2,746,000	\$ 82,834	\$ 2,828,834
2025	2,851,000	42,196	2,893,196
Total	<u>\$ 5,597,000</u>	<u>\$ 125,030</u>	<u>\$ 5,722,030</u>

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

3. Limited tax notes payable issue of 2021A:

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Year Ending June 30	Principal	Interest	Total
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	1,415,000	208,750	1,623,750
2029 – 2031	4,600,000	278,700	4,878,700
Total	\$ 10,950,000	\$ 1,961,450	\$ 12,911,450

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

Total limited tax notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2024	\$ 4,431,000	\$ 700,634	\$ 5,131,634
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	1,415,000	208,750	1,623,750
2029 – 2031	4,600,000	278,700	4,878,700
Total	\$ 21,957,000	\$ 2,534,380	\$ 24,491,380

C. Qualified school construction bonds payable

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.44	12/22/2009	9/15/2024	\$ 3,000,000	\$ 3,000,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$	\$ 13,200	\$ 13,200
2025	3,000,000	13,200	3,013,200
Total	\$ 3,000,000	\$ 26,400	\$ 3,026,400

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

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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) 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, 2023 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, 2023, 2022 and 2021 were \$34,061,077, \$30,941,609 and \$29,441,240, 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, 2023, the school district reported a liability of \$531,685,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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

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to calculate the June 30, 2023 net pension liability was 2.583050 percent, which was based on a measurement date of June 30, 2022. This was an increase of .038263 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$67,877,993. At June 30, 2023 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	\$ 9,051,581	\$ 3,307,239
Net difference between projected and actual earnings on pension plan investments	22,341,378	
Changes of assumptions	22,416,573	8,385,182
Changes in proportion and differences between District contributions and proportionate share of contributions	23,930,889	
District contributions subsequent to the measurement date	34,061,077	
Total	\$ 111,801,498	\$ 11,692,421

\$34,061,077 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, 2024. 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:	
2024	\$ 20,036,213
2025	20,036,213
2026	20,390,228
2027	5,585,346

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. 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.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
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	\$ 693,904,120	\$ 531,685,687	\$ 397,944,838

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

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance 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 \$792,843 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$16,069,178 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the District's proportion was 3.26155863 percent. This was an increase of .00783762 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$1,414,081). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,307	\$ 6,961,830
Changes of assumptions	2,506,247	1,487,793
Net difference between projected and actual earnings on OPEB plan investments	1,109	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,086,281	
District contributions subsequent to the measurement date	792,843	
Total	\$ 5,399,787	\$ 8,449,623

\$792,843 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, 2024. 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:

2024	\$ (720,585)
2025	(637,459)
2026	(901,680)
2027	(805,215)
2028	(555,508)
Thereafter	(222,232)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%

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Health Care Cost Trends

Medicare Supplement Claims
Pre-Medicare

7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2029 FYE

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, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. 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, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 17,702,175	\$ 16,069,178	\$ 14,666,446

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	\$ 14,951,213	\$ 16,069,178	\$ 17,327,291

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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 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Error correction - recording prior year asset or liability	\$ (12,070)
2. Error correction - restatement of prior year capital assets, net	41,654
3. Restatement of lease liability pertaining to leased asset	(5,203)
Total	<u>\$ 24,381</u>

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

Fund	Explanation	Amount
General Fund	Error correction - recording prior year asset or liability	\$ (11,249)
Other governmental funds	Error correction - recording prior year asset or liability	(821)
Total		<u>\$ (12,070)</u>

Note 11 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

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

Participation in Self-Insurance Trust

The school district established a self-insurance trust in July 2004 which pays the first \$50,000 of property and liability claims against the school district. An initial \$150,000 was deposited into the trust account and is evaluated each year for

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the proper amount to be replenished. Additional funds in the amount of \$149,975 were transferred into the fund during the fiscal year ended June 30, 2023. The district had year-end liabilities in the amount of \$35,413 and cash on hand in the trust account amounted to \$186,105. 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 13 – 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.

Another trust agreement dated December 20, 2022, 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 \$65,580,000. Approximately \$64,980,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$600,000 was used to pay the cost of issuance.

The projects are loaned to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The agreements transfer ownership of the projects 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 projects will have sufficient value to satisfy the certificates in the event the school district defaults; 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.

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For Year Ended June 30, 2023

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

Note 14 – 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, 2023 was \$2,652,609. 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
2024	\$ 200,000
2025	200,000
Total	\$ 400,000

Note 15 - Insurance loss recoveries

The DeSoto County School District received \$482,528 in insurance loss recoveries related to bus damage and sprinkler leak damage during the 2022-2023 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenues.

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$281,685,189) 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 \$34,061,077 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, 2024. The \$77,740,421 balance of deferred outflow of resources related to pensions, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$281,685,189) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$11,692,421 balance of deferred inflow of resources related to pensions, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$281,685,189) includes the effect of deferring the recognition of expenses resulting

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$792,843 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$4,606,944 balance of deferred outflow of resources related to OPEB, at June 30, 2023 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$281,685,189) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$8,449,623 balance of deferred inflow of resources related to OPEB, at June 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 17 – In Lieu Tax Agreements

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.

On May 18, 2023, the DeSoto County Board of Supervisors, Mississippi Development Authority and Wildflower Solar, LLC 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 2033 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 March 22, 2023, 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 2033 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 2022-2023 fiscal year the DeSoto County School District received \$4,827,184 in lieu of ad valorem taxes.

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2023

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the DeSoto County School District evaluated the activity of the district through March 15, 2024, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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DESOTO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$112,246,714	114,451,020	126,634,204	2,204,306	12,183,184
State sources	200,779,696	200,799,696	208,835,588	20,000	8,035,892
Federal sources	265,000	265,000	315,317	0	50,317
Total Revenues	<u>313,291,410</u>	<u>315,515,716</u>	<u>335,785,109</u>	<u>2,224,306</u>	<u>20,269,393</u>
Expenditures					
Instruction	186,573,076	190,005,496	184,065,870	(3,432,420)	5,939,626
Support services	115,514,543	115,753,441	106,821,221	(238,898)	8,932,220
Noninstructional services	746,079	912,982	805,260	(166,903)	107,722
Facilities acquisition and construction	0	0	1,907,034	0	(1,907,034)
Debt service					
Principal	0	0	1,510,517	0	(1,510,517)
Interest	0	0	24,798	0	(24,798)
Total Expenditures	<u>302,833,698</u>	<u>306,671,919</u>	<u>295,134,700</u>	<u>(3,838,221)</u>	<u>11,537,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,457,712</u>	<u>8,843,797</u>	<u>40,650,409</u>	<u>(1,613,915)</u>	<u>31,806,612</u>
Other Financing Sources (Uses)					
Leased Issued	0	0	2,466,605	0	2,466,605
SBITAs Issued	0	0	2,421,492	0	2,421,492
Insurance loss recoveries	0	482,528	482,528	482,528	0
Sale of other property	0	140,523	140,523	140,523	0
Operating transfers in	53,565,632	53,859,150	1,538,979	293,518	(52,320,171)
Other financing sources	0	111,545	111,545	111,545	0
Operating transfers out	(69,577,952)	(77,876,234)	(25,716,509)	(8,298,282)	52,159,725
Other financing uses	0	(111,545)	(111,545)	(111,545)	0
Total Other Financing Sources (Uses)	<u>(16,012,320)</u>	<u>(23,394,033)</u>	<u>(18,666,382)</u>	<u>(7,381,713)</u>	<u>4,727,651</u>
Net Change in Fund Balances			<u>21,984,027</u>		
Fund Balances					
July 1, 2022, as previously reported			143,831,307		
Prior period adjustments			(11,249)		
July 1, 2022, as restated			<u>143,820,058</u>		
June 30, 2023			<u>\$ 165,804,085</u>		

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

DESOTO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - ARP ESSER III Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 34,093,963	33,063,815	14,220,339	(1,030,148)	(18,843,476)
Total Revenues	<u>34,093,963</u>	<u>33,063,815</u>	<u>14,220,339</u>	<u>(1,030,148)</u>	<u>(18,843,476)</u>
Expenditures					
Instruction	28,546,158	28,182,204	11,696,231	363,954	16,485,973
Support services	3,950,430	4,401,463	2,445,033	(451,033)	1,956,430
Facilities acquisition and construction	1,497,375	479,648	79,075	1,017,727	400,573
Total Expenditures	<u>33,993,963</u>	<u>33,063,315</u>	<u>14,220,339</u>	<u>930,648</u>	<u>18,842,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>100,000</u>	<u>500</u>	<u>0</u>	<u>(99,500)</u>	<u>(500)</u>
Other Financing Sources (Uses)					
Operating transfers out	(100,000)	(500)	0	99,500	500
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(500)</u>	<u>0</u>	<u>99,500</u>	<u>500</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2022			<u>0</u>		
June 30, 2023			\$ <u><u>0</u></u>		

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

DESOTO COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	2.583050%	2.544787%	2.518444%	2.430845%
District's proportionate share of the net pension liability	\$ 531,685,687	376,130,639	487,541,494	427,633,596
District's covered payroll	\$ 177,825,339	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	298.99%	222.30%	290.73%	270.12%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 34,061,077	30,941,609	29,441,240	29,179,304
Contributions in relation to the contractually required contribution	\$ 34,061,077	30,941,609	29,441,240	29,179,304
Contribution deficiency (excess)	<u># 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	195,753,316	177,825,339	169,202,529	167,697,149
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
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 *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	3.26155863%	3.25372101%	3.05133687%	2.96255370%	2.86517770%	2.76207340%
District's proportionate share of the net OPEB liability	\$ 16,069,178	20,943,616	23,745,748	25,138,483	22,163,582	21,671,476
Covered employee payroll	\$ 177,825,339	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	9.04%	12.38%	14.16%	15.88%	14.59%	14.45%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 792,843	654,855	841,798	946,977	1,007,628	923,887
Contributions in relation to the actuarially determined contribution	\$ 792,843	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>	<u>0</u>
Covered employee payroll	\$ 195,753,316	177,825,339	169,202,529	167,697,149	158,314,698	151,922,984
Contributions as a percentage of covered employee payroll	0.41%	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, 2023

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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

2019:

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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%.

(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, 2020 valuation for the June 30, 2022 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	27.7 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.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

2018: None

2019: None

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

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.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

- (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, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

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	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

SUPPLEMENTARY INFORMATION

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DESOTO SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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:			
School breakfast program	10.553	235MS326N1099	\$ 3,767,530
National school lunch program	10.555	235MS326N1099	14,820,588
Total child nutrition cluster			<u>18,588,118</u>
Total passed-through Mississippi Department of Education			<u>18,588,118</u>
Total U.S. Department of Agriculture			<u>18,588,118</u>
<u>U.S. Department of Defense</u>			
Direct program:			
Reserve officers' training corps	12.xxx	N/A	246,443
Total U.S. Department of Defense			<u>246,443</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010A	S010A220024	6,386,267
Title I - program for neglected and delinquent children	84.013A	S010A220024	122,506
Career and technical education - basic grants to states	84.048A	V048A220024	271,629
English language acquisition grants	84.365A	S365A220024	262,455
Supporting effective instruction - state grants	84.367A	S367A220023	1,158,915
Student support and academic enrichment program	84.424A	S424A220025	352,465
Total			<u>8,554,237</u>
Education stabilization funds:			
COVID-19 - Education stabilization fund (ESSER) I	84.425D	S425D200031	76,203
COVID-19 - Education stabilization fund (ESSER) II	84.425D	S425D210031	7,283,232
COVID-19 - ESSER I - Healthy Schools	84.425D	S425D200031	6,578
COVID-19 - CTE ESSER Grant	84.425D	S425D200031	3,299
COVID-19 - Education stabilization fund (ESSER) ARP III	84.425U	S425U210031	14,220,339
COVID-19 - ESSER II - Healthy Schools	84.425D	S425D210031	106,999
COVID-19 - High quality instructional materials (ESSER) APR III	84.425U	S425U210031	2,122,764
Total education stabilization funds			<u>23,819,415</u>
Special education cluster:			
Special education - grants to states	84.027A	H027A220108	7,614,049
COVID-19 - Special education - grants to states ARP	84.027X	H027X210108	172,633
Total special education - grants to states			<u>7,786,682</u>
Special education - preschool grants	84.173A	H173A220113	272,941
Total special education cluster			<u>8,059,623</u>
Total passed-through Mississippi Department of Education			<u>40,433,275</u>
Total U.S. Department of Education			<u>40,433,275</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	2305MS5ADM	98,464
Total Medicaid cluster			<u>98,464</u>
Total passed-through Mississippi Department of Education			<u>98,464</u>
Total U.S. Department of Health and Human Services			<u>98,464</u>

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

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social security disability insurance	96.001	04-19-04MSD100	<u>2,478</u>
Total passed-through the Mississippi Department of Rehabilitation Services			<u>2,478</u>
Total U.S. Department of Social Security Administration			<u>2,478</u>
Total for All Federal Awards			<u>\$ 59,368,778</u>

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

DESOTO COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2023

(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, 2023. 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 \$1,459,203 are included in the national school lunch program.

DESOTO COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2023

<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	\$265,857,335	213,405,782	10,897,729	14,986,342	26,567,482
Other	<u>152,122,102</u>	<u>34,756,601</u>	<u>2,185,184</u>	<u>283,476</u>	<u>114,896,841</u>
Total	<u>417,979,437</u>	<u>248,162,383</u>	<u>13,082,913</u>	<u>15,269,818</u>	<u>141,464,323</u>
 Total number of students	 <u>34,724</u>				
 Cost per student	 <u>\$ 12,038</u>	 <u>7,147</u>	 <u>377</u>	 <u>440</u>	 <u>4,074</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.

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

	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 126,634,204	112,099,388	100,040,646	92,801,184
State sources	208,835,588	183,461,483	174,521,819	172,933,264
Federal sources	315,317	702,599	682,928	548,916
Total Revenues	<u>335,785,109</u>	<u>296,263,470</u>	<u>275,245,393</u>	<u>266,283,364</u>
Expenditures				
Instruction	184,065,870	166,342,509	163,528,452	158,615,392
Support services	106,821,221	92,833,908	87,188,417	85,678,566
Noninstructional services	805,260	893,981	477,411	1,599,521
Facilities acquisition and construction	1,907,034	492,700	253,007	7,671
Debt service				
Principal	1,510,517	0	0	0
Interest	24,798	0	0	0
Total Expenditures	<u>295,134,700</u>	<u>260,563,098</u>	<u>251,447,287</u>	<u>245,901,150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,650,409</u>	<u>35,700,372</u>	<u>23,798,106</u>	<u>20,382,214</u>
Other Financing Sources (Uses)				
Leased issued	2,466,605	0	0	0
SBITAs issued	2,421,492	0	0	0
Insurance loss recoveries	482,528	78,600	222,392	477,410
Sale of transportation equipment	0	0	0	33,108
Sale of other property	140,523	170,843	95,084	1,678
Operating transfers in	1,538,979	2,313,216	1,337,716	325,924
Other financing sources	111,545	113,680	90,532	0
Operating transfers out	(25,716,509)	(13,467,047)	(12,120,775)	(8,243,408)
Other financing uses	(111,545)	(119,321)	(91,007)	(6,644)
Total Other Financing Sources (Uses)	<u>(18,666,382)</u>	<u>(10,910,029)</u>	<u>(10,466,058)</u>	<u>(7,411,932)</u>
Net Change in Fund Balances	<u>21,984,027</u>	<u>24,790,343</u>	<u>13,332,048</u>	<u>12,970,282</u>
Fund Balances:				
Beginning of period, as previously reported	143,831,307	119,040,964	105,708,916	92,317,527
Prior period adjustments	(11,249)	0	0	421,107
Beginning of period, as restated	<u>143,820,058</u>	<u>119,040,964</u>	<u>105,708,916</u>	<u>92,738,634</u>
End of period	<u>\$ 165,804,085</u>	<u>143,831,307</u>	<u>119,040,964</u>	<u>105,708,916</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

	2023	2022*	2021*	2020*
Revenues				
Local sources	\$ 139,382,010	119,351,205	112,155,686	113,850,156
State sources	211,816,917	186,824,870	179,800,426	178,451,860
Federal sources	56,776,445	51,394,776	52,262,833	25,246,898
Total Revenues	<u>407,975,372</u>	<u>357,570,851</u>	<u>344,218,945</u>	<u>317,548,914</u>
Expenditures				
Instruction	212,096,126	182,334,716	197,314,395	172,520,217
Support services	122,567,516	110,228,147	99,068,692	96,878,944
Noninstructional services	16,946,181	17,629,009	14,205,201	15,895,545
Facilities acquisition and construction	48,073,908	16,012,180	32,221,766	17,182,986
Debt service				
Principal	15,164,713	12,633,000	22,317,000	30,295,000
Interest	3,115,163	2,370,242	2,344,254	2,554,491
Other	15,830	14,015	17,345	132,740
Total Expenditures	<u>417,979,437</u>	<u>341,221,309</u>	<u>367,488,653</u>	<u>335,459,923</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,004,065)</u>	<u>16,349,542</u>	<u>(23,269,708)</u>	<u>(17,911,009)</u>
Other Financing Sources (Uses)				
Proceeds of refunding bonds	0	0	0	10,849,000
Proceeds of loans	65,580,000	30,030,000	0	56,502,000
Bond premium on debt	0	1,932,885	0	0
Leases issued	2,466,605	0	0	0
SBITAs issued	3,157,897	0	0	0
Insurance loss recoveries	482,528	78,600	222,392	477,410
Sale of transportation equipment	0	0	0	33,108
Sale of other property	140,523	170,843	95,084	1,678
Operating transfers in	28,759,635	17,255,746	14,872,489	11,186,000
Other financing sources	174,178	162,536	90,532	0
Payment held by bond escrow agent	150,295	127,135	152,329	159,693
Operating transfers out	(28,759,635)	(17,255,746)	(14,872,489)	(11,186,000)
Payment to bond escrow agent	(150,295)	(127,135)	(152,329)	(159,693)
Other financing uses	(111,545)	(119,321)	(91,583)	(6,644)
Total Other Financing Sources (Uses)	<u>71,890,186</u>	<u>32,255,543</u>	<u>316,425</u>	<u>67,856,552</u>
Net Change in Fund Balances	<u>61,886,121</u>	<u>48,605,085</u>	<u>(22,953,283)</u>	<u>49,945,543</u>
Fund Balances:				
Beginning of period, as previously reported	192,902,381	144,332,892	167,723,342	116,897,919
Prior period adjustments	(12,070)	0	(5,355)	421,107
Beginning of period, as restated	<u>192,890,311</u>	<u>144,332,892</u>	<u>167,717,987</u>	<u>117,319,026</u>
Increase (Decrease) in reserve for inventory	<u>(54,340)</u>	<u>(35,596)</u>	<u>(431,812)</u>	<u>458,773</u>
End of period	<u>\$ 254,722,092</u>	<u>192,902,381</u>	<u>144,332,892</u>	<u>167,723,342</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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, 2023, 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 15, 2024.

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.

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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.

St. Clair CPA, PLLC

St. Clair CPA, PLLC
Carriere, MS
March 15, 2024

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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, 2023. 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, 2023.

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.

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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

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.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

March 15, 2024

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

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ST. CLAIR CPA, PLLC
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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
DeSoto County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2023, which collectively comprise DeSoto County School District's basic financial statements and have issued my report thereon dated March 15, 2024. 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.

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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. However, this report is a matter of public record and its distribution is not limited.

St. Clair CPA, PLLC

St. Clair CPA, PLLC

Carriere, MS

March 15, 2024

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, 2023

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|-------------------------------------------------------------------------------------------------------|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 5. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Federal program identified as major program: | |

Assistance Listing

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.027X & 84.173A	Special Education Cluster
84.425D	COVID-19 – Education Stabilization Fund (ESSER) I
84.425D	COVID-19 – Education Stabilization Fund (ESSER) II
84.425D	COVID-19 – ESSER I - Healthy Schools
84.425D	COVID-19 – CTE ESSER grant
84.425U	COVID-19 – Education Stabilization Fund (ESSER) ARP III
84.425D	COVID-19 – ESSER II – Healthy Schools
84.425U	COVID-19 – High quality instructional materials (ESSER) ARP III

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,781,063 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 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). | Yes |

Section II: Financial Statement Findings

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

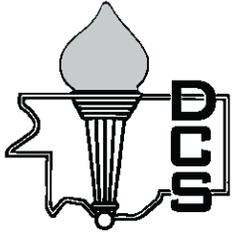
Section III: Federal Award Findings and Questioned Costs

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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DESOTO COUNTY SCHOOLS

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"EXCELLENCE IS A COMMITMENT"

Summary Schedule of Prior Audit Findings

As required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the DeSoto County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2023.

Finding	Status
2022 – 001	Corrected

Sincerely,

A handwritten signature in cursive script that reads "Stacey H. Graves".

Stacey H. Graves. Chief Financial Officer

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