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**DeSoto County School District**  
Audited Financial Statements  
June 30, 2009

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**DeSoto County School District  
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## FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
DeSoto County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2009, which collectively comprise the DeSoto County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeSoto County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, on our consideration of the DeSoto County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 54 through 56 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and

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express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeSoto County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, P.C.  
January 8, 2010

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**DESOTO COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

The discussion and analysis of DeSoto County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### **FINANCIAL HIGHLIGHTS**

- Total net assets for 2009 increased \$17,363,844, including a prior period adjustment of \$35,992, which represents a 9% increase from fiscal year 2008.
- General revenues amounted to \$207,227,883 and \$201,230,114, or 87% and 87% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$31,918,507, or 13% of total revenues for 2009, and \$30,539,829, or 13% of total revenues for 2008.
- The District had \$221,746,554 and \$204,783,583 in expenses for fiscal years 2009 and 2008; only \$31,918,507 for 2009 and \$30,539,829 for 2008 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$207,227,883 for 2009 and \$201,230,114 for 2008 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$194,262,136 in revenues and \$176,014,057 in expenditures for 2009, and \$189,182,303 in revenues and \$170,171,439 in expenditures in 2008. The General Fund's fund balance increased by \$10,994,580 from 2008 to 2009, and increased by \$8,561,260 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$41,912,706 for 2009 and increased by \$2,246,203 for 2008. The increase for 2009 was mainly due to additions to land, construction in progress, building improvements, improvements other than buildings, mobile equipment and furniture and equipment.
- Long-term debt increased by \$47,020,000 for 2009 and decreased by \$12,275,000 for 2008. The increase for 2009 was due to issuances of general obligation bonds in the amount of \$40,000,000, certificates of participation payable in the amount of \$10,000,000 and three mill notes payable in the amount of \$8,470,000. In addition, the liability for compensated absences increased by \$39,464 for 2009 and increased by \$62,604 for 2008.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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, sixteenth section and interest on long-term liabilities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund.

Additionally, a schedule of expenditures of federal awards as required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$205,844,740 as of June 30, 2009.

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 assets at June 30, 2009 and June 30, 2008.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Current assets	\$ 110,157,638	88,247,851	25%
Non-current assets	891,818	790,716	13%
Capital assets, net	<u>320,200,910</u>	<u>278,288,204</u>	15%
<b>Total assets</b>	<u>431,250,366</u>	<u>367,326,771</u>	17%
Current liabilities	10,828,242	12,180,437	(11)%
Long-term debt	<u>214,577,384</u>	<u>166,665,438</u>	29%
<b>Total liabilities</b>	<u>225,405,626</u>	<u>178,845,875</u>	26%
Net assets:			
Invested in capital assets, net of related debt	107,728,252	113,586,926	(5)%
Restricted	31,510,928	19,314,143	63%
Unrestricted	<u>66,605,560</u>	<u>55,579,827</u>	20%
<b>Total net assets</b>	<u>\$ 205,844,740</u>	<u>188,480,896</u>	9%

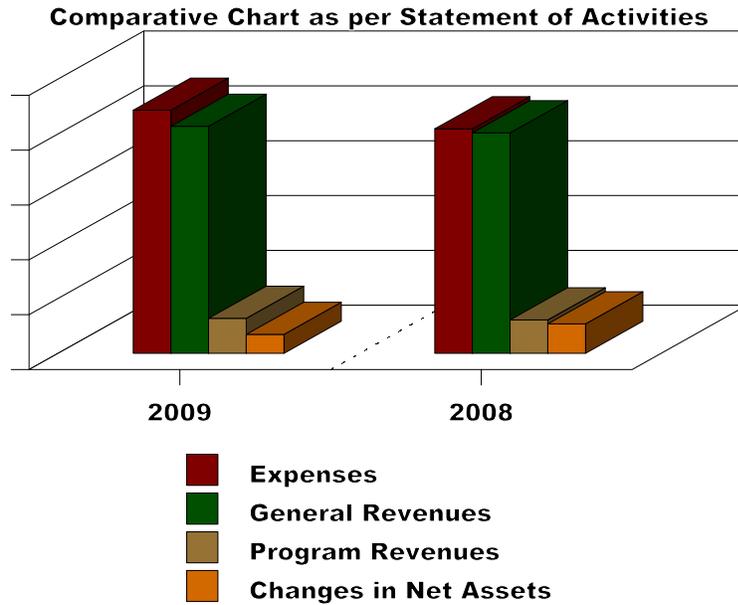
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Capital assets increased from the previous fiscal year due to additions to land, construction in progress, building improvements, improvements other than buildings, mobile equipment and furniture and equipment.
- Long-term debt increased from the previous fiscal year due to issuances of general obligation bonds in the amount of \$40,000,000, certificates of participation payable in the amount of \$10,000,000 and three mill notes payable in the amount of \$8,470,000.
- Invested in capital assets, net of related debt, decreased by \$5,858,674 from the previous year due to the increase in long-term debt.
- Restricted net assets increased from the previous fiscal year due to an increase in amounts restricted for school based activities, debt service, capital projects and unemployment benefits.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$239,146,390 and \$231,769,943, respectively. The total cost of all programs and services was \$221,746,554 for 2009 and \$204,783,583 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>% Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 11,694,096	10,632,321	10%
Operating grants and contributions	19,409,076	19,061,096	2%
Capital grants and contributions	<u>815,335</u>	<u>846,412</u>	(4)%
Total program revenues	<u>31,918,507</u>	<u>30,539,829</u>	5%
General revenues:			
Property taxes	70,911,063	65,027,217	9%
Grants and contributions not restricted	133,010,707	132,513,459	0%
Unrestricted investment earnings	2,973,913	2,697,944	10%
Other	<u>332,200</u>	<u>991,494</u>	(66)%
Total general revenues	<u>207,227,883</u>	<u>201,230,114</u>	3%
<b>Total revenues</b>	<u>239,146,390</u>	<u>231,769,943</u>	3%
<b>Expenses:</b>			
Instruction	111,739,759	112,037,633	0%
Support services	90,036,135	74,607,983	21%
Non-instructional	11,697,680	10,924,700	7%
Interest on long-term debt	<u>8,272,980</u>	<u>7,213,267</u>	15%
<b>Total expenses</b>	<u>221,746,554</u>	<u>204,783,583</u>	8%
Increase (Decrease) in net assets	<u>17,399,836</u>	<u>26,986,360</u>	(36)%
Net Assets, July 1	188,480,896	161,117,711	17%
Prior Period Adjustment	<u>(35,992)</u>	<u>376,825</u>	(110)%
Net Assets, Restated	<u>188,444,904</u>	<u>161,494,536</u>	17%
Net Assets, June 30	\$ <u>205,844,740</u>	<u>188,480,896</u>	9%



**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term debt. 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 shows the financial burden that was placed on the State and District’s taxpayers by each of these functions.

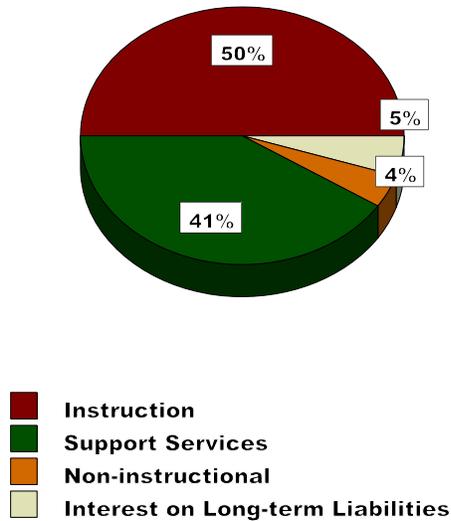
**Table 3  
Net Cost of Governmental Activities**

	<b>2009</b>	<b>2008</b>	<b>Percentage Change</b>
Instruction	\$ 111,739,759	112,037,633	0%
Support services	90,036,135	74,607,983	21%
Non-instructional	11,697,680	10,924,700	7%
Interest on long-term liabilities	8,272,980	7,213,267	15%
<b>Total Expenses</b>	<b>\$ 221,746,554</b>	<b>204,783,583</b>	<b>8%</b>

## Net (Expense) Revenue

	2009	2008	Percentage Change
Instruction	\$ (99,013,247)	(92,664,581)	7%
Support services	(82,417,620)	(74,516,406)	11%
Non-instructional	(124,200)	150,500	(183)%
Interest on long-term liabilities	(8,272,980)	(7,213,267)	15%
<b>Total Net (Expense) Revenue</b>	<b>\$ (189,828,047)</b>	<b>(174,243,754)</b>	<b>9%</b>

**Chart of Expenses as per Statement of Activities**



- Net cost of governmental activities, (\$189,828,047 for 2009 and \$174,243,754 for 2008) was financed by general revenue, which is made up of primarily property taxes of (\$70,911,063 for 2009 and \$65,027,217 for 2008) and state and federal revenues of (\$133,010,707 for 2009 and \$132,513,459 for 2008).
- Investment earnings amounted to \$2,973,913 for 2009 and \$2,697,944 for 2008.

## 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, unreserved 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 \$100,971,951, an increase of \$23,936,450, which includes an increase in inventory of \$58,309. \$71,913,493 or 71% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. \$70,616 of the fund balance represents unreserved and designated fund balance for capital projects of district buildings and facilities. The remaining fund balance of \$28,987,842 or 29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$10,994,580. The fund balance of Other Governmental Funds showed an increase in the amount of \$6,129,941, which includes an increase in reserve for inventory of \$58,309 due primarily to reflect the actual inventory for the current fiscal year. The other increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
2008 Certificate of Participation Fund	\$ 37,862
2008 General Obligation Series A Construction Fund	no increase or decrease
2009 General Obligation Series B Construction Fund	6,774,067

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget.

- Budget amounts from local revenue sources in the General Fund were increased to accurately reflect the actual amount of revenues received during the fiscal year. Amounts originally budgeted were understated.
- Budget amounts for non-instructional services expenditures in the General Fund were decreased because expenditures were less than the amount originally estimated.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2009, the District's total capital assets were \$381,796,357, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, mobile equipment and construction in progress. This amount represents an increase of \$50,686,460 from 2008. Total accumulated depreciation as of June 30, 2009 was \$61,595,447 and total depreciation expense for the year was \$9,600,935, resulting in total net capital assets of \$320,200,910.

**Table 4**  
**Capital Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Land	\$ 11,416,007	10,447,782	9%
Construction in progress	41,808,903	5,869,162	612%
Buildings	221,646,156	225,640,662	(2)%
Building Improvements	12,875,336	5,584,809	131%
Improvements other than buildings	16,457,346	15,320,335	7%
Mobile equipment	11,056,505	10,244,274	8%
Furniture and equipment	4,940,657	5,181,180	(5)%
<b>Total</b>	<b>\$ <u>320,200,910</u></b>	<b><u>278,288,204</u></b>	<b><u>15%</u></b>

**Debt Administration.** At June 30, 2009, the District had \$212,582,908 in outstanding long-term debt, of which \$15,255,000 is due within one year.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
General obligation bonds	\$ 136,495,000	104,160,000	31%
Certificates of participation payable	30,435,000	22,810,000	33%
Three mill notes payable	44,440,000	37,380,000	19%
Compensated absences	1,212,908	1,173,444	3%
<b>Total</b>	<b>\$ <u>212,582,908</u></b>	<b><u>165,523,444</u></b>	<b><u>28%</u></b>

Additional information on the District's long-term debt can be found in Note 5 included in this report.

## CURRENT ISSUES AND OTHER INFORMATION

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.

The District actively pursues grant funding to supplement the local, state and federal revenues.

The District gained approximately 750 students in 2009, and we project to gain approximately the same number this year. Enrollment for the 2008 - 2009 year increased by 3% to 30,411 students.

We are opening three new schools in FY 2010 – Lake Cormorant High School, DeSoto Central Primary School, and Lewisburg Primary School. Also, the district will be opening a new ROTC building on the campus of Horn Lake High School. There are no immediate plans for additional schools, other than the ones mentioned previously, at this time.

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

If you have questions about this report, contact the Superintendent's Office of the DeSoto County School District, Five East South Street, Hernando, MS 38632.

## FINANCIAL STATEMENTS

**DESOTO COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 97,639,066
<i>Cash with fiscal agents</i>	350,209
<i>Investments</i>	5,292,961
<i>Due from other governments</i>	6,718,972
<i>Other receivables, net</i>	1,480
<i>Inventories</i>	154,950
<i>Bond issue cost, capital related</i>	891,818
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	11,416,007
<i>Construction in progress</i>	41,808,903
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	221,646,156
<i>Building improvements</i>	12,875,336
<i>Improvements other than buildings</i>	16,457,346
<i>Mobile equipment</i>	11,056,505
<i>Furniture and equipment</i>	4,940,657
Total Assets	<u>431,250,366</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	8,783,675
<i>Due to other governments</i>	207,659
<i>Unearned revenue</i>	194,352
<i>Interest payable on long-term liabilities</i>	1,642,556
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	15,255,000
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	196,115,000
<i>Bond premium, capital related</i>	2,799,828
<i>Bond discount, capital related</i>	(302,992)
<i>Loss on advanced refunding bonds, capital related</i>	(502,360)
<i>Non-capital related liabilities</i>	1,212,908
Total Liabilities	<u>225,405,626</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	107,728,252
Restricted Net Assets:	
Expendable:	
School based activities	4,320,592
Debt service	9,381,797
Capital projects	17,294,538
Unemployment	514,001
Unrestricted	66,605,560
Total Net Assets	<u>\$ 205,844,740</u>

The accompanying notes are an integral part of this statement.



# DESOTO COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	2008 Certificate of Participation Fund
ASSETS	<u>                    </u>	<u>                    </u>
<i>Cash and cash equivalents</i>	\$ 59,417,725	\$ 2,960,352
<i>Cash with fiscal agents</i>	200	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	2,220,472	--
<i>Other receivables, net</i>	--	11
<i>Due from other funds</i>	7,364,174	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 69,002,571</u>	<u>\$ 2,960,363</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 984,780	\$ 125,370
<i>Due to other funds</i>	259,765	2,797,131
<i>Unearned revenue</i>	--	--
<i>Other payables</i>	10,175	--
Total Liabilities	<u>1,254,720</u>	<u>2,922,501</u>
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Unemployment benefits</i>	--	--
<i>Capital projects funds</i>	--	37,862
<i>Debt service funds</i>	--	--
Unreserved, designated for:		
<i>Capital Project Funds</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	67,747,851	--
<i>Special Revenue funds</i>	--	--
Total Fund Balances	<u>67,747,851</u>	<u>37,862</u>
Total Liabilities and Fund Balances	<u>\$ 69,002,571</u>	<u>\$ 2,960,363</u>

The accompanying notes are an integral part of this statement.

2008 General Obligation Series A Construction Fund	2009 General Obligation Series B Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 15,890,889	\$ 19,370,099	\$ 97,639,065
--	--	350,009	350,209
--	--	5,292,961	5,292,961
--	--	1,809,465	4,029,937
425	82	962	1,480
3,794,725	280,651	4,037,515	15,477,065
--	--	154,950	154,950
<u>\$ 3,795,150</u>	<u>\$ 16,171,622</u>	<u>\$ 31,015,961</u>	<u>\$ 122,945,667</u>
\$ 358,630	\$ 6,684,175	\$ 620,545	\$ 8,773,500
3,436,520	2,713,380	3,788,893	12,995,689
--	--	194,352	194,352
--	--	--	10,175
<u>3,795,150</u>	<u>9,397,555</u>	<u>4,603,790</u>	<u>21,973,716</u>
--	--	154,950	154,950
--	--	514,001	514,001
--	6,774,067	10,482,609	17,294,538
--	--	11,024,353	11,024,353
--	--	70,616	70,616
--	--	--	67,747,851
--	--	4,165,642	4,165,642
--	6,774,067	26,412,171	100,971,951
<u>\$ 3,795,150</u>	<u>\$ 16,171,622</u>	<u>\$ 31,015,961</u>	<u>\$ 122,945,667</u>

**DESOTO COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

Total fund balances - governmental funds Balance Sheet	\$ 100,971,951
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	320,200,910
Bond issuance costs are reported in the SNA but not in the funds	891,818
Liabilities due in one year are reported in the SNA but not in the funds.	(15,255,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(125,670,000)
Loss on bond redemption is accounted for in the SNA but not in the funds.	502,360
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,642,556)
Payables for notes which are not due in the current period are not reported in the funds.	(42,367,008)
Payables for compensated absences not due in the current period are not reported in the funds.	(1,212,908)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(30,574,828)
Rounding difference	<u>1</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 205,844,740</u>

The accompanying notes are an integral part of this statement.

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# DESOTO COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	2008 Certificate of Participation Fund
Revenue:		
Local sources	\$ 60,308,347	\$ 61,120
Intermediate sources	68,381	--
State sources	132,912,091	--
Federal sources	973,317	--
Total revenues	<u>194,262,136</u>	<u>61,120</u>
Expenditures:		
Instruction	109,019,074	--
Support services	64,314,760	9,859,729
Noninstructional services	962,813	--
Facilities acquisition and construction	1,717,410	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total expenditures	<u>176,014,057</u>	<u>9,859,729</u>
Excess (deficiency) of revenues (over) expenditures	18,248,079	(9,798,609)
Other financing sources (uses):		
Proceeds of general obligation bonds	--	--
Proceeds of loans	--	10,000,000
Inception of capital leases	--	--
Insurance loss recoveries	236,026	--
Sale of transportation equipment	30,597	--
Transfers in	--	--
Other financing sources	318,199	--
Transfers out	(7,520,028)	--
Other financing uses	(318,293)	(163,529)
Total other financing sources (uses)	<u>(7,253,499)</u>	<u>9,836,471</u>
Net change in fund balance	10,994,580	37,862
Fund Balances:		
July 1, 2008	56,753,271	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2009	<u>\$ 67,747,851</u>	<u>\$ 37,862</u>

The accompanying notes are an integral part of this statement.

2008 General Obligation Series A Construction Fund	2009 General Obligation Series B Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 178,633	\$ 114,604	\$ 25,099,689	\$ 85,762,393
--	--	50,176	118,557
--	--	2,779,866	135,691,957
--	--	16,569,844	17,543,161
<u>178,633</u>	<u>114,604</u>	<u>44,499,575</u>	<u>239,116,068</u>
--	--	5,863,320	114,882,394
69,727	45,902	6,435,378	80,725,496
--	--	10,433,286	11,396,099
15,108,906	18,294,635	12,767,727	47,888,678
--	--	11,450,000	11,450,000
--	--	7,214,971	7,214,971
--	--	18,160	18,160
<u>15,178,633</u>	<u>18,340,537</u>	<u>54,182,842</u>	<u>273,575,798</u>
(15,000,000)	(18,225,933)	(9,683,267)	(34,459,730)
15,000,000	25,000,000	--	40,000,000
--	--	8,470,000	18,470,000
--	--	98,123	98,123
--	--	--	236,026
--	--	--	30,597
--	--	9,180,481	9,180,481
--	--	--	318,199
--	--	(1,660,453)	(9,180,481)
--	--	(333,252)	(815,074)
<u>15,000,000</u>	<u>25,000,000</u>	<u>15,754,899</u>	<u>58,337,871</u>
--	6,774,067	6,071,632	23,878,141
--	--	20,282,230	77,035,501
--	--	58,309	58,309
<u>\$ --</u>	<u>\$ 6,774,067</u>	<u>\$ 26,412,171</u>	<u>\$ 100,971,951</u>

**DESOTO COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009*

Net change in fund balances - total governmental funds	\$ 23,878,141
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	51,630,247
The depreciation of capital assets used in governmental activities is not reported in the funds.	(9,600,935)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(11,037)
The gain or loss on the sale of capital assets is not reported in the funds.	(38,980)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(30,597)
Current year correction of prior year receivable impacting the SOA.	(386,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	7,665,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	3,785,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds	101,102
(Increase) decrease in accrued interest from beginning of period to end of period	(288,469)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	58,309
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(39,464)
Proceeds of long-term debt recognized as other financial resources in the funds but not in the SOA.	(18,470,000)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(40,000,000)
Bond discounts are reported in the funds but not in the SOA.	(852,482)
Rounding difference	<u>1</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 17,399,836</u>

The accompanying notes are an integral part of this statement.

**DESOTO COUNTY SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2009

	Agency Funds
<b>ASSETS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 13,059,182
<i>Other receivable</i>	4,626
<i>Due from other funds</i>	207,659
<b>Total Assets</b>	<b>\$ 13,271,467</b>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 9,945,619
<i>Due to student clubs</i>	10,056
<i>Due to other funds</i>	2,689,035
<i>Other payables</i>	626,757
<b>Total Liabilities</b>	<b>\$ 13,271,467</b>

The accompanying notes are an integral part of this statement.

**Notes to the Financial Statements**

For the year ended  
June 30, 2009

## DeSoto County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2009

### (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.

The DeSoto County Schools 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, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (See Note 10).

#### B. Basis of Presentation.

##### Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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 tax and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

Separate financial statements are provided for governmental, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

## DeSoto County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2009

2008 Certificate of Participation Fund - This is a capital projects fund which received the proceeds of the 2008 Certification of Participation funds.

2008 General Obligation Series A Construction Fund - This is a capital projects fund which received the proceeds of the 2008 General Obligation Bond and is paying for new school construction.

2009 General Obligation Series B Construction Fund - This is a capital projects fund which received the proceeds of the 2009 General Obligation Bond and is paying for new school construction.

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 FUND TYPES

Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of result of operations.

#### C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

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 tax, 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 authorities 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.

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.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in the *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

#### E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

#### F. Assets, liabilities, and net assets or equity.

##### 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 Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

##### 2. Receivables and payables

Activity 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.

## DeSoto County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2009

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

### 6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide Statement of Net Assets. 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 following table and estimated useful lives in excess of two years.

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

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

The following schedule details the capitalization thresholds.

## DeSoto County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2009

	Capitalization <u>Policy</u>	Estimated <u>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 under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

### 7. 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 and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

### 8. Long-term Liabilities, Deferred Debt Expenses, and Bond Discounts/ Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue costs, 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 5 for details.

### 9. Fund equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purposes than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Unreserved - designated for, capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

#### (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. Restriction 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 districts' 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

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

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 surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amounts less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$97,639,065 and \$13,059,182, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$97,639,066. The bank balance was \$119,367,202.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2009, none of the district's bank balance of \$119,367,202 was exposed to custodial credit risk.

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Cash with Fiscal Agents.

The carrying amount of school district’s cash with fiscal agents held by financial institutions was \$350,209.

Investments.

As of June 30, 2009, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Mississippi Education Investment	less than one year	\$ 5,226,863	unrated
Certificate of Deposit	less than one year	<u>66,098</u>	
Total Investments		<u>\$ 5,292,961</u>	

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district’s investments \$5,292,961 of underlying securities are held by the investment’s counterparty, not in the name of the district.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2009, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Mississippi Education Investment Pool	\$ 5,226,863	99%
Certificates of Deposit	<u>66,098</u>	<u>1%</u>
	<u>\$ 5,292,961</u>	100%

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	2008 General Obligation Series A Construction Fund	\$ 3,155,869
	2009 General Obligation Series B Construction Fund	1,512,529
	2008 Certificate of Participation Fiduciary Funds	948,554
		474,810
	Other Governmental Funds	1,272,412
Fiduciary Funds	General Fund	207,658
	Other Governmental Funds	1
Other Governmental Funds	2008 Certification of Participation General Fund	1,848,577
		52,107
	Fiduciary Fund	1,369,702
	Other Governmental Funds	205,134
	2009 General Obligation Series B Construction Fund	561,995
2008 General Obligation Series A Construction Fund	2009 General Obligation Series B Construction Fund	638,856
	Other Governmental Fund	2,311,346
	Fiduciary Fund	844,523
2009 General Obligation Series B Construction Fund	2008 General Obligation Series A Construction Fund	280,651
Total		\$ <u><u>15,684,724</u></u>

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers.

Transfer In	Transfer Out	Amount
Other Governmental Funds	Other Governmental Funds	\$ 1,660,453
	General Fund	7,520,028
Total		\$ <u><u>9,180,481</u></u>

# DeSoto County School District

## Notes to the Financial Statements For the Year Ended June 30, 2009

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

### (4) Capital Assets.

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

	Balance 7-1-2008	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2009
<u>Non-depreciable capital assets:</u>						
Land	\$ 10,447,782	758,174			210,051	11,416,007
Construction in progress	5,869,162	41,630,677		(5,444,893)	(246,043)	41,808,903
Total non-depreciable capital assets	<u>16,316,944</u>	<u>42,388,851</u>	<u>0</u>	<u>(5,444,893)</u>	<u>(35,992)</u>	<u>53,224,910</u>
<u>Depreciable capital assets:</u>						
Buildings	261,949,972			1,185,789		263,135,761
Building improvements	6,369,901	4,369,536		3,490,176		14,229,613
Improvements other than bldgs.	17,224,720	1,130,291		768,928		19,123,939
Mobile equipment	18,591,026	2,553,371	695,768			20,448,629
Furniture and equipment	10,657,334	1,188,198	212,027			11,633,505
Total depreciable capital assets	<u>314,792,953</u>	<u>9,241,396</u>	<u>907,795</u>	<u>5,444,893</u>	<u>0</u>	<u>328,571,447</u>
<u>Less accumulated depreciation for:</u>						
Buildings	36,309,310	5,180,295				41,489,605
Building improvements	785,092	569,185				1,354,277
Improvements other than bldgs.	1,904,385	762,208				2,666,593
Mobile equipment	8,346,752	1,671,563	626,191			9,392,124
Furniture and equipment	5,476,154	1,417,684	200,990			6,692,848
Total accumulated depreciation	<u>52,821,693</u>	<u>9,600,935</u>	<u>827,181</u>	<u>0</u>	<u>0</u>	<u>61,595,447</u>
Total depreciable capital assets, net	<u>261,971,260</u>	<u>(359,539)</u>	<u>80,614</u>	<u>5,444,893</u>	<u>0</u>	<u>266,976,000</u>
Governmental activities capital assets, net	<u>\$ 278,288,204</u>	<u>42,029,312</u>	<u>80,614</u>	<u>0</u>	<u>(35,992)</u>	<u>320,200,910</u>

Adjustment to capital assets were made to correctly state capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$6,720,655
Support services	1,920,187
Non-instructional	<u>960,093</u>
Total depreciation expense	<u>\$9,600,935</u>

# DeSoto County School District

## Notes to the Financial Statements For the Year Ended June 30, 2009

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	Spent to June 30, 2009	Remaining Commitment
Current HLHS Renovation	\$ 57,502	
Lake Cormorant High Site Prep	7,485,187	2,611,429
Lake Cormorant High	8,416,553	9,412,154
Centerhill Middle School	10,088,097	2,197,476
Lewisburg Middle School	11,221,738	2,115,400
Lewisburg Primary School	1,019,449	8,600,136
DeSoto Central Primary School	542,573	9,074,916
DCH/DCM Class/Band Adds	2,803,161	168,080
SES Restroom Renovations	172,643	78,735
Lewisburg High Track	2,000	2,000
Total	<u>\$ 41,808,903</u>	<u>34,260,326</u>

Construction projects included in governmental activities are funded with current available resources in the Miscellaneous Construction Fund (#3925). The remaining commitment for the construction projects will come from the following sources: (1) \$5,000,000 in proceeds from a three mill ten year note and (2) \$20,000,000 in bond proceeds yet to have been drawn.

### (5) Long-term Liabilities.

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

	Balance 7-1-2008	Additions	Reductions	Balance 6-30-2009	Amounts due within one year
A. General obligation bonds payable	\$ 104,160,000	40,000,000	7,665,000	136,495,000	10,825,000
B. Certificates of participation payable	22,810,000	10,000,000	2,375,000	30,435,000	2,660,000
C. Three mill notes payable	37,380,000	8,470,000	1,410,000	44,440,000	1,770,000
D. Compensated absences payable	1,173,444	39,464		1,212,908	
Total	<u>\$ 165,523,444</u>	<u>58,509,464</u>	<u>11,450,000</u>	<u>212,582,908</u>	<u>15,255,000</u>

	Balance 7-1-2008	Change	Balance 6-30-2009
Bond Premiums	\$ 2,070,539	729,289	2,799,828
Bond Discounts	(325,713)	22,721	(302,992)
Loss on Bond Redemption	(602,832)	100,472	(502,360)
Total	<u>\$ 1,141,994</u>	<u>852,482</u>	<u>1,994,476</u>

	Balance 7-1-2008	Change	Balance 6-30-2009
Bond Issuance Costs	\$ 790,716	101,102	891,818
Total	<u>\$ 790,716</u>	<u>101,102</u>	<u>891,818</u>

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

A. General Obligation Bonds Payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 2002	2.0-5.0%	10-15-02	02-01-14	\$ 23,015,000	12,560,000
General obligation bonds, Series 2004A	3.5-5.0%	08-10-04	05-01-16	36,000,000	21,790,000
General obligation bonds, Series 2004B	3.25-4.0%	08-10-04	05-01-14	4,000,000	1,895,000
General obligation bonds, Series 2005	3.5-5.0%	06-01-05	05-01-19	75,000,000	60,250,000
General obligation bonds, Series 2008	3.25-4.5%	10-01-08	04-01-21	15,000,000	15,000,000
General obligation bonds, Refunding Series 2009A	3.0-3.5%	04-01-09	04-01-20	<u>25,000,000</u>	<u>25,000,000</u>
Total				\$ <u><u>178,015,000</u></u>	<u><u>136,495,000</u></u>

Details of the district's June 30, 2009 general obligation bonded indebtedness are as follows:

1) Bond issue of 2002.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,265,000	533,425	2,798,425
2011	2,360,000	454,150	2,814,150
2012	2,485,000	368,600	2,853,600
2013	2,635,000	244,350	2,879,350
2014	<u>2,815,000</u>	<u>112,600</u>	<u>2,927,600</u>
Total	\$ <u><u>12,560,000</u></u>	<u><u>1,713,125</u></u>	<u><u>14,273,125</u></u>

This debt will be retired from the General Obligation Bond Issue Retirement Fund (#4031).

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

2) Bond issue of 2004A.

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,250,000	809,712	3,059,712
2011	2,350,000	730,963	3,080,963
2012	2,650,000	645,775	3,295,775
2013	2,925,000	539,775	3,464,775
2014	3,250,000	422,775	3,672,775
2015 - 2016	<u>8,365,000</u>	<u>443,800</u>	<u>8,808,800</u>
Total	<u>\$ 21,790,000</u>	<u>3,592,800</u>	<u>25,382,800</u>

This debt will be retired from the 2004 General Obligation Bond Series A Fund (#4032).

3) Bond issue of 2004B.

Year Ending June 30	Principal	Interest	Total
2010	\$ 360,000	64,094	424,094
2011	360,000	52,844	412,844
2012	390,000	41,144	431,144
2013	380,000	27,981	407,981
2014	<u>405,000</u>	<u>14,681</u>	<u>419,681</u>
Total	<u>\$ 1,895,000</u>	<u>200,744</u>	<u>2,095,744</u>

This debt will be retired from the 2004 General Obligation Bond Series B Fund (#4033).

4) Bond issue of 2005.

Year Ending June 30	Principal	Interest	Total
2010	\$ 4,250,000	2,578,750	6,828,750
2011	4,750,000	2,366,250	7,116,250
2012	5,500,000	2,128,750	7,628,750
2013	3,000,000	1,853,750	4,853,750
2014	3,000,000	1,703,750	4,703,750
2015 - 2019	<u>39,750,000</u>	<u>5,521,250</u>	<u>45,271,250</u>
Total	<u>\$ 60,250,000</u>	<u>16,152,500</u>	<u>76,402,500</u>

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

This debt will be retired from the 2005 General Obligation Bond Debt Service Fund (#4034).

5) Bond issue of 2008.

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,200,000	862,125	2,062,125
2011	400,000	531,750	931,750
2012	300,000	519,500	819,500
2013	300,000	509,375	809,375
2014	500,000	495,750	995,750
2015 - 2019	6,100,000	1,917,625	8,017,625
2020 - 2021	<u>6,200,000</u>	<u>299,875</u>	<u>6,499,875</u>
Total	<u>\$ 15,000,000</u>	<u>5,136,000</u>	<u>20,136,000</u>

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

6) Bond issue of 2009A.

Year Ending June 30	Principal	Interest	Total
2010	\$ 500,000	834,625	1,334,625
2011	1,125,000	817,125	1,942,125
2012	500,000	783,375	1,283,375
2013	1,250,000	768,375	2,018,375
2014	1,000,000	730,875	1,730,875
2015 - 2019	7,800,000	2,988,125	10,788,125
2020 - 2021	<u>12,825,000</u>	<u>642,775</u>	<u>13,467,775</u>
Total	<u>\$ 25,000,000</u>	<u>7,565,275</u>	<u>32,565,275</u>

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

Total general obligation bond payments for all issues:

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Year Ending June 30	Principal	Interest	Total
2010	\$ 10,825,000	5,682,731	16,507,731
2011	11,345,000	4,953,081	16,298,081
2012	11,825,000	4,487,144	16,312,144
2013	10,490,000	3,943,606	14,433,606
2014	10,970,000	3,480,431	14,450,431
2015 - 2019	62,015,000	10,870,800	72,885,800
2020 - 2024	<u>19,025,000</u>	<u>942,650</u>	<u>19,967,650</u>
Total	<u>\$ 136,495,000</u>	<u>34,360,443</u>	<u>170,855,443</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7 Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2009 the amount of outstanding bonded indebtedness was equal to 9% of property assessments as of October 31, 2008.

**B. Certificates of Participation Payable.**

As more fully explained in Note (10), 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
2004 Certificates of Participation	3.4-4.4%	12-01-04	12-01-19	\$ 20,120,000	13,910,000
2005 Certificates of Participation	3.7-4.3%	07-01-05	06-01-20	8,900,000	6,960,000
2008 Certificates of Participation	4.0-4.6%	12-03-08	12-01-18	<u>10,000,000</u>	<u>9,565,000</u>
Total				<u>\$ 39,020,000</u>	<u>30,435,000</u>

Details of the district's June 30, 2009 certificates of participation are as follows:

- 1) Certificates of participation issued 2004

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,285,000	524,060	1,809,060
2011	1,130,000	488,790	1,618,790
2012	1,165,000	453,300	1,618,300
2013	1,200,000	414,601	1,614,601
2014	1,245,000	373,610	1,618,610
2015 - 2019	7,090,000	1,012,055	8,102,055
2020	795,000	15,900	810,900
<b>Total</b>	<b>\$ <u>13,910,000</u></b>	<b><u>3,282,316</u></b>	<b><u>17,192,316</u></b>

This debt will be retired from the 2004 Certificate of Participation Debt Service Fund (#4091).

#### 2) Certificates of participation issued 2005

Year Ending June 30	Principal	Interest	Total
2010	\$ 525,000	267,736	792,736
2011	535,000	251,251	786,251
2012	555,000	233,834	788,834
2013	575,000	215,211	790,211
2014	595,000	193,131	788,131
2015 - 2019	3,410,000	558,876	3,968,876
2020	765,000	23,000	788,000
<b>Total</b>	<b>\$ <u>6,960,000</u></b>	<b><u>1,743,039</u></b>	<b><u>8,703,039</u></b>

This debt will be retired from the 2005 Certificate of Participation Debt Service Fund (#4092).

#### 3) Certificates of participation issued 2008

Year Ending June 30	Principal	Interest	Total
2010	\$ 850,000	388,900	1,238,900
2011	890,000	354,500	1,244,500
2012	915,000	323,681	1,238,681
2013	950,000	292,963	1,242,963
2014	985,000	256,550	1,241,550
2015 - 2019	4,975,000	603,481	5,578,481
<b>Total</b>	<b>\$ <u>9,565,000</u></b>	<b><u>2,220,075</u></b>	<b><u>11,785,075</u></b>

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

This debt will be retired from the 2008 Certificate of Participation Debt Service Fund (#4093).

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,660,000	1,180,696	3,840,696
2011	2,555,000	1,094,541	3,649,541
2012	2,635,000	1,010,815	3,645,815
2013	2,725,000	922,775	3,647,775
2014	2,825,000	823,291	3,648,291
2015 - 2019	15,475,000	2,174,413	17,649,413
2020	1,560,000	38,900	1,598,900
<b>Total</b>	<b>\$ <u>30,435,000</u></b>	<b><u>7,245,431</u></b>	<b><u>37,680,431</u></b>

C. Three Mill Note Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2002 Three Mill Note	3.9-5.5%	07-01-02	04-01-22	\$ 16,450,000	12,875,000
2006 Three Mill Note	4.0-5.25%	11-20-06	04-01-26	24,530,000	23,095,000
2008 Three Mill Note	2.75-4.7%	07-08-08	04-01-27	8,470,000	8,470,000
<b>Total</b>				<b>\$ <u>49,450,000</u></b>	<b><u>44,440,000</u></b>

1) Three mill note payable issued in 2002.

Year Ending June 30	Principal	Interest	Total
2010	\$ 725,000	584,338	1,309,338
2011	750,000	556,063	1,306,063
2012	800,000	526,063	1,326,063
2013	825,000	493,663	1,318,663
2014	875,000	459,013	1,334,013
2015 - 2019	5,125,000	1,667,685	6,792,685
2020 - 2024	3,775,000	379,450	4,154,450
<b>Total</b>	<b>\$ <u>12,875,000</u></b>	<b><u>4,666,275</u></b>	<b><u>17,541,275</u></b>

This debt will be retired from the Three Mill Note Retirement Fund (#4021).

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

2) Three mill note payable issued in 2006.

Year Ending June 30	Principal	Interest	Total
2010	\$ 745,000	1,052,827	1,797,827
2011	780,000	1,023,031	1,803,031
2012	790,000	991,831	1,781,831
2013	830,000	960,231	1,790,231
2014	850,000	927,031	1,777,031
2015 - 2019	4,660,000	4,092,081	8,752,081
2020 - 2024	8,585,000	2,813,081	11,398,081
2025 - 2026	5,855,000	364,651	6,219,651
Total	\$ <u>23,095,000</u>	<u>12,224,764</u>	<u>35,319,764</u>

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

3) Three mill note payable issued in 2008.

Year Ending June 30	Principal	Interest	Total
2010	\$ 300,000	357,713	657,713
2011	345,000	345,713	690,713
2012	360,000	331,913	691,913
2013	375,000	317,513	692,513
2014	390,000	302,513	692,513
2015 - 2019	2,205,000	1,265,160	3,470,160
2020 - 2024	2,690,000	773,358	3,463,358
2025 - 2027	1,805,000	162,280	1,967,280
Total	\$ <u>8,470,000</u>	<u>3,856,163</u>	<u>12,326,163</u>

This debt will be retired from the 2008 Limited Tax Notes (#4023).

Total three mill notes payable payments for all issues:

## DeSoto County School District

### Notes to the Financial Statements For the Year Ended June 30, 2009

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,770,000	1,994,877	3,764,877
2011	1,875,000	1,924,806	3,799,806
2012	1,950,000	1,849,806	3,799,806
2013	2,030,000	1,771,406	3,801,406
2014	2,115,000	1,688,556	3,803,556
2015 - 2019	11,990,000	7,024,931	19,014,931
2020 - 2024	15,050,000	3,965,889	19,015,889
2025 - 2029	7,660,000	526,931	8,186,931
Total	<u>\$ 44,440,000</u>	<u>20,747,202</u>	<u>65,187,202</u>

#### D. Compensated Absences.

As more fully explained in Note 1 (F) (7), 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.

#### (6) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2009, 2008, and 2007 were \$13,767,330, \$12,894,820, and \$10,945,513, respectively, which equaled the required contributions for each year.

#### (7) Other Commitments.

Commitments under construction contracts are described in Note 4.

**DeSoto County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2009

Operating Leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2009, amounted to \$79,196. Future lease payments for these leases are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2010	\$ 79,195
2011	66,195
2012	56,445
2013	<u>11,401</u>
Total	<u><u>\$213,236</u></u>

(8) Insurance Loss Recoveries.

The DeSoto County School District received \$236,026 in insurance loss recoveries related to storm damage at various sites but mainly old Southaven High School in the amount of \$138,668. They also received in the amount of \$76,020 for fire damage at DeSoto County High School athletic facilities and \$21,338 for recoveries from various auto repairs and replacements during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenditures and allocated among the expenditure functions based on the percentage as follows:

<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$ 214,697	91%	Support Services
<u>21,329</u>	<u>9%</u>	Non-instructional
<u><u>\$ 236,026</u></u>	<u><u>100%</u></u>	

(9) Risk Management.

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

## DeSoto County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2009

### Participation in Self Insurance Trust.

The school district established a self-insurance trust in July 2004 which pays the first \$50,000 of property and liability claims against the district. An initial \$150,000 was deposited into the trust account and is evaluated each year for the proper amount to be replaced. An additional \$95,285 was transferred to the fund during fiscal year end 2009. The district had no year end liability because cash on deposit in the trust of \$70,586 (reported on the governmental funds balance sheet in other governmental funds) exceeded the unpaid claims.

### (10) Trust Certificates.

Three trust agreements were executed by and between the school district and various institutions as trustees.

The trust agreement dated December 1, 2004 with Trustmark National Bank authorized the issuance of trust certificates in the principal amount of \$20,120,000. Approximately \$19,906,041 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project I"); the remainder of approximately \$213,959 was used to pay for the cost of issuance.

The trust agreement dated July 1, 2005 with First Security Bank authorized the issuance of trust certificates in the principal amount of \$8,900,000. Approximately \$8,771,479 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project II"). The remainder of approximately \$128,522 was used to pay the cost of issuance.

The trust agreement dated December 3, 2008 with Deutsche Bank National Trust Company authorized the issuance of trust certificates in the principal amount of \$10,000,000. Approximately \$9,858,000 was used to provide financing the acquisition, construction and installation of energy efficiency improvements (the "Improvements").

The remainder of approximately \$142,000 less the original issue discount of approximately \$73,529 was used to pay the cost of issuance.

The projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The leases represent a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the

**DeSoto County School District**

**Notes to the Financial Statements  
For the Year Ended June 30, 2009**

certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

(11) Subsequent Events.

DeSoto County School District authorized issuance of General Obligation Bond Series 2009 B in the amount of \$20,000,000 on August 18, 2008. \$5,000,000 of the bonds were issued in December 2009, and the remaining \$15,000,000 is expected to be issued in March or April of 2010.

DeSoto County School District authorized the issuance of a Limited Tax Note in the amount of \$5,000,000 on August 29, 2009.

(12) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1 Adjustment to capital assets were made to correctly state capital assets.		\$ (35,992)
	Total	\$ (35,992)

REQUIRED SUPPLEMENTARY INFORMATION

**DESOTO COUNTY SCHOOL DISTRICT**

**Exhibit 1**

Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 58,718,200	58,902,535	60,308,347	184,335	1,405,812
Intermediate sources			68,381		68,381
State sources	134,311,047	134,302,073	132,912,091	(8,974)	(1,389,982)
Federal sources	550,000	550,000	973,317		423,317
Total Revenues	<u>193,579,247</u>	<u>193,754,608</u>	<u>194,262,136</u>	<u>175,361</u>	<u>507,528</u>
Expenditures:					
Instruction	114,784,446	114,938,975	109,019,074	(154,529)	5,919,901
Support services	70,844,659	70,945,025	64,314,760	(100,366)	6,630,265
Noninstructional services	1,162,750	964,755	962,813	197,995	1,942
Facilities acquisition and construction			1,717,410		(1,717,410)
Total Expenditures	<u>186,791,855</u>	<u>186,848,755</u>	<u>176,014,057</u>	<u>(56,900)</u>	<u>10,834,698</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,787,392</u>	<u>6,905,853</u>	<u>18,248,079</u>	<u>118,461</u>	<u>11,342,226</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries			236,026		236,026
Sale of Transportation Equipment			30,597		30,597
Other financing sources	7,255,033	7,391,178	318,199	136,145	(7,072,979)
Transfers Out			(7,520,028)		(7,520,028)
Other financing uses	(13,673,559)	(14,514,412)	(318,293)	(840,853)	14,196,119
Total Other Financing Sources (Uses)	<u>(6,418,526)</u>	<u>(7,123,234)</u>	<u>(7,253,499)</u>	<u>(704,708)</u>	<u>(130,265)</u>
Net Change in Fund Balances	<u>368,866</u>	<u>(217,381)</u>	<u>10,994,580</u>	<u>(586,247)</u>	<u>11,211,961</u>
Fund Balances:					
July 1, 2008	30,191,363	30,071,372	56,753,271	(119,991)	26,681,899
June 30, 2009	<u>\$ 30,560,229</u>	<u>29,853,991</u>	<u>67,747,851</u>	<u>(706,238)</u>	<u>37,893,860</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION

## DeSoto County School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2009

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

## SUPPLEMENTAL INFORMATION

**DeSoto County School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education: Child Nutrition Cluster:		
School Breakfast Program	10.553	822,693
National School Lunch Program	10.555	6,095,267
Total child nutrition cluster		<u>6,917,960</u>
Total passed-through the MDE		<u>6,917,960</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>6,917,960</u>
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company:		
Communications Information and Assistance and Investigation of Compliant	32.001	639,916
TOTAL FEDERAL COMMUNICATION COMMISSION		<u>639,916</u>
U. S. DEPARTMENT OF DEFENSE Direct Program:		
Reserve Officers' Training Corps	12.xxx	28,994
TOTAL U.S. DEPARTMENT OF DEFENSE		<u>28,994</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	3,151,061
Career and Technical Education - Basic Grants to States	84.048	169,823
Safe and Drug Free Schools and Communities - State Grants	84.186	109,121
Education Technology State Grants	84.318	47,160
English Language Acquisition Grants	84.365	158,659
Improving Teacher Quality State Grants	84.367	907,318
Subtotal		<u>4,543,142</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	5,280,413
Special Education - Preschool Grants	84.173	164,563
Total special education cluster		<u>5,444,976</u>
Total passed-through the MDE		<u>9,988,118</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>9,988,118</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$17,574,988</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**DeSoto County School District**  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2009

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 152,405,764	118,291,444	6,438,696	9,530,614	18,145,010
Other	121,170,034	14,746,422	2,041,144	593,485	103,788,983
Total	\$ <u>273,575,798</u>	<u>133,037,866</u>	<u>8,479,840</u>	<u>10,124,099</u>	<u>121,933,993</u>

Total number of students \* 30,411

Cost per student \$ 8,996 4,375 279 333 4,009

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. (all the 1000, 2100 & 2200 functional codes)
- General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
- School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)
- Other** - includes all expenditure functions not included in Instruction or Administration categories

\* Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER SUPPLEMENTAL INFORMATION

**DESOTO COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2009	2008*	2007*	2006*
<b>Revenues:</b>				
Local sources	\$ 60,308,347	56,156,894	51,832,036	48,220,559
Intermediate sources	68,381	8,389		
State sources	132,912,091	131,910,562	108,889,670	98,774,837
Federal sources	973,317	1,106,458	898,298	604,530
<b>Total Revenues</b>	<b>194,262,136</b>	<b>189,182,303</b>	<b>161,620,004</b>	<b>147,599,926</b>
<b>Expenditures:</b>				
Instruction	109,019,074	102,592,391	90,557,091	84,059,497
Support services	64,314,760	62,690,180	54,115,583	49,570,368
Noninstructional services	962,813	1,484,811	1,249,233	1,316,524
Facilities acquisition and construction	1,717,410	3,404,057	1,745,953	654,277
<b>Total Expenditures</b>	<b>176,014,057</b>	<b>170,171,439</b>	<b>147,667,860</b>	<b>135,600,666</b>
 Excess (Deficiency) of Revenues over Expenditures	 18,248,079	 19,010,864	 13,952,144	 11,999,260
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	236,026	18,196	62,983	16,834
Sale of transportation equipment	30,597	38,199	50,732	23,542
Operating transfers in		35,623	71,545	1,440,297
Other financing sources	318,199	304,805	336,173	286,123
Operating transfers out	(7,520,028)	(10,619,388)	(4,117,334)	(3,664,171)
Other financing uses	(318,293)	(226,039)	(259,295)	(205,595)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,253,499)</b>	<b>(10,448,604)</b>	<b>(3,855,196)</b>	<b>(2,102,970)</b>
 Net Change in Fund Balances	 10,994,580	 8,562,260	 10,096,948	 9,896,290
<b>Fund Balances:</b>				
July 1,	56,753,271	46,652,430	36,555,482	26,659,192
Prior period adjustments		(1,000)		
July 1, as restated	56,753,271	46,651,430	36,555,482	26,659,192
Residual equity transfer in (out)		1,539,581		
June 30,	\$ 67,747,851	56,753,271	46,652,430	36,555,482

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**DESOTO COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2009	2008*	2007*	2006*
<b>Revenues:</b>				
Local sources	\$ 85,762,393	79,497,182	72,827,778	67,657,789
Intermediate sources	118,557	8,389		
State sources	135,691,957	134,652,371	111,996,359	101,217,558
Federal sources	17,543,161	17,593,805	14,992,086	14,027,739
<b>Total Revenues</b>	<b>239,116,068</b>	<b>231,751,747</b>	<b>199,816,223</b>	<b>182,903,086</b>
<b>Expenditures:</b>				
Instruction	114,882,394	112,128,808	100,302,517	92,494,988
Support services	80,725,496	71,309,178	66,533,468	59,498,216
Noninstructional services	11,396,099	10,829,690	10,735,772	8,968,934
Facilities acquisition and construction	47,888,678	5,500,404	18,666,892	101,633,978
<b>Debt service:</b>				
Principal	11,450,000	12,275,000	10,155,000	8,725,000
Interest	7,214,971	7,260,194	6,912,291	6,503,934
Other	18,160	15,910	248,884	160,150
<b>Total Expenditures</b>	<b>273,575,798</b>	<b>219,319,184</b>	<b>213,554,824</b>	<b>277,985,200</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(34,459,730)</b>	<b>12,432,563</b>	<b>(13,738,601)</b>	<b>(95,082,114)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds general obligation bonds	40,000,000		24,530,000	
Proceeds of certificates of participation				8,900,000
Proceeds of loan	18,470,000			
Inception of capital leases	98,123			
Premium on bonds issued			854,249	24,262
Insurance loss recoveries	236,026	18,196	64,982	20,469
Sale of transportation equipment	30,597	38,199	50,732	23,542
Operating transfers in	9,180,481	11,795,805	5,559,973	7,249,244
Other financing sources	318,199	304,805	337,575	286,123
Operating transfers out	(9,180,481)	(11,795,805)	(5,559,973)	(7,249,244)
Other financing uses	(815,074)	(304,938)	(336,173)	(281,586)
<b>Total Other Financing Sources (Uses)</b>	<b>58,337,871</b>	<b>56,262</b>	<b>25,501,365</b>	<b>8,972,810</b>
<b>Net Change in Fund Balances</b>	<b>23,878,141</b>	<b>12,488,825</b>	<b>11,762,764</b>	<b>(86,109,304)</b>
<b>Fund Balances:</b>				
July 1,	77,035,501	64,579,752	52,795,610	138,860,968
Prior period adjustments		(9,175)	(7,874)	(7,878)
July 1, as restated	77,035,501	64,570,577	52,787,736	138,853,090
Increase (Decrease) in reserve for inventory	58,309	(23,901)	29,252	51,824
June 30,	\$ 100,971,951	77,035,501	64,579,752	52,795,610

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## INTERNAL CONTROL AND COMPLIANCE REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Superintendent and School Board  
DeSoto County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of DeSoto County School District as of and for the year ended June 30, 2009, which collectively comprise the DeSoto County School District's basic financial statements and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**AICPA & MSCPA**

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone 601-992-5292, Fax 601-992-2033

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 8, 2010

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
DeSoto County School District

Compliance

We have audited the compliance of the DeSoto County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the DeSoto County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the DeSoto County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we

do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 8, 2010

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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

Superintendent and School Board  
DeSoto County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeSoto County School District as of and for the year ended June 30, 2009, which collectively comprise DeSoto County School District's basic financial statements and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$40,057 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 8, 2010

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## DeSoto County School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

#### Section 1: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

##### Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Title I Grants to Local Educational Agencies:  
CFDA # 84.010
  - b. Improving Teacher Quality State Grants:  
CFDA #84.367
  - c. Communications Information and Assistance and Investigation of Complaints:  
CFDA # 32.001
8. The dollar threshold used to distinguish between Type A and Type B programs:  
\$527,250.
9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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