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Audited Financial Statements  
For the Year Ended June 30, 2015

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

**Senatobia Municipal 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 SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Senatobia Municipal School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 Senatobia Municipal School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension schedules on pages 8 to 17 and 47 to 52 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Senatobia Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the Senatobia Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Senatobia Municipal School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 18, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Senatobia Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$17,406,510, including a prior period adjustment of \$(18,191,554) primarily to record prior year net pension liability, which represents a 149% decrease from fiscal year 2014. Total net position for 2014 decreased \$752,316, which represents a 6% decrease from fiscal year 2013.
- General revenues amounted to \$12,561,919 and \$12,419,821, or 81% and 83% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,996,312, or 19% of total revenues for 2015, and \$2,623,938, or 17% of total revenues for 2014.
- The District had \$14,773,187 and \$15,796,075 in expenses for fiscal years 2015 and 2014; only \$2,996,312 for 2015 and \$2,623,938 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,561,919 for 2015 were adequate to provide for these programs. General revenues of \$12,419,821 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$12,943,274 in revenues and \$13,785,890 in expenditures for 2015, and \$12,147,953 in revenues and \$13,800,315 in expenditures in 2014. The General Fund's fund balance decreased by \$971,237 from 2014 to 2015, and decreased by \$1,885,073 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$762,300 for 2015 and increased by \$554,273 for 2014. The increase for 2015 was due primarily to the completed construction of school facilities during the fiscal year.
- Total long-term debt decreased by \$273,646 for 2015 and decreased by \$687,694 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,382 for 2015 and decreased by \$10,694 for 2014.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, pension expense and interest on long-term liabilities.

**Fund Financial Statements**

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

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

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

### **Notes to the financial statements**

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and pension schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by \$5,751,455 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 4,260,717	\$ 5,104,932	(16.54) %
Capital assets, net	13,679,208	12,916,908	5.90 %
<b>Total assets</b>	<b><u>17,939,925</u></b>	<b><u>18,021,840</u></b>	<b>(0.45) %</b>
<b>Deferred outflows of resources</b>	<b><u>1,504,195</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	170,717	122,376	39.50 %
Long-term debt outstanding	5,963,381	6,244,409	(4.50) %
Net pension liability	16,963,334	-	N/A %
<b>Total liabilities</b>	<b><u>23,097,432</u></b>	<b><u>6,366,785</u></b>	<b>262.78 %</b>
<b>Deferred inflows of resources</b>	<b><u>2,098,143</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	7,904,208	6,766,908	16.81 %
Restricted	364,329	259,790	40.24 %
Unrestricted	(14,019,992)	4,628,357	(402.92) %
<b>Total net position</b>	<b><u>\$ (5,751,455)</u></b>	<b><u>\$ 11,655,055</u></b>	<b>(149.35) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (14,019,992)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>17,557,282</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,537,290</u>

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

- Increase in net capital assets in the amount of \$762,300.
- The principal retirement of \$401,264 of long-term debt.
- Recognition of the net pension liability in the amount of \$16,963,334.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$15,558,231 and \$15,043,759, respectively. The total cost of all programs and services was \$14,773,187 for 2015 and \$15,796,075 for 2014.

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 644,537	\$ 644,701	(0.03) %
Operating grants and contributions	2,351,775	1,979,237	18.82 %
General revenues:			
Property taxes	4,108,074	3,842,735	6.90 %
Grants and contributions not restricted	8,354,715	8,449,047	(1.12) %
Investment earnings	6,608	10,852	(39.11) %
Other	92,522	117,187	(21.05) %
<b>Total revenues</b>	<b>15,558,231</b>	<b>15,043,759</b>	<b>3.42 %</b>
<b>Expenses:</b>			
Instruction	7,853,133	8,925,222	(12.01) %
Support services	5,297,884	5,833,978	(9.19) %
Non-instructional	694,100	773,319	(10.24) %
Pension expense	679,961	-	N/A
Interest on long-term liabilities	248,109	263,556	(5.86) %
<b>Total expenses</b>	<b>14,773,187</b>	<b>15,796,075</b>	<b>(6.48) %</b>
<b>Increase (Decrease) in net position</b>	<b>785,044</b>	<b>(752,316)</b>	<b>204.35 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>11,655,055</b>	<b>12,407,371</b>	<b>(6.06) %</b>
<b>Prior Period Adjustment</b>	<b>(18,191,554)</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b>(6,536,499)</b>	<b>12,407,371</b>	<b>(152.68) %</b>
<b>Net Position, June 30</b>	<b>\$ (5,751,455)</b>	<b>\$ 11,655,055</b>	<b>(149.35) %</b>

### Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 7,853,133	\$ 8,925,222	(12.01) %
Support services	5,297,884	5,833,978	(9.19) %
Non-instructional	694,100	773,319	(10.24) %
Pension expense	679,961	-	N/A %
Interest on long-term liabilities	248,109	263,556	(5.86) %
<b>Total expenses</b>	<b>\$ 14,773,187</b>	<b>\$ 15,796,075</b>	<b>(6.48) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (6,561,234)	\$ (7,588,754)	(13.54) %
Support services	(4,275,959)	(5,237,330)	(18.36) %
Non-instructional	(11,612)	(82,497)	(85.92) %
Pension expense	(679,961)	-	N/A %
Interest on long-term liabilities	(248,109)	(263,556)	(5.86) %
<b>Total net (expense) revenue</b>	<b>\$ (11,776,875)</b>	<b>\$ (13,172,137)</b>	<b>(10.59) %</b>

- Net cost of governmental activities (\$11,776,875 for 2015 and \$13,172,137 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,108,074 for 2015 and \$3,842,735 for 2014) and state and federal revenues (\$8,354,715 for 2015 and \$8,449,047 for 2014).
- Investment earnings amounted to \$6,608 for 2015 and \$10,852 for 2014.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,109,483, a decrease of \$892,890, which includes a decrease in inventory of \$1,592. \$1,942,082, or 47% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The remaining fund balance of \$2,167,401, or 53% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$971,237. The fund balance of Other Governmental Funds showed an increase in the amount of \$78,347, which includes a decrease in inventory of \$1,592. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$20,406,669, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,135,829 from 2014 due primarily to the completion of the FEMA Shelter during the fiscal year. Total accumulated depreciation as of June 30, 2015, was \$6,727,461, and total depreciation expense for the year was \$480,221, resulting in total net capital assets of \$13,679,208.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 1,007,521	\$ 1,007,521	0.00 %
Construction in progress	-	214,613	(100.00) %
Buildings	9,599,671	8,485,180	13.13 %
Building improvements	2,529,538	2,667,466	(5.17) %
Improvements other than buildings	132,681	141,752	(6.40) %
Mobile equipment	396,844	383,962	3.36 %
Furniture and equipment	12,953	16,414	(21.09) %
<b>Total</b>	<b><u>\$ 13,679,208</u></b>	<b><u>\$ 12,916,908</u></b>	<b>5.90 %</b>

Additional information on the District's capital assets can be found in Note 4 included in this report.

**Debt Administration.** At June 30, 2015, the District had \$5,963,381 in outstanding long-term debt, of which \$429,034 is due within one year. The District entered into a capital lease in the amount of \$127,618 during the fiscal year. The District made principal payments in the amount of \$401,264 on long-term debt. The liability for compensated absences decreased \$7,382 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 5,775,000	\$ 6,150,000	(6.10) %
Obligations under capital leases	101,354	-	N/A %
Compensated absences payable	87,027	94,409	(7.82) %
<b>Total</b>	<b><u>\$ 5,963,381</u></b>	<b><u>\$ 6,244,409</u></b>	<b>(4.50) %</b>

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

## CURRENT ISSUES

The Senatobia Municipal 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Senatobia Municipal School District, 104 McKie Street, Senatobia, MS 38668.

## FINANCIAL STATEMENTS

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,798,489
Due from other governments	369,652
Inventories	14,141
Prepaid items	78,435
Capital assets, non-depreciable:	
Land	1,007,521
Capital assets, net of accumulated depreciation:	
Buildings	9,599,671
Building improvements	2,529,538
Improvements other than buildings	132,681
Mobile equipment	396,844
Furniture and equipment	12,953
Total Assets	17,939,925
 <b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	1,504,195
Total Deferred Outflows of Resources	1,504,195
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	151,234
Interest payable on long-term liabilities	19,483
Long-term liabilities, due within one year:	
Capital related liabilities	400,000
Non-capital related liabilities	29,034
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,375,000
Non-capital related liabilities	159,347
Net pension liability	16,963,334
Total Liabilities	23,097,432
 <b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	2,098,143
Total Deferred Inflows of Resources	2,098,143
 <b>Net Position</b>	
Net investment in capital assets	7,904,208
Restricted for:	
Expendable:	
School-based activities	177,545
Debt service	124,053
Ad valorem	11,617
Unemployment benefits	51,114
Unrestricted	(14,019,992)
Total Net Position (Deficit)	\$ (5,751,455)

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 7,853,133	\$ 545,525	\$ 746,374		\$ (6,561,234)
Support services	5,297,884	-	1,021,925		(4,275,959)
Non-instructional	694,100	99,012	583,476		(11,612)
Pension expense	679,961	-	-		(679,961)
Interest on long-term liabilities	248,109	-	-		(248,109)
<b>Total Governmental Activities</b>	<b>\$ 14,773,187</b>	<b>\$ 644,537</b>	<b>\$ 2,351,775</b>		<b>\$ (11,776,875)</b>

General Revenues:

Taxes:

General purpose levies 3,471,226

Debt purpose levies 636,848

Unrestricted grants and contributions:

State 8,334,614

Federal 20,101

Unrestricted investment earnings 6,608

Other 92,522

Total General Revenues 12,561,919

Change in Net Position 785,044

Net Position - Beginning, as previously reported 11,655,055

Prior Period Adjustments (18,191,554)

Net Position (Deficit) - Beginning, as restated (6,536,499)

Net Position (Deficit) - Ending \$ (5,751,455)

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 3,532,333	\$ 281	\$ 1,074	\$ 264,801	\$ 3,798,489
Due from other governments	256,101	39,388	33,350	40,813	369,652
Due from other funds	96,271	-	-	-	96,271
Inventories	-	-	-	14,141	14,141
Prepaid items	78,435	-	-	-	78,435
Total assets	<u>\$ 3,963,140</u>	<u>\$ 39,669</u>	<u>\$ 34,424</u>	<u>\$ 319,755</u>	<u>\$ 4,356,988</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 147,417	\$ 281	\$ 1,074	\$ 2,462	\$ 151,234
Due to other funds	-	39,388	33,350	23,533	96,271
Total Liabilities	<u>147,417</u>	<u>39,669</u>	<u>34,424</u>	<u>25,995</u>	<u>247,505</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	14,141	14,141
Prepaid items	78,435	-	-	-	78,435
<b>Restricted:</b>					
Debt service	-	-	-	143,536	143,536
Advalorem	11,617	-	-	-	11,617
Grant activities	-	-	-	820	820
Unemployment benefits	-	-	-	51,114	51,114
Food service	-	-	-	84,149	84,149
<b>Committed:</b>					
Capital projects	1,612,604	-	-	-	1,612,604
<b>Assigned:</b>					
Activity funds	170,985	-	-	-	170,985
<b>Unassigned</b>					
Total Fund Balances	<u>3,815,723</u>	<u>-</u>	<u>-</u>	<u>293,760</u>	<u>4,109,483</u>
Total Liabilities and Fund Balances	<u>\$ 3,963,140</u>	<u>\$ 39,669</u>	<u>\$ 34,424</u>	<u>\$ 319,755</u>	<u>\$ 4,356,988</u>

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Exhibit C-1**

<b>Total fund balances for governmental funds</b>	\$	4,109,483
Amounts reported for governmental activities in the statement of Net Position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$	1,007,521
Buildings		14,051,728
Building improvements		3,448,198
Improvements other than buildings		277,533
Mobile equipment		1,297,324
Furniture and equipment		324,365
Accumulated depreciation		<u>(6,727,461)</u>
		13,679,208
2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(16,963,334)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		1,504,195
Deferred inflows of resources related to pensions		<u>(2,098,143)</u>
		(17,557,282)
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		(5,775,000)
Capital lease obligations		(101,354)
Compensated absences		(87,027)
Accrued interest payable		<u>(19,483)</u>
		(5,982,864)
 <b>Net Position of governmental activities</b>	 \$	 <u><u>(5,751,455)</u></u>

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2015**

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund		
<b>Revenues:</b>					
Local sources	\$ 4,005,144	\$ -	\$ -	\$ 846,598	\$ 4,851,742
State sources	8,918,030	-	-	138,686	9,056,716
Federal sources	20,100	393,359	445,036	791,278	1,649,773
Total Revenues	12,943,274	393,359	445,036	1,776,562	15,558,231
<b>Expenditures:</b>					
Instruction	7,545,956	219,747	188,928	430,517	8,385,148
Support services	4,994,817	96,290	256,108	289,364	5,636,579
Noninstructional services	47,308	4,412	-	682,641	734,361
Facilities acquisition and construction	1,171,352	-	-	-	1,171,352
Debt service:					
Principal	26,264	-	-	375,000	401,264
Interest	193	-	-	246,000	246,193
Other	-	-	-	2,250	2,250
Total Expenditures	13,785,890	320,449	445,036	2,025,772	16,577,147
Excess (Deficiency) of Revenues over (under) Expenditures	(842,616)	72,910	-	(249,210)	(1,018,916)
<b>Other Financing Sources (Uses):</b>					
Capital leases issued	127,618	-	-	-	127,618
Operating transfers in	-	-	-	330,840	330,840
Operating transfers out	(256,239)	(72,910)	-	(1,691)	(330,840)
Total Other Financing Sources (Uses)	(128,621)	(72,910)	-	329,149	127,618
Net Change in Fund Balances	(971,237)	-	-	79,939	(891,298)
Fund Balances:					
July 1, 2014	4,786,960	-	-	215,413	5,002,373
Increase (Decrease) in inventory	-	-	-	(1,592)	(1,592)
June 30, 2015	\$ 3,815,723	\$ -	\$ -	\$ 293,760	\$ 4,109,483

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (891,298)

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,256,652	
Depreciation expense	(480,221)	776,431

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (9,476)

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

Capital leases issued	(127,618)	
Payments of debt principal	401,264	
Accrued interest payable	334	273,980

- Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(679,961)	
Recording of contributions made subsequent to the measurement date	1,309,578	629,617

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

Change in compensated absences	7,382	
Change in inventory	(1,592)	5,790

**Change in Net Position of governmental activities** \$ 785,044

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 533,251
Total Assets	<u>\$ 533,251</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 510,264
Due to student clubs	22,987
Total Liabilities	<u>\$ 533,251</u>

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

**Senatobia Municipal School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Senatobia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Senatobia Municipal 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.

#### **B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

EHA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing free appropriate public education to all children with disabilities.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

payable type transactions.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

### FIDUCIARY FUNDS

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

## **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions.

See Note 12 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized 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.

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 11. Fund Balances

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

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

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

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

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

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive

# SENATOBIA MUNICIPAL SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year end of not less than 7% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 – Cash and Cash Equivalents**

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,798,489 and \$533,251, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$3,798,489.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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, 2015, none of the district's bank balance of \$4,625,064 was exposed to custodial credit risk.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 39,388
	EHA Part B Fund	33,350
	Other Governmental Funds	23,533
Total		<u>\$ 96,271</u>

Interfund loans were made to remove negative cash balances in funds within pooled bank accounts resulting from the initial payments of reimbursable expenditures of federal and state programs. All balances are expected to be repaid within one year from the date of the financial statements.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 256,239
Title I Fund	Other Governmental Funds	72,910
Other Governmental Funds	Other Governmental Funds	1,691
Total		<u>\$ 330,840</u>

Transfers were made for budgetary allocations. All transfers were routine in nature and consistent with the fund making the transfer.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 4 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,007,521					\$ 1,007,521
Construction-in-progress	214,613	1,171,352		(1,381,310)	(4,655)	-
Total non-depreciable capital assets	1,222,134	1,171,352	-	(1,381,310)	(4,655)	1,007,521
<u>Depreciable capital assets:</u>						
Buildings	12,670,418			1,381,310		14,051,728
Building improvements	3,448,198					3,448,198
Improvements other than buildings	277,533					277,533
Mobile equipment	1,304,400	85,300	92,376			1,297,324
Furniture and equipment	348,157		23,792			324,365
Total depreciable capital assets	18,048,706	85,300	116,168	1,381,310	-	19,399,148
<u>Less accumulated depreciation for:</u>						
Buildings	4,185,238	266,819				4,452,057
Building improvements	780,732	137,928				918,660
Improvements other than buildings	135,781	9,071				144,852
Mobile equipment	920,438	63,180	83,138			900,480
Furniture and equipment	331,743	3,223	23,554			311,412
Total accumulated depreciation	6,353,932	480,221	106,692	-	-	6,727,461
Total depreciable capital assets, net	11,694,774	(394,921)	9,476	1,381,310	-	12,671,687
Governmental activities capital assets, net	\$ 12,916,908	\$ 776,431	\$ 9,476	\$ -	\$ (4,655)	\$ 13,679,208

An adjustment was needed to reduce the prior year balance in construction in progress related to non-capital expenditures.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 331,549
Support services	144,944
Non-instructional	3,728
Total depreciation expense - Governmental activities	\$ 480,221

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 5 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 6,150,000	\$	\$ 375,000	\$ 5,775,000	\$ 400,000
B. Obligations under capital leases	-	127,618	26,264	101,354	24,683
C. Compensated absences payable	94,409		7,382	87,027	4,351
Total	<u>\$ 6,244,409</u>	<u>\$ 127,618</u>	<u>\$ 408,646</u>	<u>\$ 5,963,381</u>	<u>\$ 429,034</u>

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2006	4.0%-5.6%	6/1/2006	6/1/2026	\$ 8,300,000	\$ 5,775,000
Total				<u>\$ 8,300,000</u>	<u>\$ 5,775,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 400,000	\$ 231,000	\$ 631,000
2017	425,000	215,000	640,000
2018	450,000	198,000	648,000
2019	500,000	180,000	680,000
2020	525,000	160,000	685,000
2021 – 2025	3,225,000	452,000	3,677,000
2026	250,000	10,000	260,000
Total	<u>\$ 5,775,000</u>	<u>\$ 1,446,000</u>	<u>\$ 7,221,000</u>

This debt will be retired from the 2006 Bond Issue Fund (Debt Service Fund).

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, 2015, the amount of outstanding bonded

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

indebtedness was equal to 8% of property assessments as of October 1, 2014.

**B. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of computer equipment at a cost of \$127,618. This lease qualifies as a capital lease for accounting purposes. Title of the equipment will pass to the lessee upon final payment to the lessor.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease	3.50%	12/1/2014	1/1/2019	\$ 127,618	\$ 101,354
Total				<u>\$ 127,618</u>	<u>\$ 101,354</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ 24,683	\$ 1,774	\$ 26,457
2017	25,115	1,342	26,457
2018	25,554	902	26,456
2019	26,002	455	26,457
Total	<u>\$ 101,354</u>	<u>\$ 4,473</u>	<u>\$ 105,827</u>

This debt will be retired from the District Maintenance Fund (General Fund).

**C. Compensated absences payable**

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 6 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report 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-

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of 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, 2015, 2014 and 2013 were \$1,309,578, \$1,344,984 and \$1,228,589, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$16,963,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district's proportion was 0.139752 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$679,961. At June

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 194,617	\$
Net difference between projected and actual earnings on pension plan investments		1,967,168
Changes of assumptions		
Change in proportionate share		130,975
District contributions subsequent to the measurement date	1,309,578	
Total	\$ <u>1,504,195</u>	\$ <u>2,098,143</u>

\$1,309,578 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (468,899)
2017	(468,899)
2018	(473,936)
2019	(491,792)

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District’s proportionate share of the net pension liability	\$ 23,126,083	\$ 16,963,334	\$ 11,822,685

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 7 – Prior Period Adjustments**

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation		Amount
1. Implementation of GASB 68 and 71:		\$
Net pension liability (measurement date)	(19,531,883)	
Deferred outflows - contributions made during fiscal year 2014	<u>1,344,984</u>	
Total prior period adjustment related to GASB 68 and 71	(18,186,899)	(18,186,899)
2. To correct prior year balance in construction in progress related to non-capital expenditures		(4,655)
Total		<u><u>\$ (18,191,554)</u></u>

**Note 8 – Contingencies**

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

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

**Note 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.

**Note 10 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated May 13, 1999 creating the Senatobia-Tate County Regional Optional Learning Center. This center was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Senatobia Municipal School District and the Tate County School District.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Senatobia Municipal School District has been designated as the lead school district for the Senatobia-Tate County Regional Optional Learning Center, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Senatobia-Tate County Regional Optional Learning Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2015

**Revenues**

Local sources:	
Tuition from other LEA's within the state:	
Tate County School District	\$ 193,981
Total tuition from other LEA's within the state	<u>193,981</u>
Total Revenues	<u>193,981</u>

**Expenditures**

Salaries	207,461
Employee benefits	47,488
Purchased property services	16,491
Other purchased services	50,121
Supplies	1,041
Other	700
Total Expenditures	<u>323,302</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(129,321)</u>

**Other Financing Sources/Uses:**

Transfers in	<u>129,321</u>
Total Other Financing Sources/Uses	<u>129,321</u>

Net Change in Fund Balance -

Fund Balance:	
July 1, 2014	<u>-</u>
June 30, 2015	<u>\$ -</u>

**Note 11 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated January 1, 1984 creating the Senatobia-Tate County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Senatobia Municipal School District and the Tate County School District.

## SENATOBIA MUNICIPAL SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Tate County School District has been designated as the fiscal agent for the Senatobia-Tate County Regional Vocational Education Center, and the operations of the center are included in its financial statements.

#### **Note 12 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$14,019,992) includes the effect of deferring the recognition of expenses resulting from a deferred outflow related to pensions. The \$1,504,195 balance of deferred outflows of resources at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position amount over the next 3 years.

The unrestricted net position amount of (\$14,019,992) includes the effect of deferring the recognition of revenues resulting from a deferred inflows related to pensions. The \$2,098,143 balance of deferred inflows of resources at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position amount over the next 4 years.

#### **Note 13 – Subsequent Events**

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

REQUIRED SUPPLEMENTARY INFORMATION

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,881,127	\$ 4,005,144	\$ 4,005,144	\$ 124,017	\$ -
State sources	9,435,856	8,918,030	8,918,030	(517,826)	-
Federal sources	23,400	20,100	20,100	(3,300)	-
Total Revenues	13,340,383	12,943,274	12,943,274	(397,109)	-
<b>Expenditures:</b>					
Instruction	7,890,538	7,545,956	7,545,956	344,582	-
Support services	5,030,681	4,867,199	4,994,817	163,482	(127,618)
Noninstructional services	34,458	47,308	47,308	(12,850)	-
Facilities acquisition and construction	1,213,201	1,171,352	1,171,352	41,849	-
Debt service:					
Principal	-	26,264	26,264	(26,264)	-
Interest	-	193	193	(193)	-
Total Expenditures	14,168,878	13,658,272	13,785,890	510,606	(127,618)
Excess (Deficiency) of Revenues over (under) Expenditures	(828,495)	(714,998)	(842,616)	113,497	(127,618)
<b>Other Financing Sources (Uses):</b>					
Capital leases issued	-	-	127,618	-	127,618
Operating transfers in	2,668,232	2,580,171	-	(88,061)	(2,580,171)
Operating transfers out	(2,949,498)	(2,836,410)	(256,239)	113,088	2,580,171
Total Other Financing Sources (Uses)	(281,266)	(256,239)	(128,621)	25,027	127,618
Net Change in Fund Balances	(1,109,761)	(971,237)	(971,237)	138,524	-
Fund Balances:					
July 1, 2014	4,757,904	4,786,960	4,786,960	29,056	-
June 30, 2015	\$ 3,648,143	\$ 3,815,723	\$ 3,815,723	\$ 167,580	\$ -

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I Fund**

**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 372,425	\$ 440,820	\$ 393,359	\$ 68,395	\$ (47,461)
Total Revenues	372,425	440,820	393,359	68,395	(47,461)
<b>Expenditures:</b>					
Instruction	218,652	245,166	219,747	(26,514)	25,419
Support services	91,049	105,265	96,290	(14,216)	8,975
Noninstructional services	3,724	7,554	4,412	(3,830)	3,142
Total Expenditures	313,425	357,985	320,449	(44,560)	37,536
Excess (Deficiency) of Revenues over (under) Expenditures	59,000	82,835	72,910	23,835	(9,925)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(59,000)	(82,835)	(72,910)	(23,835)	9,925
Total Other Financing Sources (Uses)	(59,000)	(82,835)	(72,910)	(23,835)	9,925
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
EHA Part B Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues:</b>				
Federal sources	\$ 487,073	\$ 575,253	\$ 445,036	\$ 88,180	\$ (130,217)
Total Revenues	487,073	575,253	445,036	88,180	(130,217)
<b>Expenditures:</b>					
Instruction	214,533	238,076	188,928	(23,543)	49,148
Support services	272,540	337,177	256,108	(64,637)	81,069
Total Expenditures	487,073	575,253	445,036	(88,180)	130,217
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Senatobia Municipal School District**

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset) \$	16,963,334
District's proportionate share of the net pension liability (asset)	0.139752%
District's covered - employee payroll	8,314,781
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	204.014201%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Senatobia Municipal School District**  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years\*

	2015
Contractually required contribution	\$ <u>1,309,578</u>
Contributions in relation to the contractually required contribution	1,309,578
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	8,314,781
Contributions as a percentage of covered - employee payroll	15.75%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

## Senatobia Municipal School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**Senatobia Municipal School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2015

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 131,691
National School Lunch Program	10.555	547,867
Total Child Nutrition Cluster		<u>679,558</u>
Total passed-through the Mississippi Department of Education		<u>679,558</u>
<b>Total U.S. Department of Agriculture</b>		<u>679,558</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	393,359
Improving Teacher Quality - State Grants	84.367	78,382
Sub-total		<u>471,741</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	445,036
Special Education - Preschool Grants	84.173	33,337
Total Special Education Cluster		<u>478,373</u>
Total passed-through the Mississippi Department of Education		<u>950,114</u>
<b>Total U.S. Department of Education</b>		<u>950,114</u>
<b><u>U. S. Department of Homeland Security</u></b>		
Direct program		
Hazard Mitigation Grant	97.039	1,230,875
<b>Total U.S. Department of Homeland Security</b>		<u>1,230,875</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u>\$ 2,860,547</u>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and the same 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.

**Senatobia Municipal School District**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2015

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 11,407,354	8,390,913	705,435	1,023,853	1,287,153
Other	5,169,793	1,257,652	255,504	42,835	3,613,802
Total	\$ <u>16,577,147</u>	<u>9,648,565</u>	<u>960,939</u>	<u>1,066,688</u>	<u>4,900,955</u>
Total number of students *	<u>1,793</u>				
Cost per student	\$ <u>9,245</u>	<u>5,381</u>	<u>536</u>	<u>595</u>	<u>2,733</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration

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

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

## OTHER INFORMATION

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
<b>Revenues:</b>				
Local sources	\$ 4,005,144	3,579,934	3,379,202	3,128,781
State sources	8,918,030	8,555,603	9,083,518	8,800,304
Federal sources	20,100	12,416	63,772	109,685
Total Revenues	<u>12,943,274</u>	<u>12,147,953</u>	<u>12,526,492</u>	<u>12,038,770</u>
<b>Expenditures:</b>				
Instruction	7,545,956	7,680,896	7,786,418	7,400,762
Support services	4,994,817	5,088,890	4,522,670	4,265,811
Noninstructional services	47,308	40,250	59,708	40,224
Facilities acquisition and construction	1,171,352	990,279	104,973	-
Debt service:				
Principal	26,264	-	-	151,427
Interest	193	-	-	-
Total Expenditures	<u>13,785,890</u>	<u>13,800,315</u>	<u>12,473,769</u>	<u>11,858,224</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(842,616)</u>	<u>(1,652,362)</u>	<u>52,723</u>	<u>180,546</u>
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	127,618			
Operating transfers out	(256,239)	(232,711)	(293,465)	(224,255)
Total Other Financing Sources (Uses)	<u>(128,621)</u>	<u>(232,711)</u>	<u>(293,465)</u>	<u>(224,255)</u>
Net Change in Fund Balances	<u>(971,237)</u>	<u>(1,885,073)</u>	<u>(240,742)</u>	<u>(43,709)</u>
Fund Balances:				
July 1,	4,786,960	6,672,033	6,912,775	6,956,484
June 30,	<u>\$ 3,815,723</u>	<u>4,786,960</u>	<u>6,672,033</u>	<u>6,912,775</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SENATOBIA MUNICIPAL SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

"UNAUDITED"

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
<b>Revenues:</b>				
Local sources	\$ 4,851,742	4,615,475	4,472,437	4,168,377
State sources	9,056,716	8,715,327	9,242,436	9,008,117
Federal sources	1,649,773	1,712,957	1,868,771	1,938,313
Total Revenues	<u>15,558,231</u>	<u>15,043,759</u>	<u>15,583,644</u>	<u>15,114,807</u>
<b>Expenditures:</b>				
Instruction	8,385,148	8,606,391	8,800,588	8,449,419
Support services	5,636,579	5,748,289	5,302,277	5,043,532
Noninstructional services	734,361	750,190	770,107	711,409
Facilities acquisition and construction	1,171,352	990,279	104,973	-
Debt service:				
Principal	401,264	677,000	675,000	635,000
Interest	246,193	263,107	283,953	344,501
Other	2,250	2,500	2,500	10,771
Total Expenditures	<u>16,577,147</u>	<u>17,037,756</u>	<u>15,939,398</u>	<u>15,194,632</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,018,916)</u>	<u>(1,993,997)</u>	<u>(355,754)</u>	<u>(79,825)</u>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	-	-	652,000
Capital leases issued	127,618	-	-	-
Payment to refunded bond escrow agent	-	-	-	(651,841)
Operating transfers in	330,840	341,563	367,315	224,255
Operating transfers out	(330,840)	(341,563)	(367,315)	(224,255)
Total Other Financing Sources (Uses)	<u>127,618</u>	<u>-</u>	<u>-</u>	<u>159</u>
Net Change in Fund Balances	<u>(891,298)</u>	<u>(1,993,997)</u>	<u>(355,754)</u>	<u>(79,666)</u>
<b>Fund Balances:</b>				
July 1,	5,002,373	6,998,707	7,374,629	7,437,763
Increase (Decrease) in inventory	(1,592)	(2,337)	(20,168)	16,532
June 30,	<u>\$ 4,109,483</u>	<u>5,002,373</u>	<u>6,998,707</u>	<u>7,374,629</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Senatobia Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Senatobia Municipal School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements, and have issued our report thereon dated November 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Senatobia Municipal School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 18, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Senatobia Municipal School District

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

We have audited Senatobia Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Senatobia Municipal School District's major federal programs for the year ended June 30, 2015. The Senatobia Municipal 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Senatobia Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the school district's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the Senatobia Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the Senatobia Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Senatobia Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
November 18, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Senatobia Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2015, which collectively comprise the Senatobia Municipal School District's basic financial statements and have issued our report thereon dated November 18, 2015. 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 ensure 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 \$0 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 ensure 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 18, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Senatobia Municipal School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
97.039	Hazard Mitigation Grant

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

### Section III: Federal Award Findings and Questioned Costs

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