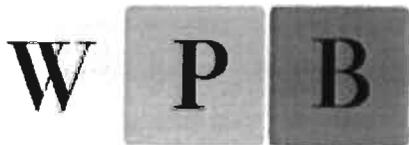




The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For Year Ended June 30, 2013**



**WILSON PETERSON & BROTHERS
CERTIFIED PUBLIC ACCOUNTANTS**



SENATOBIA MUNICIPAL SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS i-x

BASIC FINANCIAL STATEMENTS 5

 Government-wide Financial Statements

 Exhibit A – Statement of Net Position 6

 Exhibit B – Statement of Activities..... 7

 Governmental Funds Financial Statements

 Exhibit C – Balance Sheet..... 8

 Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position 9

 Exhibit D – Statement of Revenues, Expenditures and
 Changes in Fund Balances 10

 Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities 11

 Fiduciary Funds Financial Statements

 Exhibit E – Statement of Fiduciary Assets and Liabilities 12

 Notes to the Financial Statements 13

REQUIRED SUPPLEMENTARY INFORMATION..... 27

 Budgetary Comparison Schedule – General Fund 29

 Budgetary Comparison Schedule – Title I Fund 30

 Notes to the Required Supplemental Information..... 31

SUPPLEMENTARY INFORMATION..... 33

 Schedule of Expenditures of Federal Awards..... 34

 Schedule of Instructional, Administrative and
 Other Expenditures – Governmental Funds..... 35

OTHER INFORMATION..... 37

 Statement of Revenues, Expenditures and Changes
 in Fund Balances – General Fund, Last Four Years 38

 Statement of Revenues, Expenditures and Changes
 in Fund Balances – All Governmental Funds, Last Four Years 39

REPORTS ON INTERNAL CONTROL AND COMPLIANCE 41

 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* 43

 Independent Auditor's Report on Compliance for Each Major Federal Program
 and on Internal Control Over Compliance Required by OMB Circular A-133 45

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS
AND REGULATIONS**..... 47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 48



INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)



WILLIAMS · PITTS · BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS
JERRY W. PITTS
REBECCA A. BEARD
KRISTOPHER A. WHITTEN

2042 MCINGVALE ROAD, SUITE A
HERNANDO, MISSISSIPPI 38632
662-429-4436
662-429-4438 FAX

INDEPENDENT AUDITOR'S REPORT

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 balance of the Senatobia Municipal School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 District as of June 30, 2013 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 on pages i-x and 29-31 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 District's 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information 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 January 7, 2014, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 7, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 2013 increased \$53,866, which represents less than a 1% increase from fiscal year 2012. Total net position for 2012 increased \$217,788, which represents a 2% increase from fiscal year 2011.
- General revenues amounted to \$12,842,337 and \$12,490,131, or 82% and 83% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,741,307, or 18% of total revenues for 2013, and \$2,624,676, or 17% of total revenues for 2012.
- The District had \$15,529,778 and \$14,897,019 in expenses for fiscal years 2013 and 2012; only \$2,741,307 for 2013 and \$2,624,676 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,842,337 for 2013 and \$12,490,131 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,526,492 in revenues and \$12,473,769 in expenditures for 2013, and \$12,038,770 in revenues and \$11,858,224 in expenditures in 2012. The General Fund's fund balance decreased by \$240,742 from 2012 to 2013, and decreased by \$43,709 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$254,601 for 2013 and decreased by \$365,057 for 2012. The decrease for 2013 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$683,395 for 2013 and decreased by \$631,872 for 2012. The decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,395 for 2013 and decreased by \$3,872 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 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 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:

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison 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 exceeded liabilities by \$12,407,371 as of June 30, 2013.

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Current assets	\$ 7,144,500	\$ 7,782,006	-8.19 %
Capital assets, net	12,362,635	12,617,236	-2.02 %
Total assets	<u>19,507,135</u>	<u>20,399,242</u>	-4.37 %
Current liabilities	167,661	430,239	-61.03 %
Long-term debt outstanding	6,932,103	7,615,498	-8.97 %
Total liabilities	<u>7,099,764</u>	<u>8,045,737</u>	-11.76 %
Net position:			
Net investment in capital assets	5,535,635	5,115,236	8.22 %
Restricted	348,108	670,100	-48.05 %
Unrestricted	6,523,628	6,568,169	-0.68 %
Total net position	<u>\$ 12,407,371</u>	<u>\$ 12,353,505</u>	0.44 %

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

- Decrease in net capital assets in the amount of \$254,601.
- The principal retirement of \$675,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$15,583,644 and \$15,114,807, respectively. The total cost of all programs and services was \$15,529,778 for 2013 and \$14,897,019 for 2012.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 627,595	\$ 535,875	17.12 %
Operating grants and contributions	2,113,712	2,088,801	1.19 %
General revenues:			
Property taxes	3,678,323	3,412,153	7.80 %
Grants and contributions not restricted	8,997,494	8,857,628	1.58 %
Investment earnings	76,370	82,027	(6.90) %
Other	90,150	138,323	(34.83) %
Total revenues	<u>15,583,644</u>	<u>15,114,807</u>	3.10 %
Expenses:			
Instruction	9,125,521	8,783,102	3.90 %
Support services	5,307,616	5,049,901	5.10 %
Non-instructional	811,182	716,010	13.29 %
Interest on long-term liabilities	285,459	348,006	(17.97) %
Total expenses	<u>15,529,778</u>	<u>14,897,019</u>	4.25 %
Increase (Decrease) in net position	53,866	217,788	(75.27) %
Net Position, July 1	12,353,505	12,135,717	1.79 %
Net Position, June 30	<u>\$ 12,407,371</u>	<u>\$ 12,353,505</u>	0.44 %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 9,125,521	\$ 8,783,102	3.90 %
Support services	5,307,616	5,049,901	5.10 %
Non-instructional	811,182	716,010	13.29 %
Interest on long-term liabilities	285,459	348,006	(17.97) %
Total expenses	\$ 15,529,778	\$ 14,897,019	4.25 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (7,777,957)	\$ (7,533,862)	3.24 %
Support services	(4,590,303)	(4,300,805)	6.73 %
Non-instructional	(134,752)	(89,670)	50.28 %
Interest on long-term liabilities	(285,459)	(348,006)	(17.97) %
Total net (expense) revenue	\$ (12,788,471)	\$ (12,272,343)	4.21 %

- Net cost of governmental activities (\$12,788,471 for 2013 and \$12,272,343 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,678,323 for 2013 and \$3,412,153 for 2012) and state and federal revenues (\$8,997,494 for 2013 and \$8,857,628 for 2012).
- Investment earnings amounted to \$76,370 for 2013 and \$82,027 for 2012.

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 \$6,998,707, a decrease of \$375,922, which includes a decrease in reserve for inventory of \$20,168. \$2,076,253, or 30%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,922,454, or 70%, 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 \$240,742. The fund balance of Other Governmental Funds showed a decrease in the amount of \$135,180, which includes a decrease in reserve for inventory of \$20,168.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

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 fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$18,246,829, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$81,883 from 2012. Total accumulated depreciation as of June 30, 2013, was \$5,884,194, and total depreciation expense for the year was \$441,453, resulting in total net capital assets of \$12,362,635.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,007,521	\$ 1,007,521	0.00 %
Construction in Progress	104,973	-	N/A %
Buildings	8,724,372	8,963,565	(2.67) %
Building improvements	1,924,755	2,027,457	(5.07) %
Improvements other than buildings	150,823	161,924	(6.86) %
Mobile equipment	415,321	408,540	1.66 %
Furniture and equipment	34,870	48,229	(27.70) %
Total	\$ 12,362,635	\$ 12,617,236	(2.02) %

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$6,932,103 in outstanding long-term debt, of which \$682,255 is due within one year. During the fiscal year, the District made principal payments in the amount of \$675,000 on existing long-term debt. The liability for compensated absences decreased \$8,395 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
General obligation bonds payable	\$ 6,827,000	\$ 7,502,000	(9.00) %
Compensated absences payable	105,103	113,498	(7.40) %
Total	<u><u>\$ 6,932,103</u></u>	<u><u>\$ 7,615,498</u></u>	(8.97) %

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.

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.

BASIC FINANCIAL STATEMENTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	6,713,190
Due from other governments		369,938
Inventories		18,070
Prepaid items		43,302
Capital assets, non-depreciable:		
Land		1,007,521
Construction in progress		104,973
Capital assets, net of accumulated depreciation:		
Buildings		8,724,372
Building improvements		1,924,755
Improvements other than buildings		150,823
Mobile equipment		415,321
Furniture and equipment		34,870
Total Assets		19,507,135
Liabilities		
Accounts payable and accrued liabilities		145,793
Interest payable on long-term liabilities		21,868
Long-term liabilities, due within one year:		
Capital related liabilities		677,000
Non-capital related liabilities		5,255
Long-term liabilities, due beyond one year:		
Capital related liabilities		6,150,000
Non-capital related liabilities		99,848
Total Liabilities		7,099,764
Net Position		
Net investment in capital assets		5,535,635
Restricted for:		
Expendable:		
School-based activities		178,423
Debt service		121,142
Unemployment benefits		48,543
Unrestricted		6,523,628
Total Net Position	\$	12,407,371

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 9,125,521	\$ 506,795	\$ 840,769	\$ -	\$ (7,777,957)	
Support services	5,307,616	-	717,313	-	(4,590,303)	
Non-instructional	811,182	120,800	555,630	-	(134,752)	
Interest on long-term liabilities	285,459	-	-	-	(285,459)	
Total Governmental Activities	\$ 15,529,778	\$ 627,595	\$ 2,113,712	\$ -	\$ (12,788,471)	

General Revenues:

Taxes:

General purpose levies

2,808,986

Debt purpose levies

869,337

Unrestricted grants and contributions:

State

8,933,722

Federal

63,772

Unrestricted investment earnings

76,370

Other

90,150

Total General Revenues

12,842,337

Change in Net Position

53,866

Net Position - Beginning

12,353,505

Net Position - Ending

\$ 12,407,371

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund		
Assets				
Cash and cash equivalents	\$ 6,397,201	\$ 1,838	\$ 314,151	\$ 6,713,190
Due from other governments	200,933	67,560	101,445	369,938
Due from other funds	159,471	-	-	159,471
Inventories	-	-	18,070	18,070
Prepaid items	43,302	-	-	43,302
Total assets	<u>\$ 6,800,907</u>	<u>\$ 69,398</u>	<u>\$ 433,666</u>	<u>\$ 7,303,971</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 128,874	\$ 1,838	\$ 15,081	\$ 145,793
Due to other funds	-	67,560	91,911	159,471
Total Liabilities	<u>128,874</u>	<u>69,398</u>	<u>106,992</u>	<u>305,264</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	18,070	18,070
Prepaid items	43,302	-	-	43,302
Restricted:				
Debt service	-	-	143,010	143,010
Unemployment benefits	-	-	48,543	48,543
Food services	-	-	106,706	106,706
Other purposes	-	-	10,345	10,345
Committed:				
Capital projects	4,324,526	-	-	4,324,526
Assigned:				
Activity funds	227,952	-	-	227,952
Unassigned	<u>2,076,253</u>	<u>-</u>	<u>-</u>	<u>2,076,253</u>
Total Fund Balances	<u>6,672,033</u>	<u>-</u>	<u>326,674</u>	<u>6,998,707</u>
Total Liabilities and Fund Balances	<u>\$ 6,800,907</u>	<u>\$ 69,398</u>	<u>\$ 433,666</u>	<u>\$ 7,303,971</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, 2013

Exhibit C-1

Total fund balances for governmental funds **\$ 6,998,707**

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	
Construction in progress	104,973	
Buildings	12,670,418	
Building improvements	2,567,559	
Improvements other than buildings	277,533	
Mobile equipment	1,275,900	
Furniture and equipment	342,925	
Accumulated depreciation	<u>(5,884,194)</u>	12,362,635

2. 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	(6,827,000)	
Compensated absences	(105,103)	
Accrued interest payable	<u>(21,868)</u>	(6,953,971)

Net position of governmental activities

\$ 12,407,371

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Titla I Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 3,379,202	\$ -	\$ 1,093,235	\$ 4,472,437
State sources	9,083,518	-	158,918	9,242,436
Federal sources	63,772	500,039	1,304,960	1,868,771
Total Revenues	<u>12,526,492</u>	<u>500,039</u>	<u>2,557,113</u>	<u>15,583,644</u>
Expenditures:				
Instruction	7,786,418	256,963	757,207	8,800,588
Support services	4,522,670	163,177	616,430	5,302,277
Noninstructional services	59,708	8,155	702,244	770,107
Facilities acquisition and construction	104,973	-	-	104,973
Debt service:				
Principal	-	-	675,000	675,000
Interest	-	-	283,953	283,953
Other	-	-	2,500	2,500
Total Expenditures	<u>12,473,769</u>	<u>428,295</u>	<u>3,037,334</u>	<u>15,939,398</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>52,723</u>	<u>71,744</u>	<u>(480,221)</u>	<u>(355,754)</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	367,315	367,315
Operating transfers out	(293,465)	(71,744)	(2,106)	(367,315)
Total Other Financing Sources (Uses)	<u>(293,465)</u>	<u>(71,744)</u>	<u>365,209</u>	<u>-</u>
Net Change in Fund Balances	(240,742)	-	(115,012)	(355,754)
Fund Balances:				
July 1, 2012	6,912,775	-	461,854	7,374,629
Increase (Decrease) in reserve for inventory	-	-	(20,168)	(20,168)
June 30, 2013	<u>\$ 6,672,033</u>	<u>\$ -</u>	<u>\$ 326,674</u>	<u>\$ 6,998,707</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 Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (355,754)

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

1. 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	\$ 196,569	
Depreciation expense	<u>(441,453)</u>	(244,884)

2. 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. (9,717)

3. 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 issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	675,000	
Accrued interest payable	<u>994</u>	675,994

4. 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	8,395	
Change in inventory reserve	<u>(20,168)</u>	(11,773)

Change in net position of governmental activities \$ 53,866

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 382,309
Total Assets	<u>\$ 382,309</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 362,448
Due to student clubs	19,861
Total Liabilities	<u>\$ 382,309</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.
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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.

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 non-payroll 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district 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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
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	*	*
Intangible assets	**	**

(*) 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, 2013

(**) The estimated useful life is an amount deemed appropriate by the district for a specific intangible asset. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term 'depreciation' includes the amortization of intangible assets.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal 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.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

9. Fund 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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 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.

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 \$6,713,190 and \$382,309, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$6,713,190.

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, 2013, none of the district's bank balance of \$7,572,723 was exposed to custodial credit risk.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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	\$ 67,560
	Other governmental funds	91,911
Total		\$ 159,471

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	\$ 293,465
Title I Fund	Other governmental funds	71,744
Other governmental funds	Other governmental funds	2,106
Total		\$ 367,315

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, 2013

Note 4 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,007,521	-	-	\$ 1,007,521
Construction-in-progress	-	104,973	-	104,973
Total non-depreciable capital assets	<u>1,007,521</u>	<u>104,973</u>	<u>-</u>	<u>1,112,494</u>
<u>Depreciable capital assets:</u>				
Buildings	12,670,418	-	-	12,670,418
Building improvements	2,567,559	-	-	2,567,559
Improvements other than buildings	277,533	-	-	277,533
Mobile equipment	1,290,146	80,974	95,220	1,275,900
Furniture and equipment	351,769	10,622	19,466	342,925
Total depreciable capital assets	<u>17,157,425</u>	<u>91,596</u>	<u>114,686</u>	<u>17,134,335</u>
<u>Less accumulated depreciation for:</u>				
Buildings	3,706,853	239,193	-	3,946,046
Building improvements	540,102	102,702	-	642,804
Improvements other than buildings	115,609	11,101	-	126,710
Mobile equipment	881,606	64,671	85,698	860,579
Furniture and equipment	303,540	23,786	19,271	308,055
Total accumulated depreciation	<u>5,547,710</u>	<u>441,453</u>	<u>104,969</u>	<u>5,884,194</u>
Total depreciable capital assets, net	<u>11,609,715</u>	<u>(349,857)</u>	<u>9,717</u>	<u>11,250,141</u>
Governmental activities capital assets, net	<u>\$ 12,617,236</u>	<u>\$ (244,884)</u>	<u>\$ 9,717</u>	<u>\$ 12,362,635</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 330,809
Support services	89,317
Non-instructional	21,327
Total depreciation expense - Governmental activities	<u>\$ 441,453</u>

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Roof/HVAC for High School	\$ 56,773	\$ 818,230
FEMA shelter at Middle School	48,200	-
Total construction in progress	<u>\$ 104,973</u>	<u>\$ 818,230</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Construction projects included in governmental activities are funded with general funds committed for capital projects.

Note 5 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 7,502,000	\$	\$ 675,000	\$ 6,827,000	\$ 677,000
B. Compensated absences payable	113,498		8,395	105,103	5,255
Total	\$ 7,615,498	- \$	\$ 683,395	\$ 6,932,103	\$ 682,255

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
1. General obligation bonds, Series 2006	4.0%-5.6%	6/1/2006	6/1/2026	\$ 8,300,000	\$ 6,500,000
2. General obligation refunding bonds, Series 2012	0.75%-0.95%	6/8/2012	3/15/2014	652,000	327,000
Total				\$ 8,952,000	\$ 6,827,000

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

- General obligation bond issue on June 1, 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 350,000	\$ 260,000	\$ 610,000
2015	375,000	246,000	621,000
2016	400,000	231,000	631,000
2017	425,000	215,000	640,000
2018	450,000	198,000	648,000
2019 – 2023	2,850,000	687,000	3,537,000
2024 – 2026	1,650,000	115,000	1,765,000
Total	\$ 6,500,000	\$ 1,952,000	\$ 8,452,000

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

2. General obligation bond issue on June 8, 2012:

Year Ending June 30	Principal	Interest	Total
2014	\$ 327,000	\$ 3,106	\$ 330,106
Total	<u>\$ 327,000</u>	<u>\$ 3,106</u>	<u>\$ 330,106</u>

This debt will be retired from the 2012 Bond Issue Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 677,000	\$ 263,106	\$ 940,106
2015	375,000	246,000	621,000
2016	400,000	231,000	631,000
2017	425,000	215,000	640,000
2018	450,000	198,000	648,000
2019 – 2023	2,850,000	687,000	3,537,000
2024 – 2026	1,650,000	115,000	1,765,000
Total	<u>\$ 6,827,000</u>	<u>\$ 1,955,106</u>	<u>\$ 8,782,106</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 9% of property assessments as of October 1, 2012.

B. Compensated absences payable

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

Note 6 – Prior Year Defeasance of Debt

In prior years, the Senatobia Municipal School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$330,000 of bonds outstanding are defeased.

Note 7 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

Funding Policy. PERS members are required to contribute 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, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$1,228,589, \$1,036,538 and \$931,181, respectively, which equaled the required contributions for each year.

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 Center

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.

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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, 2013

Revenues

Local sources:

Tuition from other LEA's within the state:

Tate County School District

\$ 179,253

Total tuition from other LEA's within the state

179,253

Total Revenues

179,253

Expenditures

Salaries

192,904

Employee benefits

39,840

Purchased property services

12,494

Other purchased services

48,973

Supplies

992

Property

2,591

Other

1,000

Total Expenditures

298,794

Excess (Deficiency) of Revenues Over (Under) Expenditures

(119,541)

Other Financing Sources/Uses:

Transfers in

119,541

Total Other Financing Sources/Uses

119,541

Net Change in Fund Balance

-

Fund Balance:

July 1, 2012

-

June 30, 2013

\$ -

Note 11 – Vocational School Center

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.

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 12 - 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 Assets date require disclosure in the accompanying notes. Management of the Senatobia Municipal School District evaluated the activity of the district through January 7, 2014 (the date the financial statements were available to be issued), and determined that the following subsequent events has occurred requiring disclosure in the notes to the financial statements:

In November 2013, Senatobia Municipal School District accepted a bid for \$1,213,000 for the construction of a FEMA shelter at the Middle School.

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,463,696	\$ 3,379,202	\$ 3,379,202	\$ (84,494)	\$ -
State sources	8,937,274	9,083,518	9,083,518	146,244	-
Federal sources	53,000	63,772	63,772	10,772	-
Total Revenues	<u>12,453,970</u>	<u>12,526,492</u>	<u>12,526,492</u>	<u>72,522</u>	<u>-</u>
Expenditures:					
Instruction	7,905,950	7,786,418	7,786,418	119,532	-
Support services	4,786,592	4,522,670	4,522,670	263,922	-
Noninstructional services	84,650	59,708	59,708	24,942	-
Facilities acquisition and construction	550,000	104,973	104,973	445,027	-
Total Expenditures	<u>13,327,192</u>	<u>12,473,769</u>	<u>12,473,769</u>	<u>853,423</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(873,222)</u>	<u>52,723</u>	<u>52,723</u>	<u>925,945</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	1,734,675	1,611,356	-	(123,319)	(1,611,356)
Operating transfers out	<u>(2,250,560)</u>	<u>(1,904,821)</u>	<u>(293,465)</u>	<u>345,739</u>	<u>1,611,356</u>
Total Other Financing Sources (Uses)	<u>(515,885)</u>	<u>(293,465)</u>	<u>(293,465)</u>	<u>222,420</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,389,107)</u>	<u>(240,742)</u>	<u>(240,742)</u>	<u>1,148,365</u>	<u>-</u>
Fund Balances:					
July 1, 2012	<u>6,761,294</u>	<u>6,912,775</u>	<u>6,912,775</u>	<u>151,481</u>	<u>-</u>
June 30, 2013	<u>\$ 5,372,187</u>	<u>\$ 6,672,033</u>	<u>\$ 6,672,033</u>	<u>\$ 1,299,846</u>	<u>\$ -</u>

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, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 397,648	\$ 562,015	\$ 500,039	\$ 164,367	\$ (61,976)
Total Revenues	<u>397,648</u>	<u>562,015</u>	<u>500,039</u>	<u>164,367</u>	<u>(61,976)</u>
Expenditures:					
Instruction	239,148	283,579	256,963	(44,431)	26,616
Support services	104,524	191,150	163,177	(86,626)	27,973
Noninstructional services	3,976	10,394	8,155	(6,418)	2,239
Total Expenditures	<u>347,648</u>	<u>485,123</u>	<u>428,295</u>	<u>(137,475)</u>	<u>56,828</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>50,000</u>	<u>76,892</u>	<u>71,744</u>	<u>26,892</u>	<u>(5,148)</u>
Other Financing Sources (Uses):					
Operating transfers out	(50,000)	(76,892)	(71,744)	(26,892)	5,148
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(76,892)</u>	<u>(71,744)</u>	<u>(26,892)</u>	<u>5,148</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

**Notes to the Required Supplementary Information
For Year Ended June 30, 2012**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 113,675
National school lunch program	10.555	515,192
Total child nutrition cluster		<u>628,867</u>
Total passed-through Mississippi Department of Education		<u>628,867</u>
Total U.S. Department of Agriculture		<u>628,867</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	35,017
Total Federal Communications Commission		<u>35,017</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - national program	84.184	19,244
Improving teacher quality state grants	84.367	68,855
Subtotal		<u>88,099</u>
Title I Cluster:		
Title I grants to local educational agencies	84.010	500,039
Total Title I cluster		<u>500,039</u>
Special education cluster:		
Special education-grants to states	84.027	536,983
Special education - preschool grants	84.173	51,011
Total special education cluster		<u>587,994</u>
Total passed-through Mississippi Department of Education		<u>1,176,132</u>
Total U.S. Department of Education		<u>1,176,132</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	18,914
Total U. S. Department of Health and Human Services		<u>18,914</u>
Total for All Federal Awards		<u>\$ 1,858,930</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

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,625,545	\$ 8,821,358	\$ 591,216	\$ 900,635	\$ 1,312,336
Other	4,313,853	1,507,121	241,428	53,274	2,512,030
Total	\$ 15,939,398	\$ 10,328,479	\$ 832,644	\$ 953,909	\$ 3,824,366
Total number of students *	<u>1,790</u>				
Cost per student	<u>\$ 8,905</u>	<u>\$ 5,770</u>	<u>\$ 465</u>	<u>\$ 533</u>	<u>\$ 2,137</u>

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

Instruction and Other Student Instructional Expenditures - included 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 function: 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 fiscal year.

(This page left blank intentionally)

OTHER INFORMATION

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 3,379,202	\$ 3,128,781	\$ 2,999,090	\$ 2,867,509
State sources	9,083,518	8,800,304	8,204,313	8,056,378
Federal sources	63,772	109,685	67,846	28,716
Total Revenues	<u>12,526,492</u>	<u>12,038,770</u>	<u>11,271,249</u>	<u>10,952,603</u>
Expenditures:				
Instruction	7,786,418	7,400,762	6,199,840	6,404,068
Support services	4,522,670	4,265,811	3,856,661	4,068,179
Noninstructional services	59,708	40,224	39,072	40,192
Facilities acq & const	104,973			
Debt service:				
Principal		151,427	45,100	40,000
Interest	-	-	3,050	2,975
Other	-	-	719	381
Total Expenditures	<u>12,473,769</u>	<u>11,858,224</u>	<u>10,144,442</u>	<u>10,555,795</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>52,723</u>	<u>180,546</u>	<u>1,126,807</u>	<u>396,808</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	37,653	35,713
Operating transfers out	(293,465)	(224,255)	(350,979)	(550,268)
Total Other Financing Sources (Uses)	<u>(293,465)</u>	<u>(224,255)</u>	<u>(313,326)</u>	<u>(514,555)</u>
Net Change in Fund Balances	<u>(240,742)</u>	<u>(43,709)</u>	<u>813,481</u>	<u>(117,747)</u>
Fund Balances:				
Beginning of period, as previously reported	6,912,775	6,956,484	1,869,369	1,987,116
Prior period adjustments	-	-	4,273,634	
Beginning of period, as restated	<u>6,912,775</u>	<u>6,956,484</u>	<u>6,143,003</u>	<u>1,987,116</u>
End of Period	<u>\$ 6,672,033</u>	<u>\$ 6,912,775</u>	<u>\$ 6,956,484</u>	<u>\$ 1,869,369</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

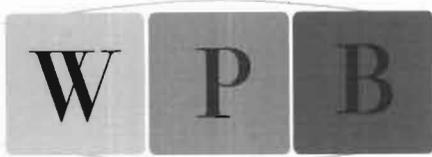
	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 4,472,437	\$ 4,168,377	\$ 4,079,269	\$ 3,978,229
State sources	9,242,436	9,008,117	8,371,754	8,224,309
Federal sources	1,868,771	1,938,313	2,932,657	2,845,926
Total Revenues	<u>15,583,644</u>	<u>15,114,807</u>	<u>15,383,680</u>	<u>15,048,464</u>
Expenditures:				
Instruction	8,800,588	8,449,419	8,297,271	8,293,753
Support services	5,302,277	5,043,532	4,566,219	5,014,408
Noninstructional services	770,107	711,409	743,566	720,714
Facilities & const.	104,973			
Debt service:				
Principal	675,000	635,000	610,100	565,000
Interest	283,953	344,501	376,360	400,498
Other	2,500	10,771	2,010	4,217
Total Expenditures	<u>15,939,398</u>	<u>15,194,632</u>	<u>14,595,526</u>	<u>14,998,590</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(355,754)</u>	<u>(79,825)</u>	<u>788,154</u>	<u>49,874</u>
Other Financing Sources (Uses):				
Refunding bonds issued		652,000	-	-
Payment to refunded bond escrow agent		(651,841)	-	-
Operating transfers in	367,315	224,255	388,632	585,981
Operating transfers out	(367,315)	(224,255)	(388,632)	(585,981)
Total Other Financing Sources (Uses)	<u>-</u>	<u>159</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(355,754)</u>	<u>(79,666)</u>	<u>788,154</u>	<u>49,874</u>
Fund Balances:				
Beginning of period, as previously reported	7,374,629	7,437,763	6,654,761	6,608,346
Prior period adjustments	-	-	(14,249)	-
Beginning of period, as restated	<u>7,374,629</u>	<u>7,437,763</u>	<u>6,640,512</u>	<u>6,608,346</u>
Increase (Decrease) in reserve for inventory	<u>(20,168)</u>	<u>16,532</u>	<u>9,097</u>	<u>(3,459)</u>
End of Period	<u>\$ 6,998,707</u>	<u>\$ 7,374,629</u>	<u>\$ 7,437,763</u>	<u>\$ 6,654,761</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)



WILLIAMS · PITTS · BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS | 2042 MCINGVALE ROAD, SUITE A
JERRY W. PITTS | HERNANDO, MISSISSIPPI 38632
REBECCA A. BEARD | 662-429-4436
KRISTOPHER A. WHITTEN | 662-429-4438 FAX

**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
Senatobia, Mississippi

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 the Senatobia Municipal School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

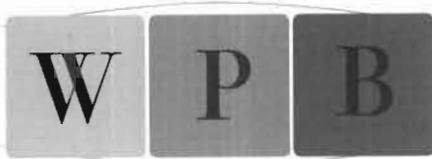
Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

January 7, 2014





WILLIAMS · PITTS · BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS
JERRY W. PITTS
REBECCA A. BEARD
KRISTOPHER A. WHITTEN

2042 MCINGVALE ROAD, SUITE A
HERNANDO, MISSISSIPPI 38632
662-429-4436
662-429-4438 FAX

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

Superintendent and School Board
Senatobia Municipal School District
Senatobia, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the Senatobia Municipal School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, 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, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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 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 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 7, 2014





WILLIAMS · PITTS · BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS
JERRY W. PITTS
REBECCA A. BEARD
KRISTOPHER A. WHITTEN

2042 MCINGVALE ROAD, SUITE A
HERNANDO, MISSISSIPPI 38632
662-429-4436
662-429-4438 FAX

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, 2013, which collectively comprise the Senatobia Municipal School District's basic financial statements and have issued our report thereon dated January 7, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$27,888 of classroom supply funds carried over from previous years.

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

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

As required by 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
January 7, 2014



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For Year Ended June 30, 2013**

Section I: Summary of Auditor's Results

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

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | <u>No</u> |
| b. Significant deficiency(ies) identified? | <u>None reported</u> |
| 5. Type of auditor's report issued on compliance for major programs: | <u>Unqualified</u> |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u>No</u> |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027 | Special Education – Grants to States |
| 84.173 | Special Education – Preschool Grants |
| 8. Dollar threshold used to distinguish between type A and type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as low-risk auditee? | <u>No</u> |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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