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Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

Senatobia Municipal School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District, as of June 30, 2016, 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 15 and 47 to 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Senatobia Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the Senatobia Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Senatobia Municipal School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 3, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 increased \$825,612, including a prior period adjustment of (\$1,037), which represents a 14% increase from fiscal year 2015. Total net position for 2015 decreased \$17,406,510, including a prior period adjustment of (\$18,191,554) primarily to record prior year net pension liability, which represents a 149% decrease from fiscal year 2014.
- General revenues amounted to \$13,442,777 and \$12,561,919, or 81% and 81% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,240,110, or 19% of total revenues for 2016, and \$2,996,312, or 19% of total revenues for 2015.
- The District had \$15,856,238 and \$14,773,187 in expenses for fiscal years 2016 and 2015; only \$3,240,110 for 2016 and \$2,996,312 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,442,777 for 2016 and \$12,561,919 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,900,139 in revenues and \$12,748,570 in expenditures for 2016, and \$12,943,274 in revenues and \$13,785,890 in expenditures in 2015. The General Fund's fund balance increased by \$978,442 from 2015 to 2016, and decreased by \$971,237 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$55,873 for 2016 and increased by \$762,300 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences payable and capital related bond premium, increased by \$3,258,317 for 2016 and decreased by \$273,646 for 2015. The increase for 2016 was due primarily to the issuance of general obligation refunding bonds, certificates of participation, and three mill notes during the fiscal year. The liability for compensated absences increased by \$883 for 2016 and decreased by \$7,382 for 2015.

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,925,843 as of June 30, 2016.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 5,328,288	\$ 4,260,717	25.06 %
Restricted assets	3,856,822	-	N/A %
Capital assets, net	13,623,335	13,679,208	(0.41) %
Total assets	<u>22,808,445</u>	<u>17,939,925</u>	27.14 %
 Deferred outflows of resources	 <u>4,810,408</u>	 <u>1,504,195</u>	 219.80 %
 Current liabilities	 310,249	 170,717	 81.73 %
Long-term debt outstanding	9,498,616	5,963,381	59.28 %
Net pension liability	20,573,244	16,963,334	21.28 %
Total liabilities	<u>30,382,109</u>	<u>23,097,432</u>	31.54 %
 Deferred inflows of resources	 <u>2,162,587</u>	 <u>2,098,143</u>	 3.07 %
 Net position:			
Net investment in capital assets	8,171,206	7,904,208	3.38 %
Restricted	323,556	364,329	(11.19) %
Unrestricted	(13,420,605)	(14,019,992)	4.28 %
Total net position	<u>\$ (4,925,843)</u>	<u>\$ (5,751,455)</u>	14.35 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (13,420,605)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>17,950,507</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,529,902</u>

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 \$55,873.
- Proceeds from long-term debt in the amount of \$9,755,000.
- The principal retirement of \$721,683 of long-term debt.
- The refunding of \$5,775,000 of general obligation bonds outstanding.
- Recognition of the net pension liability in the amount of \$20,573,244.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$16,682,887 and \$15,558,231, respectively. The total cost of all programs and services was \$15,856,238 for 2016 and \$14,773,187 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 596,371	\$ 644,537	(7.47) %
Operating grants and contributions	2,643,739	2,351,775	12.41 %
General revenues:			
Property taxes	4,381,530	4,108,074	6.66 %
Grants and contributions not restricted	8,942,510	8,354,715	7.04 %
Investment earnings	13,349	6,608	102.01 %
Other	105,388	92,522	13.91 %
Total revenues	16,682,887	15,558,231	7.23 %
Expenses:			
Instruction	8,009,008	7,853,133	1.98 %
Support services	5,114,549	5,297,884	(3.46) %
Non-instructional	692,328	694,100	(0.26) %
Pension expense	1,761,257	679,961	159.02 %
Interest on long-term liabilities	279,096	248,109	12.49 %
Total expenses	15,856,238	14,773,187	7.33 %
Increase (Decrease) in net position	826,649	785,044	5.30 %
Net Position, July 1, as previously reported	(5,751,455)	11,655,055	(149.35) %
Prior Period Adjustment	(1,037)	(18,191,554)	99.99 %
Net Position, July 1, as restated	(5,752,492)	(6,536,499)	11.99 %
Net Position, June 30	\$ (4,925,843)	\$ (5,751,455)	14.35 %

Governmental activities

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 8,009,008	\$ 7,853,133	1.98 %
Support services	5,114,549	5,297,884	(3.46) %
Non-instructional	692,328	694,100	(0.26) %
Pension Expense	1,761,257	679,961	159.02 %
Interest on long-term liabilities	279,096	248,109	12.49 %
Total expenses	\$ 15,856,238	\$ 14,773,187	7.33 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (6,821,654)	\$ (6,561,234)	3.97 %
Support services	(4,532,560)	(4,275,959)	6.00 %
Non-instructional	778,439	(11,612)	6,803.75 %
Pension Expense	(1,761,257)	(679,961)	159.02 %
Interest on long-term liabilities	(279,096)	(248,109)	12.49 %
Total net (expense) revenue	\$ (12,616,128)	\$ (11,776,875)	7.13 %

- Net cost of governmental activities (\$12,616,128 for 2016 and \$11,776,875 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$4,381,530 for 2016 and \$4,108,074 for 2015) and state and federal revenues (\$8,942,510 for 2016 and \$8,354,715 for 2015).
- Investment earnings amounted to \$13,349 for 2016 and \$6,608 for 2015.

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 \$8,910,156, an increase of \$4,800,673, which includes a prior period adjustment of (\$1,037) and a decrease in inventory of \$5,761. \$2,318,104, or 26% 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 \$6,592,052, or 74% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$978,442. The fund balance of Other Governmental Funds showed an increase in the amount of \$11,454, which includes a prior period adjustment of (\$1,037) and a

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

decrease in inventory of \$5,761. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
3 Mill Note Projects 2016 Fund	\$	2,987,489
Trust Certificates Projects 2016 Fund	\$	823,288

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$20,787,328, 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 \$380,659 from 2015, due primarily to the purchase of various items of mobile equipment and furniture and equipment and the construction/renovation of school facilities in progress at fiscal year end. Total accumulated depreciation as of June 30, 2016, was \$7,163,993, and total depreciation expense for the year was \$488,409, resulting in total net capital assets of \$13,623,335.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,007,521	\$ 1,007,521	0.00 %
Construction in Progress	308,487	-	N/A %
Buildings	9,332,852	9,599,671	(2.78) %
Building improvements	2,391,610	2,529,538	(5.45) %
Improvements other than buildings	123,610	132,681	(6.84) %
Mobile equipment	446,446	396,844	12.50 %
Furniture and equipment	12,809	12,953	(1.11) %
Total	<u>\$ 13,623,335</u>	<u>\$ 13,679,208</u>	<u>(0.41) %</u>

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

Debt Administration. At June 30, 2016, the District had \$9,222,581 in outstanding long-term debt, of which \$681,511 is due within one year. The District received proceeds from the issuance of certificates of participation in the amount of \$943,000 and limited tax notes totaling \$3,012,000 during the fiscal year. The District also refunded \$5,775,000 of outstanding general obligation bonds using proceeds from the issuance of general obligation refunding bonds in the amount of \$5,800,000 during the fiscal year. The District made principal payments totaling \$721,683 on outstanding long-term debt. The liability for compensated absences increased \$883 from the prior year.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 5,775,000	(100.00) %
General obligation refunding bonds payable	5,305,000	-	N/A %
Certificates of participation payable	943,000	-	N/A %
Three mill notes payable	2,810,000	-	N/A %
Obligations under capital leases	76,671	101,354	(24.35) %
Compensated absences payable	87,910	87,027	1.01 %
Total	<u>\$ 9,222,581</u>	<u>\$ 5,963,381</u>	54.65 %
Add: Premiums/discounts	276,035	-	N/A %
	<u>\$ 9,498,616</u>	<u>\$ 5,963,381</u>	59.28 %

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.

FINANCIAL STATEMENTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,695,171
Due from other governments	525,055
Inventories	8,380
Prepaid items	99,682
Restricted assets	3,856,822
Capital assets, non-depreciable:	
Land	1,007,521
Construction in progress	308,487
Capital assets, net of accumulated depreciation:	
Buildings	9,332,852
Building improvements	2,391,610
Improvements other than buildings	123,610
Mobile equipment	446,446
Furniture and equipment	12,809
Total Assets	<u>22,808,445</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	25,084
Deferred outflow related to pensions	3,581,569
Total Deferred Outflows of Resources	<u>3,606,653</u>
Liabilities	
Accounts payable and accrued liabilities	274,954
Interest payable on long-term liabilities	35,295
Long-term liabilities, due within one year:	
Capital related liabilities	652,000
Non-capital related liabilities	29,511
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,406,000
Capital related bond premium	276,035
Non-capital related liabilities	135,070
Net pension liability	20,573,244
Total Liabilities	<u>30,382,109</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	958,832
Total Deferred Inflows of Resources	<u>958,832</u>
Net Position	
Net investment in capital assets	8,171,206
Restricted for:	
Expendable:	
School-based activities	234,480
Debt service	38,777
Unemployment benefits	50,299
Unrestricted	(13,420,605)
Total Net Position (deficit)	<u>\$ (4,925,843)</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 8,009,008	\$ 495,721	\$ 691,633	\$ (6,821,654)
Support services	5,114,549	-	581,989	(4,532,560)
Non-instructional	692,328	100,650	1,370,117	778,439
Pension expense	1,761,257	-	-	(1,761,257)
Interest on long-term liabilities	279,096	-	-	(279,096)
Total Governmental Activities	\$ 15,856,238	\$ 596,371	\$ 2,643,739	\$ (12,616,128)
General Revenues:				
Taxes:				
General purpose levies				3,616,340
Debt purpose levies				765,190
Unrestricted grants and contributions:				
State				8,911,117
Federal				31,393
Unrestricted investment earnings				13,349
Other				105,388
Total General Revenues				13,442,777
Change in Net Position				826,649
Net Position (deficit) - Beginning, as previously reported				(5,751,455)
Prior Period Adjustments				(1,037)
Net Position (deficit) - Beginning, as restated				(5,752,492)
Net Position (deficit) - Ending				\$ (4,925,843)

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds					
	General	3 Mill Note	Trust Certificates	Other	Total	
	Fund	Projects 2016	Projects 2016	Governmental	Governmental	
		Fund	Fund	Funds	Funds	
Assets						
Cash and cash equivalents	\$ 4,320,607	\$ 3,024,818	\$ 932,970	\$ 273,598	\$ 8,551,993	
Due from other governments	374,512	-	-	150,543	525,055	
Due from other funds	112,617	-	-	-	112,617	
Inventories	-	-	-	8,380	8,380	
Prepaid items	99,682	-	-	-	99,682	
Total assets	<u>\$ 4,907,418</u>	<u>\$ 3,024,818</u>	<u>\$ 932,970</u>	<u>\$ 432,521</u>	<u>\$ 9,297,727</u>	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 113,253	\$ 37,329	\$ 109,682	\$ 14,690	\$ 274,954	
Due to other funds	-	-	-	112,617	112,617	
Total Liabilities	<u>113,253</u>	<u>37,329</u>	<u>109,682</u>	<u>127,307</u>	<u>387,571</u>	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	8,380	8,380	
Prepaid items	99,682	-	-	-	99,682	
Restricted:						
Debt service	-	-	-	74,072	74,072	
Capital projects	-	2,987,489	823,288	46,045	3,856,822	
Grant activities	-	-	-	6,013	6,013	
Unemployment benefits	-	-	-	50,299	50,299	
Food service	-	-	-	120,405	120,405	
Committed:						
Capital projects	2,211,123	-	-	-	2,211,123	
Assigned:						
Activity funds	165,256	-	-	-	165,256	
Unassigned	<u>2,318,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,318,104</u>	
Total Fund Balances	<u>4,794,165</u>	<u>2,987,489</u>	<u>823,288</u>	<u>305,214</u>	<u>8,910,156</u>	
Total Liabilities and Fund Balances	<u>\$ 4,907,418</u>	<u>\$ 3,024,818</u>	<u>\$ 932,970</u>	<u>\$ 432,521</u>	<u>\$ 9,297,727</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, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 8,910,156

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	308,487	
Buildings	14,051,728	
Building improvements	3,448,198	
Improvements other than buildings	277,533	
Mobile equipment	1,396,378	
Furniture and equipment	297,483	
Accumulated depreciation	<u>(7,163,993)</u>	13,623,335

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(20,573,244)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,581,569	
Deferred inflows of resources related to pensions	<u>(958,832)</u>	2,622,737

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation refunding bonds	(5,305,000)	
Notes payable	(2,810,000)	
Certificates of participation	(943,000)	
Capital lease obligations	(76,671)	
Compensated absences	(87,910)	
Unamortized charges	25,084	
Unamortized premiums	(276,035)	
Accrued interest payable	<u>(35,295)</u>	(9,508,827)

Net position of governmental activities		<u><u>\$ (4,925,843)</u></u>
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The notes to the financial statements are an integral part of this statement.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016**

Exhibit D

	Major Funds				
	General Fund	3 Mill Note Projects 2016 Fund	Trust Certificates Projects 2016 Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 4,122,050	\$ 2,101	\$ -	\$ 972,487	\$ 5,096,638
State sources	9,746,696	-	-	139,862	9,886,558
Federal sources	31,393	-	-	1,668,298	1,699,691
Total Revenues	<u>13,900,139</u>	<u>2,101</u>	<u>-</u>	<u>2,780,647</u>	<u>16,682,887</u>
Expenditures:					
Instruction	7,709,215	-	-	871,460	8,580,675
Support services	4,797,651	-	-	721,680	5,519,331
Noninstructional services	26,950	-	-	687,983	714,933
Facilities acquisition and construction	142,162	-	97,137	69,188	308,487
Debt service:					
Principal	24,683	-	-	697,000	721,683
Interest	1,774	-	-	138,372	140,146
Other	46,135	49,848	22,575	18,951	137,509
Total Expenditures	<u>12,748,570</u>	<u>49,848</u>	<u>119,712</u>	<u>3,204,634</u>	<u>16,122,764</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,151,569</u>	<u>(47,747)</u>	<u>(119,712)</u>	<u>(423,987)</u>	<u>560,123</u>
Other Financing Sources (Uses):					
Bonds and notes issued	-	2,810,000	943,000	202,000	3,955,000
Refunding bonds issued	46,135	-	-	5,753,865	5,800,000
Premiums on bonds and refunding bonds issued	-	225,236	-	67,678	292,914
Payment to refunded bond escrow agent	-	-	-	(5,802,592)	(5,802,592)
Sale of transportation equipment	2,026	-	-	-	2,026
Operating transfers in	-	-	-	221,288	221,288
Operating transfers out	(221,288)	-	-	-	(221,288)
Total Other Financing Sources (Uses)	<u>(173,127)</u>	<u>3,035,236</u>	<u>943,000</u>	<u>442,239</u>	<u>4,247,348</u>
Net Change in Fund Balances	<u>978,442</u>	<u>2,987,489</u>	<u>823,288</u>	<u>18,252</u>	<u>4,807,471</u>
Fund Balances:					
July 1, 2015, as previously reported	3,815,723	-	-	293,760	4,109,483
Prior period adjustments	-	-	-	(1,037)	(1,037)
July 1, 2015, as restated	<u>3,815,723</u>	<u>-</u>	<u>-</u>	<u>292,723</u>	<u>4,108,446</u>
Increase (Decrease) in inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,761)</u>	<u>(5,761)</u>
June 30, 2016	<u>\$ 4,794,165</u>	<u>\$ 2,987,489</u>	<u>\$ 823,288</u>	<u>\$ 305,214</u>	<u>\$ 8,910,156</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, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 4,807,471

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	\$ 438,470	
Depreciation expense	<u>(488,409)</u>	(49,939)

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. (5,934)

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

Bonds and notes issued	(3,955,000)	
Refunding bonds issued	(5,800,000)	
Premiums on bonds and refunding bonds issued	(292,914)	
Payments of debt principal	721,683	
Payments to refunded bond escrow agent	5,775,000	
Accrued interest payable	(15,812)	
Deferred issuance costs and charges on refunding	<u>27,592</u>	(3,539,451)

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

Recording of pension expense for the current period	(1,761,257)	
Recording of contributions made subsequent to the measurement date	<u>1,368,032</u>	(393,225)

5. 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	(883)	
Change in inventory	(5,761)	
Amortization of deferred charges, premiums and discounts	<u>14,371</u>	7,727

Change in net position of governmental activities	\$	<u>826,649</u>
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The notes to the financial statements are an integral part of this statement.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 402,135
Total Assets	<u>\$ 402,135</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 375,473
Due to student clubs	26,662
Total Liabilities	<u>\$ 402,135</u>

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

Senatobia Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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.

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

B. Government-wide and Fund Financial Statements

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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.

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.

3 Mill Note Projects 2016 Fund - This is a capital projects fund used to account for the proceeds of limited tax notes and the expenditures related to the acquisition or construction of capital facilities and other capital assets.

Trust Certificates Projects 2016 Fund - This is a capital projects fund used to account for the proceeds of certificates of participation and the expenditures related to the acquisition or construction of capital facilities and other capital assets.

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

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

The District's fiduciary funds include the following:

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

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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,

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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. In addition, unspent debt proceeds reported in Capital Project funds at fiscal year end are classified as restricted assets on the Statement of Net Position.

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred outflows/inflows of resources

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

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

See Note 14 for further details.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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.

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

Note 2 – Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,551,993 and \$402,135, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$4,695,171 and restricted assets of \$3,856,822 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$9,327,079 was exposed to custodial credit risk.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 112,617
Total		<u>\$ 112,617</u>

Interfund loans were made primarily 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	\$ 221,288
Total		<u>\$ 221,288</u>

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

Note 4 – Restricted Assets

The restricted assets represent unspent debt proceeds reported in Capital Project funds at fiscal year end totaling \$3,856,822.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,007,521	\$	\$	\$ 1,007,521
Construction-in-progress		308,487		308,487
Total non-depreciable capital assets	1,007,521	308,487	-	1,316,008
<u>Depreciable capital assets:</u>				
Buildings	14,051,728			14,051,728
Building improvements	3,448,198			3,448,198
Improvements other than buildings	277,533			277,533
Mobile equipment	1,297,324	124,483	25,429	1,396,378
Furniture and equipment	324,365	5,500	32,382	297,483
Total depreciable capital assets	19,399,148	129,983	57,811	19,471,320
<u>Less accumulated depreciation for:</u>				
Buildings	4,452,057	266,819		4,718,876
Building improvements	918,660	137,928		1,056,588
Improvements other than buildings	144,852	9,071		153,923
Mobile equipment	900,480	72,338	22,886	949,932
Furniture and equipment	311,412	2,253	28,991	284,674
Total accumulated depreciation	6,727,461	488,409	51,877	7,163,993
Total depreciable capital assets, net	12,671,687	(358,426)	5,934	12,307,327
Governmental activities capital assets, net	\$ 13,679,208	\$ (49,939)	\$ 5,934	\$ 13,623,335

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 332,327
Support services	152,354
Non-instructional	3,728
Total depreciation expense - Governmental activities	\$ 488,409

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities:		
MS classroom addition	\$ 299,381	\$ 3,814,623
Auditorium renovation	3,500	-
7th grade re-roofing project	5,606	-
Total governmental activities	\$ 308,487	\$ 3,814,623

Remaining commitments on the auditorium renovation and 7th grade re-roofing project could not be determined because contracts had not yet been approved as of fiscal year end. Only architect fees were

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

incurred during the fiscal year and are included in construction in progress for these two projects.

Construction projects included in governmental activities are funded with proceeds from the issuance of lease certificates of participation and limited-tax notes issued during the fiscal year.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reduction s	Refunding Adjustment s	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 5,775,000	\$	\$	(5,775,000)	\$ -	\$ -
payable		5,800,000	495,000		5,305,000	495,000
B. Certificates of participation payable		943,000			943,000	72,000
C. Three mill notes payable		3,012,000	202,000		2,810,000	85,000
D. Obligations under capital leases	101,354		24,683		76,671	25,115
E. Compensated absences payable	87,027	883			87,910	4,396
Total	\$ 5,963,381	\$ 9,755,883	\$ 721,683	\$ (5,775,000)	\$ 9,222,581	\$ 681,511
Add: Premiums/discounts		292,914	16,879		276,035	-
	\$ 5,963,381	\$ 10,048,797	\$ 738,562	\$ (5,775,000)	\$ 9,498,616	\$ 681,511

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2015	2.0-3.0%	7/14/2015	6/1/2026	\$ 5,800,000	\$ 5,305,000
Total				\$ 5,800,000	\$ 5,305,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 495,000	\$ 143,800	\$ 638,800
2018	505,000	133,900	638,900
2019	535,000	123,800	658,800
2020	545,000	113,100	658,100
2021	560,000	96,750	656,750
2022 – 2026	2,665,000	221,400	2,886,400
Total	\$ 5,305,000	\$ 832,750	\$ 6,137,750

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

This debt will be retired from the Bond Issue 2006/2015 Fund (Debt Service Fund).

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2015.

Advance Refunding

On July 14, 2015, the district issued \$5,800,000 in general obligation refunding bonds with an average interest rate of 2.64% to advance refund \$5,775,000 of outstanding general obligation bonds with an average interest rate of 4.0%. The net proceeds of \$5,802,592, including a net premium of \$67,678 and after payments of \$65,086 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds.

As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the general obligation bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$967,750.

B. Certificates of participation payable

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation,					
Series 2016	1.985%	5/5/2016	5/1/2028	\$ 943,000	\$ 943,000
Total				<u>\$ 943,000</u>	<u>\$ 943,000</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 72,000	\$ 18,194	\$ 90,194
2018	72,000	17,285	89,285
2019	73,000	15,856	88,856
2020	75,000	14,407	89,407
2021	76,000	12,919	88,919
2022 – 2026	403,000	41,397	444,397
2027 – 2028	172,000	5,140	177,140
Total	<u>\$ 943,000</u>	<u>\$ 125,198</u>	<u>\$ 1,068,198</u>

This debt will be retired from the Trust Cert Debt 2016 Fund (Debt Service Fund).

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2015	1.50%	7/15/2015	6/30/2016	\$ 202,000	\$ -
2. Limited Tax Notes, Series 2016	2.0-4.0%	4/20/2016	4/1/2036	2,810,000	2,810,000
Total				<u>\$ 3,012,000</u>	<u>\$ 2,810,000</u>

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

1. Three mill notes payable issued on July 15, 2015 were paid in full by June 30, 2016. This debt was retired from the 3 Mill Note Debt 2015 Fund (Debt Service Fund).
2. Three mill notes payable issued on April 20, 2016:

Year Ending June 30	Principal	Interest	Total
2017	\$ 85,000	\$ 97,469	\$ 182,469
2018	80,000	101,200	181,200
2019	80,000	99,600	179,600
2020	85,000	97,200	182,200
2021	85,000	94,650	179,650
2022 – 2026	470,000	433,050	903,050
2027 – 2031	865,000	318,400	1,183,400
2032 – 2036	1,060,000	130,600	1,190,600
Total	<u>\$ 2,810,000</u>	<u>\$ 1,372,169</u>	<u>\$ 4,182,169</u>

This debt will be retired from the 3 Mill Note Debt 2016 Fund (Debt Service Fund).

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

The net proceeds received from this issuance totaled \$3,035,236, including a net premium of \$225,236. Bond issuance costs totaling \$49,848 were paid by the District. This debt will be retired from the 3 Mill Note Debt 2016 Fund (Debt Service Fund).

D. Obligations under capital leases

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital lease	3.50%	12/1/2014	1/1/2019	\$ 127,618	\$ 76,671
Total				<u>\$ 127,618</u>	<u>\$ 76,671</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 25,115	\$ 1,342	\$ 26,457
2018	25,554	902	26,456
2019	26,002	455	26,457
Total	<u>\$ 76,671</u>	<u>\$ 2,699</u>	<u>\$ 79,370</u>

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

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1,368,032, \$1,309,578 and \$1,344,981, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$20,573,244 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.133091 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.006661 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,761,257. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 511,229	\$
Net difference between projected and actual earnings on pension plan investments		763,413
Changes of assumptions	1,772,315	
Changes in proportion and differences between District contributions and proportionate share of contributions	(70,007)	195,419
District contributions subsequent to the measurement date	1,368,032	
Total	\$ <u>3,581,569</u>	\$ <u>958,832</u>

\$1,368,032 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 378,208
2018	373,172
2019	202,388
2020	300,937

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 27,117,420	\$ 20,573,244	\$ 15,142,801

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

Note 8 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct for revenue overstatement in prior year at the governmental fund level	\$ (1,037)
Total	<u>\$ (1,037)</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

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

Fund	Explanation	Amount
Other governmental funds	To correct for revenue overstatement in prior year	\$ (1,037)
Total		<u>\$ (1,037)</u>

Note 9 – 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 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

Note 11 – Trust Certificates

A trust agreement dated April 12, 2016, was executed by and between the school district and Whitney Bank d/b/a Hancock Bank, Gulfport, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$943,000. Approximately \$920,425 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$22,575 was

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

used to pay the cost of issuance.

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

Note 12 – Alternative School Consortium

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

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2016

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2016

Revenues

Local sources:

Tuition from other LEA's within the state:

Tate County School District	\$ 161,864
-----------------------------	------------

Total tuition from other LEA's within the state	<u>161,864</u>
---	----------------

Total Revenues	<u>161,864</u>
----------------	----------------

Expenditures

Salaries	210,453
----------	---------

Employee benefits	47,827
-------------------	--------

Purchased property services	10,803
-----------------------------	--------

Supplies	<u>690</u>
----------	------------

Total Expenditures	<u>269,773</u>
--------------------	----------------

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,909)</u>
---	------------------

Other Financing Sources/Uses:

Transfers in	114,070
--------------	---------

Transfers out	<u>(6,161)</u>
---------------	----------------

Total Other Financing Sources/Uses	<u>107,909</u>
------------------------------------	----------------

Net Change in Fund Balance	<u>-</u>
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Fund Balance:

July 1, 2015	<u>-</u>
--------------	----------

June 30, 2016	<u><u>\$ -</u></u>
---------------	--------------------

Note 13 – Vocational School Consortium

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

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, 2016

Note 14 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$8,171,206 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$25,084 balance of the deferred outflow of resources at June 30, 2016, will be recognized as an expense and decrease the net investment in capital assets net position over the next 10 years.

The unrestricted net position amount of (\$13,420,605) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,581,569 balance of the deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position amount over the next 3 years.

The unrestricted net position amount of (\$13,420,605) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$958,832 balance of deferred inflow of resources related to pensions at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position amount over the next 4 years.

Note 15 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,073,662	\$ 4,122,050	\$ 4,122,050	\$ 48,388	\$ -
State sources	9,689,276	9,746,696	9,746,696	57,420	-
Federal sources	23,400	31,393	31,393	7,993	-
Total Revenues	13,786,338	13,900,139	13,900,139	113,801	-
Expenditures:					
Instruction	8,122,788	7,709,215	7,709,215	413,573	-
Support services	5,035,489	4,843,786	4,797,651	191,703	46,135
Noninstructional services	49,909	26,950	26,950	22,959	-
Facilities acquisition and construction	200,000	141,006	142,162	58,994	(1,156)
Debt service:					
Principal	27,000	24,683	24,683	2,317	-
Interest	195	1,774	1,774	(1,579)	-
Other	-	-	46,135	-	(46,135)
Total Expenditures	13,435,381	12,747,414	12,748,570	687,967	(1,156)
Excess (Deficiency) of Revenues over (under) Expenditures	350,957	1,152,725	1,151,569	801,768	(1,156)
Other Financing Sources (Uses):					
Refunding bonds issued	-	46,135	46,135	46,135	-
Sale of transportation equipment	-	2,026	2,026	2,026	-
Operating transfers in	1,745,374	1,686,176	-	(59,198)	(1,686,176)
Operating transfers out	(2,045,860)	(1,907,464)	(221,288)	138,396	1,686,176
Total Other Financing Sources (Uses)	(300,486)	(173,127)	(173,127)	127,359	-
Net Change in Fund Balances	50,471	979,598	978,442	929,127	(1,156)
Fund Balances:					
July 1, 2015	3,604,913	3,815,723	3,815,723	210,810	-
June 30, 2016	\$ 3,655,384	\$ 4,795,321	\$ 4,794,165	\$ 1,139,937	\$ (1,156)

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

Senatobia Municipal School District

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

PERS

Last 10 Fiscal Years*

	2016	2015
District's proportion of the net pension liability (asset) \$	20,573,244	16,963,334
District's proportionate share of the net pension liability (asset)	0.133091%	0.139752%
District's covered - employee payroll	8,314,781	8,539,562
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

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

	2016	2015
Contractually required contribution	\$ 1,368,032	1,309,578
Contributions in relation to the contractually required contribution	1,368,032	1,309,578
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	8,685,917	8,314,781
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Change of benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

Senatobia Municipal School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 157,819
National School Lunch Program	10.555	582,590
Total Child Nutrition Cluster		<u>740,409</u>
Total passed-through the Mississippi Department of Education		<u>740,409</u>
Total U.S. Department of Agriculture		<u><u>740,409</u></u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	357,739
Supporting Effective Instruction State Grant	84.367	71,249
Sub-total		<u>428,988</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	462,219
Special Education - Preschool Grants	84.173	36,683
Total Special Education Cluster		<u>498,902</u>
Total passed-through the Mississippi Department of Education		<u>927,890</u>
Total U.S. Department of Education		<u><u>927,890</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 1,668,299</u></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.
4. The school district did not elect to use the 10% de minimis cost rate.

Senatobia Municipal School DistrictSchedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,909,785	8,903,406	726,669	1,054,420	1,225,290
Other	4,212,979	1,085,108	261,782	43,012	2,823,077
Total	\$ <u>16,122,764</u>	<u>9,988,514</u>	<u>988,451</u>	<u>1,097,432</u>	<u>4,048,367</u>
Total number of students *	<u>1,775</u>				
Cost per student	\$ <u>9,083</u>	<u>5,627</u>	<u>557</u>	<u>618</u>	<u>2,281</u>

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

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

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

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

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

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

OTHER INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 4,122,050	4,005,144	3,579,934	3,379,202
State sources	9,746,696	8,918,030	8,555,603	9,083,518
Federal sources	31,393	20,100	12,416	63,772
Total Revenues	<u>13,900,139</u>	<u>12,943,274</u>	<u>12,147,953</u>	<u>12,526,492</u>
Expenditures:				
Instruction	7,709,215	7,545,956	7,680,896	7,786,418
Support services	4,797,651	4,994,817	5,088,890	4,522,670
Noninstructional services	26,950	47,308	40,250	59,708
Facilities acquisition and construction	142,162	1,171,352	990,279	104,973
Debt service:				
Principal	24,683	26,264	-	-
Interest	1,774	193	-	-
Other	46,135	-	-	-
Total Expenditures	<u>12,748,570</u>	<u>13,785,890</u>	<u>13,800,315</u>	<u>12,473,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,151,569</u>	<u>(842,616)</u>	<u>(1,652,362)</u>	<u>52,723</u>
Other Financing Sources (Uses):				
Refunding bonds issued	46,135	-	-	-
Capital leases issued	-	127,618	-	-
Sale of transportation equipment	2,026	-	-	-
Operating transfers out	(221,288)	(256,239)	(232,711)	(293,465)
Total Other Financing Sources (Uses)	<u>(173,127)</u>	<u>(128,621)</u>	<u>(232,711)</u>	<u>(293,465)</u>
Net Change in Fund Balances	<u>978,442</u>	<u>(971,237)</u>	<u>(1,885,073)</u>	<u>(240,742)</u>
Fund Balances:				
July 1,	3,815,723	4,786,960	6,672,033	6,912,775
June 30,	<u>\$ 4,794,165</u>	<u>3,815,723</u>	<u>4,786,960</u>	<u>6,672,033</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 5,096,638	4,851,742	4,615,475	4,472,437
State sources	9,886,558	9,056,716	8,715,327	9,242,436
Federal sources	1,699,691	1,649,773	1,712,957	1,868,771
Total Revenues	<u>16,682,887</u>	<u>15,558,231</u>	<u>15,043,759</u>	<u>15,583,644</u>
Expenditures:				
Instruction	8,580,675	8,385,148	8,606,391	8,800,588
Support services	5,519,331	5,636,579	5,748,289	5,302,277
Noninstructional services	714,933	734,361	750,190	770,107
Facilities acquisition and construction	308,487	1,171,352	990,279	104,973
Debt service:				
Principal	721,683	401,264	677,000	675,000
Interest	140,146	246,193	263,107	283,953
Other	137,509	2,250	2,500	2,500
Total Expenditures	<u>16,122,764</u>	<u>16,577,147</u>	<u>17,037,756</u>	<u>15,939,398</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>560,123</u>	<u>(1,018,916)</u>	<u>(1,993,997)</u>	<u>(355,754)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	3,955,000	-	-	-
Refunding bonds issued	5,800,000	-	-	-
Premiums on bonds and refundings bonds issued	292,914	-	-	-
Capital leases issued	-	127,618	-	-
Payment to refunded bond escrow agent	(5,802,592)	-	-	-
Sale of transportation equipment	2,026	-	-	-
Operating transfers in	221,288	330,840	341,563	367,315
Operating transfers out	(221,288)	(330,840)	(341,563)	(367,315)
Total Other Financing Sources (Uses)	<u>4,247,348</u>	<u>127,618</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>4,807,471</u>	<u>(891,298)</u>	<u>(1,993,997)</u>	<u>(355,754)</u>
Fund Balances:				
July 1, as previously reported	4,109,483	5,002,373	6,998,707	7,374,629
Prior period adjustments	<u>(1,037)</u>	<u>-</u>	<u>-</u>	<u>-</u>
July 1, as restated	4,108,446	5,002,373	6,998,707	7,374,629
Increase (Decrease) in inventory	<u>(5,761)</u>	<u>(1,592)</u>	<u>(2,337)</u>	<u>(20,168)</u>
June 30,	<u>\$ 8,910,156</u>	<u>4,109,483</u>	<u>5,002,373</u>	<u>6,998,707</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Senatobia Municipal School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements, and have issued our report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

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

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

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

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TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 3, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Senatobia Municipal School District

Report on Compliance for Each Major Federal Program

We have audited Senatobia Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Senatobia Municipal School District's major federal programs for the year ended June 30, 2016. The Senatobia Municipal School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Senatobia Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the school district's compliance.

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Opinion on Major Federal Program

In our opinion, the Senatobia Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Senatobia Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Senatobia Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 3, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2016, which collectively comprise the Senatobia Municipal School District's basic financial statements and have issued our report thereon dated November 3, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 3, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Senatobia Municipal School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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