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SENATOBIA MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2018**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS, CPA, LLC

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Senatobia Municipal School District

Report on the Financial Statements

I 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, 2018, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2018, 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, schedule of the district's proportionate share of the net pension liability, schedule of district contributions (PERS), the district's proportionate share of the net OPEB liability and schedule of district contributions (OPEB) 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 my 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2019, on my consideration of the Senatobia Municipal School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Senatobia Municipal School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Senatobia Municipal School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 2018 decreased \$2,590,258, including a prior period adjustment of (\$1,514,462) due primarily to the recording of the net OPEB liability and related deferred outflows/inflows, which represents a 48% decrease from fiscal year 2017. Total net position for 2017 decreased \$467,373, which represents a 10% decrease from fiscal year 2016.
- General revenues amounted to \$13,979,964 and \$13,723,934, or 82% and 84% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,002,516, or 18% of total revenues for 2018, and \$2,646,791, or 16% of total revenues for 2017.
- The District had \$18,058,276 and \$16,838,098 in expenses for fiscal years 2018 and 2017; only \$3,002,516 for 2018 and \$2,646,791 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,979,964 for 2018 and \$13,723,934 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$13,814,781 in revenues and \$13,536,371 in expenditures for 2018, and \$13,547,826 in revenues and \$12,701,294 in expenditures in 2017. The General Fund's fund balance increased by \$62,009 from 2017 to 2018, including a prior period adjustment of (\$12,846), and increased by \$613,742 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$607,788 for 2018 and increased by \$3,539,140 for 2017. The decrease for 2018 was due primarily to the increase in accumulated depreciation and adjustments to capital assets.
- Long-term debt, excluding compensated absences payable, decreased by \$682,554 for 2018 and decreased by \$677,115 for 2017. The decrease for 2018 was due to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,693 for 2018 and increased by \$1,445 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison

schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,983,474 as of June 30, 2018.

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, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 5,720,642	\$ 5,818,197	(1.68) %
Restricted assets	426,690	48,095	787.18 %
Capital assets, net	16,554,687	17,162,475	(3.54) %
Total assets	22,702,019	23,028,767	(1.42) %
Deferred outflows of resources	2,018,725	4,851,648	(58.39) %
Current liabilities	287,702	150,132	91.63 %
Long-term debt outstanding	8,099,941	8,806,067	(8.02) %
Net OPEB liability	1,371,941	0	N/A
Net pension liability	22,268,034	24,252,984	(8.18) %
Total liabilities	32,027,618	33,209,183	(3.56) %
Deferred inflows of resources	676,600	64,448	949.84 %
Net position:			
Net investment in capital assets	8,583,478	8,567,990	0.18 %
Restricted	455,352	382,505	19.04 %
Unrestricted	(17,022,304)	(14,343,711)	(18.67) %
Total net position	\$ (7,983,474)	\$ (5,393,216)	(48.03) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (17,022,304)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	22,317,918
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 5,295,614</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 \$607,788.
- The principal retirement of \$682,554 of long-term debt.
- Recognition of the net pension liability in the amount of \$22,268,034.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,371,941.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$16,982,480 and \$16,370,725, respectively. The total cost of all programs and services was \$18,058,276 for 2018 and \$16,838,098 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 606,661	\$ 643,580	(5.74) %
Operating grants and contributions	2,395,855	2,003,211	19.60 %
General revenues:			
Property taxes	4,846,736	4,564,307	6.19 %
Grants and contributions not restricted	9,042,662	9,057,624	(0.17) %
Investment earnings	36,009	26,523	35.77 %
Other	54,557	75,480	(27.72) %
Total revenues	<u>16,982,480</u>	<u>16,370,725</u>	3.74 %
Expenses:			
Instruction	8,326,058	7,991,576	4.19 %
Support services	6,132,019	5,055,223	21.30 %
Non-instructional	524,160	646,724	(18.95) %
Pension expense	2,774,720	2,891,309	(4.03) %
OPEB expense	61,318	0	N/A
Interest on long-term liabilities	240,001	253,266	(5.24) %
Total expenses	<u>18,058,276</u>	<u>16,838,098</u>	7.25 %
Increase (Decrease) in net position	<u>(1,075,796)</u>	<u>(467,373)</u>	(130.18) %
Net Position, July 1, as previously reported	<u>(5,393,216)</u>	<u>(4,925,843)</u>	(9.49) %
Prior Period Adjustment	<u>(1,514,462)</u>	<u>0</u>	N/A
Net Position, July 1, as restated	<u>(6,907,678)</u>	<u>(4,925,843)</u>	(40.23) %
Net Position, June 30	<u>\$ (7,983,474)</u>	<u>\$ (5,393,216)</u>	(48.03) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 8,326,058	\$ 7,991,576	4.19 %
Support services	6,132,019	5,055,223	21.30 %
Non-instructional	524,160	646,724	(18.95) %
Pension Expense	2,774,720	2,891,309	(4.03) %
OPEB Expense	61,318	0	N/A
Interest on long-term liabilities	240,001	253,266	(5.24) %
Total expenses	\$ 18,058,276	\$ 16,838,098	7.25 %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (7,054,899)	\$ (6,792,570)	(3.86) %
Support services	(5,143,071)	(4,356,819)	(18.05) %
Non-instructional	218,249	102,657	112.60 %
Pension Expense	(2,774,720)	(2,891,309)	4.03 %
OPEB Expense	(61,318)	0	N/A
Interest on long-term liabilities	(240,001)	(253,266)	5.24 %
Total net (expense) revenue	\$ (15,055,760)	\$ (14,191,307)	(6.09) %

- Net cost of governmental activities (\$15,055,760 for 2018 and \$14,191,307 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$4,846,736 for 2018 and \$4,564,307 for 2017) and state and federal revenues (\$9,042,662 for 2018 and \$9,057,624 for 2017).
- Investment earnings amounted to \$36,009 for 2018 and \$26,523 for 2017.

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 \$5,897,334, an increase of \$141,801, which includes a prior period adjustment of (\$12,846) and a decrease in inventory of \$1,224. \$3,465,739, or 59% 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 \$2,431,595, or 41% 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 \$62,009, which includes a prior period adjustment of (\$12,846). The fund balance of Other Governmental Funds showed an increase in the amount of \$79,792, which includes a decrease in inventory of \$1,224. The increase (decrease) in the fund balances for the other major fund was as follows:

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

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$24,800,786, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$65,533 from 2017. Total accumulated depreciation as of June 30, 2018, was \$8,246,099, and total depreciation expense for the year was \$555,521, resulting in total net capital assets of \$16,554,687.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 1,007,521	\$ 1,007,521	0.00 %
Construction in Progress	0	82,497	(100.00) %
Buildings	12,751,803	13,074,404	(2.47) %
Building improvements	2,242,606	2,386,049	(6.01) %
Improvements other than buildings	105,469	114,539	(7.92) %
Mobile equipment	400,125	471,361	(15.11) %
Furniture and equipment	47,163	26,104	80.67 %
Total	\$ 16,554,687	\$ 17,162,475	(3.54) %

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

Debt Administration. At June 30, 2018, the District had \$7,857,664 in outstanding long-term debt, of which \$718,135 is due within one year. During the fiscal year, the District made principal payments totaling \$682,554 on outstanding long-term debt. The liability for compensated absences decreased \$6,693 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 4,305,000	\$ 4,810,000	(10.50) %
Certificates of participation payable	799,000	871,000	(8.27) %
Three mill notes payable	2,645,000	2,725,000	(2.94) %
Obligations under capital leases	26,002	51,556	(49.57) %
Compensated absences payable	82,662	89,355	(7.49) %
Total	\$ 7,857,664	\$ 8,546,911	(8.06) %

Additional information on the District's long-term debt can be found in Note 6 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.

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BASIC FINANCIAL STATEMENTS

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,128,048
Due from other governments	518,690
Inventories	8,266
Prepaid items	65,638
Restricted assets (Note 4)	426,690
Non-depreciable capital assets (Note 5)	1,007,521
Depreciable capital assets, net (Note 5)	15,547,166
Total Assets	<u>22,702,019</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	1,940,169
Deferred outflow - OPEB (Note 8)	58,488
Deferred outflow - advance refunding on bonds	20,068
Total Deferred Outflows of Resources	<u>2,018,725</u>
Liabilities	
Accounts payable and accrued liabilities	249,998
Interest payable on long-term liabilities	37,704
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	688,000
Non-capital related liabilities	30,135
Net OPEB liability (Note 8)	56,897
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	7,061,000
Capital related bond premiums	242,277
Non-capital related liabilities	78,529
Net OPEB liability (Note 8)	1,315,044
Net pension liability (Note 7)	22,268,034
Total Liabilities	<u>32,027,618</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	568,104
Deferred inflows - OPEB (Note 8)	108,496
Total Deferred Inflows of Resources	<u>676,600</u>
Net Position	
Net investment in capital assets	8,583,478
Restricted net position	
Expendable	
School-based activities	398,519
Debt service	11,833
Unemployment benefits	45,000
Unrestricted	<u>(17,022,304)</u>
Total Net Position	<u>\$ (7,983,474)</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction	8,326,058	523,143	748,016	(7,054,899)	
Support services	6,132,019		988,948	(5,143,071)	
Non-instructional	524,160	83,518	658,891	218,249	
Pension expense	2,774,720			(2,774,720)	
OPEB expense	61,318			(61,318)	
Interest on long-term liabilities	240,001			(240,001)	
Total Governmental Activities	<u>18,058,276</u>	<u>606,661</u>	<u>2,395,855</u>	<u>(15,055,760)</u>	
General Revenues					
Taxes					
General purpose levies					4,002,180
Debt purpose levies					844,556
Gaming					
Unrestricted grants and contributions					
State					9,036,071
Federal					6,591
Unrestricted investment earnings					36,009
Other					54,557
Total General Revenues					<u>13,979,964</u>
Changes in Net Position					<u>(1,075,796)</u>
Net Position - Beginning, as previously reported					(5,393,216)
Prior Period Adjustments (Note 9)					(1,514,462)
Net Position - Beginning - as restated					<u>(6,907,678)</u>
Net Position - Ending					\$ (7,983,474)

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

Exhibit C

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>EHA Part B</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Assets				
Cash and cash equivalents (Note 2)	\$ 5,128,048	576	426,114	5,554,738
Due from other governments	227,589	164,524	126,577	518,690
Due from other funds (Note 3)	289,604			289,604
Inventories			8,266	8,266
Prepaid items	65,638			65,638
Total Assets	<u>5,710,879</u>	<u>165,100</u>	<u>560,957</u>	<u>6,436,936</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	240,963	576	8,459	249,998
Due to other funds (Note 3)		164,524	125,080	289,604
Total Liabilities	<u>240,963</u>	<u>165,100</u>	<u>133,539</u>	<u>539,602</u>
Fund Balances				
Nonspendable				
Inventory			8,266	8,266
Prepaid items	65,638			65,638
Restricted				
Debt service			49,537	49,537
Unemployment benefits			45,000	45,000
Grant activities			324,615	324,615
Contractual commitments	42,205			42,205
Assigned				
School activities	175,397			175,397
Facility repairs and renovations	1,720,937			1,720,937
Unassigned	3,465,739			3,465,739
Total Fund Balances	<u>5,469,916</u>	<u>0</u>	<u>427,418</u>	<u>5,897,334</u>
Total Liabilities and Fund Balances	<u>\$ 5,710,879</u>	<u>165,100</u>	<u>560,957</u>	<u>6,436,936</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds		\$ 5,897,334
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	1,007,521	
Buildings	18,141,902	
Building improvements	3,586,080	
Improvement other than buildings	277,533	
Mobile equipment	1,492,248	
Furniture and equipment	295,502	
Accumulated depreciation	<u>(8,246,099)</u>	16,554,687
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	(22,268,034)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	1,940,169	
Deferred inflows of resources related to pensions	<u>(568,104)</u>	(20,895,969)
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability	(1,371,941)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	58,488	
Deferred inflows of resources related to OPEB	<u>(108,496)</u>	(1,421,949)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(4,305,000)	
Notes payable	(2,645,000)	
Certificates of participation payable	(799,000)	
Capital lease obligations	(26,002)	
Compensated absences	(82,662)	
Unamortized charges	20,068	
Unamortized premiums	(242,277)	
Accrued interest payable	<u>(37,704)</u>	(8,117,577)
Total Net Position - Governmental Activities		<u>\$ (7,983,474)</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	EHA Part B Fund		
Revenues				
Local sources	\$ 4,509,025		1,034,939	5,543,964
State sources	9,299,165		151,717	9,450,882
Federal sources	6,591	562,141	1,418,902	1,987,634
Total Revenues	13,814,781	562,141	2,605,558	16,982,480
Expenditures				
Instruction	7,917,004	208,215	682,440	8,807,659
Support services	5,553,316	353,926	492,828	6,400,070
Noninstructional services	39,595		640,690	680,285
Debt service				
Principal (Note 6)	25,554		657,000	682,554
Interest	902		252,389	253,291
Other			2,750	2,750
Total Expenditures	13,536,371	562,141	2,728,097	16,826,609
Excess (Deficiency) of Revenues Over (Under) Expenditures	278,410	0	(122,539)	155,871
Other Financing Sources (Uses)				
Operating transfers in (Note 3)			203,555	203,555
Operating transfers out (Note 3)	(203,555)			(203,555)
Total Other Financing Sources (Uses)	(203,555)	0	203,555	0
Net Change in Fund Balances	74,855	0	81,016	155,871
Fund Balances				
July 1, 2017, as previously reported	5,407,907		347,626	5,755,533
Prior period adjustments (Note 9)	(12,846)			(12,846)
July 1, 2017, as restated	5,395,061	0	347,626	5,742,687
Decrease in reserve for inventory			(1,224)	(1,224)
June 30, 2018	\$ 5,469,916	0	427,418	5,897,334

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 155,871

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

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

Capital outlay	30,364	
Depreciation expense	<u>(555,521)</u>	(525,157)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (134)

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:

Payments of debt principal	682,554	
Accrued interest payable	<u>1,669</u>	684,223

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

Pension expense	(2,774,720)	
Contributions made subsequent to the measurement date	<u>1,367,111</u>	(1,407,609)

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

OPEB expense	(61,318)	
Contributions made subsequent to the measurement date	<u>58,488</u>	(2,830)

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

Change in compensated absences	6,693	
Change in inventory reserve	(1,224)	
Amortization of deferred charges, premiums and discounts	<u>14,371</u>	19,840

Changes in Net Position of Governmental Activities	<u>\$ (1,075,796)</u>
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The notes to the financial statements are an integral part of this statement.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2018

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 414,669</u>
Total Assets	<u> 414,669</u>
Liabilities	
Accounts payable and accrued liabilities	382,097
Due to student clubs	<u> 32,572</u>
Total Liabilities	<u>\$ 414,669</u>

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

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

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 Municipal 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 12).

B. Government-wide and Fund Financial Statements

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2018

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.

EHA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to supplement educational services to children with disabilities under the District's Special Education Program.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves 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 serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2018

eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is 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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2018

materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 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, deferred outflow related to pensions, and a deferred outflow related to OPEB.

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 deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

See Note 15 for further details.

8. Compensated Absences

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. 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. Currently there is no committed fund balance for the district.

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2018

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 \$5,554,738 and \$414,669, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$5,128,048 and restricted assets of \$426,690 (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, 2018, none of the district's bank balance of \$5,641,299 was exposed to custodial credit risk.

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	EHA Part B	\$ 164,524
	Other governmental funds	125,080
Total		<u>\$ 289,604</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.

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Notes to the Financial Statements
For Year Ended June 30, 2018

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 203,555
Total		<u>\$ 203,555</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 the cash balances totaling \$426,690 which are legally restricted (i.e., Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,007,521	\$	\$	\$	\$ 1,007,521
Construction-in-progress	82,497			(82,497)	0
Total non-depreciable capital assets	<u>1,090,018</u>	<u>0</u>	<u>0</u>	<u>(82,497)</u>	<u>1,007,521</u>
<u>Depreciable capital assets:</u>					
Buildings	18,141,902				18,141,902
Building improvements	3,586,080				3,586,080
Improvements other than buildings	277,533				277,533
Mobile equipment	1,492,248				1,492,248
Furniture and equipment	278,538	30,364	(13,400)		295,502
Total depreciable capital assets	<u>23,776,301</u>	<u>30,364</u>	<u>(13,400)</u>	<u>0</u>	<u>23,793,265</u>
<u>Less accumulated depreciation for:</u>					
Buildings	5,067,498	322,601			5,390,099
Building improvements	1,200,031	143,443			1,343,474
Improvements other than buildings	162,994	9,070			172,064
Mobile equipment	1,020,887	71,236			1,092,123
Furniture and equipment	252,434	9,171	(13,266)		248,339
Total accumulated depreciation	<u>7,703,844</u>	<u>555,521</u>	<u>(13,266)</u>	<u>0</u>	<u>8,246,099</u>
Total depreciable capital assets, net	<u>16,072,457</u>	<u>(525,157)</u>	<u>(134)</u>	<u>0</u>	<u>15,547,166</u>
Governmental activities capital assets, net	<u>\$ 17,162,475</u>	<u>\$ (525,157)</u>	<u>\$ (134)</u>	<u>\$ (82,497)</u>	<u>\$ 16,554,687</u>

Adjustment to capital assets were to correct erroneous charges to construction in progress when it was determined that the project was for repairs and renovations rather than capitalized construction.

Depreciation expense was charged to the following governmental functions:

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	Amount
Governmental activities:	
Instruction	\$ 390,081
Support services	158,238
Non-instructional	7,202
Total depreciation expense	<u>\$ 555,521</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation refunding bonds payable	\$ 4,810,000	\$ 505,000	\$ 4,305,000	\$ 4,305,000	\$ 535,000
B. Certificates of participation payable	871,000		72,000	799,000	73,000
C. Three mill notes payable	2,725,000		80,000	2,645,000	80,000
D. Obligations under capital leases	51,556		25,554	26,002	26,002
E. Compensated absences payable	89,355		6,693	82,662	4,133
Total	<u>\$ 8,546,911</u>	<u>\$ 0</u>	<u>\$ 689,247</u>	<u>\$ 7,857,664</u>	<u>\$ 718,135</u>

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	<u>\$ 4,305,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 535,000	\$ 123,800	\$ 658,800
2020	545,000	113,100	658,100
2021	560,000	96,750	656,750
2022	575,000	79,950	654,950
2023	595,000	62,700	657,700
2024 – 2026	1,495,000	78,750	1,573,750
Total	<u>\$ 4,305,000</u>	<u>\$ 555,050</u>	<u>\$ 4,860,050</u>

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, 2018, the amount of

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Notes to the Financial Statements
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outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2017.

B. Certificates of participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, Series 2016	1.985%	5/5/2016	5/1/2028	\$ 943,000	\$ 799,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 73,000	\$ 15,856	\$ 88,856
2020	75,000	14,407	89,407
2021	76,000	12,919	88,919
2022	77,000	11,411	88,411
2023	79,000	9,883	88,883
2024 – 2028	419,000	25,243	444,243
Total	\$ 799,000	\$ 89,719	\$ 888,719

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
Limited-Tax Notes, Series 2016	2.0-4.0%	4/20/2016	4/1/2036	\$ 2,810,000	\$ 2,645,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 80,000	\$ 99,600	\$ 179,600
2020	85,000	97,200	182,200
2021	85,000	94,650	179,650
2022	90,000	92,100	182,100
2023	90,000	89,400	179,400
2024 – 2028	615,000	399,150	1,014,150
2029 – 2033	940,000	247,800	1,187,800
2034 – 2036	660,000	53,600	713,600
Total	\$ 2,645,000	\$ 1,173,500	\$ 3,818,500

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

D. Obligations under capital leases

The school district 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	\$ 26,002

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
2019	\$ 26,002	\$ 455	\$ 26,457

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 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

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For Year Ended June 30, 2018

age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. *Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 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, 2018, 2017 and 2016 were \$1,367,111, \$1,353,456 and \$1,368,032, 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, 2018, the school district reported a liability of \$22,268,034 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was 0.133956 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.001820 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,774,720. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 224,989	\$ 114,269
Net difference between projected and actual earnings on pension plan investments	0	228,724
Changes of assumptions	348,069	26,685
Changes in proportion and differences between District contributions and proportionate share of contributions	0	198,426
District contributions subsequent to the measurement date	1,367,111	0
Total	<u>\$ 1,940,169</u>	<u>\$ 568,104</u>

\$1,367,111 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$ 45,130
2020	45,130
2021	(28,126)
2022	(57,180)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) 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	\$ 29,206,013	\$ 22,268,034	\$ 16,508,003

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 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal

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authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$58,488 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$1,371,941 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.17485671 percent. This was a decrease of 0.00556223 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$61,318. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Changes of assumptions	\$ 0	\$ 69,859
Net difference between projected and actual earnings on OPEB plan investments	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	38,637

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	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	58,488	0
Total	\$ 58,488	\$ 108,496

\$58,488 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (19,034)
2020	(19,034)
2021	(19,034)
2022	(19,034)
2023	(19,034)
Thereafter	(13,326)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate
Pre-Medicare	rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

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The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 1,408,174	\$ 1,371,941	\$ 1,344,959

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,267,080	\$ 1,371,941	\$ 1,491,652

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 9 – Prior Period Adjustments

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

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Exhibit B - Statement of Activities

Explanation	Amount
1. To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB	\$ (1,419,119)
2. To correct prior year accruals at the governmental fund level	(12,846)
3. Error correction - adjustments to capital assets	(82,497)
Total	<u>\$ (1,514,462)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year accruals	<u>\$ (12,846)</u>

Note 10 – 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 11 – Risk Management

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

Note 12 – 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 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 6 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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2018

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 13 – 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.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2018

Revenues

Local sources:

Tuition from other LEA's within the state:

Tate County School District

\$ 160,413

Total tuition from other LEA's within the state

160,413

Total Revenues

160,413

Expenditures

Salaries

204,951

Employee benefits

54,144

Purchased property services

5,326

Supplies

823

Property

2,137

Total Expenditures

267,381

Excess (Deficiency) of Revenues Over (Under) Expenditures

(106,968)

Other Financing Sources/Uses:

Transfers in

106,968

Total Other Financing Sources/Uses

106,968

Net Change in Fund Balance

0

Fund Balance:

July 1, 2017

0

June 30, 2018

\$ 0

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2018

Note 14 – 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.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$8,583,478 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$20,068 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 8 years.

The unrestricted net position (deficit) amount of (\$17,022,304) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,367,111 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$573,058 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$568,104 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 years.

The unrestricted net position (deficit) amount of (\$17,022,304) includes the effect of deferred inflows/outflows of resources related to OPEB. The deferred outflow of resources related to OPEB in the amount of \$58,488 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Amounts reported as deferred inflows of resources totaling \$108,496 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

Note 16 - 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 School District evaluated the activity of the district through February 19, 2019, (the date the financial statements were available to be issued), and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 4,662,975	4,509,025	4,509,025	(153,950)	0
State sources	9,391,337	9,299,165	9,299,165	(92,172)	0
Federal sources	37,600	6,591	6,591	(31,009)	0
Total Revenues	14,091,912	13,814,781	13,814,781	(277,131)	0
Expenditures					
Instruction	8,511,086	7,917,004	7,917,004	594,082	0
Support services	5,135,260	5,128,816	5,553,316	6,444	(424,500)
Noninstructional services	61,500	39,595	39,595	21,905	0
Facilities acquisition and construction	448,167	424,500	0	23,667	424,500
Debt service					
Principal	25,554	25,554	25,554	0	0
Interest	1,500	902	902	598	0
Total Expenditures	14,183,067	13,536,371	13,536,371	646,696	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,155)	278,410	278,410	369,565	0
Other Financing Sources (Uses)					
Operating transfers in	1,875,589	1,603,181	0	(272,408)	(1,603,181)
Operating transfers out	(2,136,368)	(1,806,736)	(203,555)	329,632	1,603,181
Total Other Financing Sources (Uses)	(260,779)	(203,555)	(203,555)	57,224	0
Net Change in Fund Balances			74,855		
Fund Balances					
July 1, 2017, as previously reported			5,407,907		
Prior period adjustments			(12,846)		
July 1, 2017, as restated			5,395,061		
June 30, 2018			\$ 5,469,916		

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 506,922	726,415	562,141	219,493	(164,274)
Total Revenues	<u>506,922</u>	<u>726,415</u>	<u>562,141</u>	<u>219,493</u>	<u>(164,274)</u>
Expenditures					
Instruction	191,850	250,759	208,215	(58,909)	42,544
Support services	315,072	475,656	353,926	(160,584)	121,730
Total Expenditures	<u>506,922</u>	<u>726,415</u>	<u>562,141</u>	<u>(219,493)</u>	<u>164,274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2017			<u>0</u>		
June 30, 2018			<u>\$ 0</u>		

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.133956%	0.135776%	0.133091%	0.139752
District's proportionate share of the net pension liability (asset)	<u>\$ 22,268,034</u>	<u>24,252,984</u>	<u>20,573,244</u>	<u>16,963,334</u>
District's covered payroll	<u>\$ 8,593,371</u>	<u>8,685,917</u>	<u>8,314,781</u>	<u>8,539,562</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>259.13%</u>	<u>279.22%</u>	<u>247.43%</u>	<u>198.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.49%</u>	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,367,111	\$ 1,353,456	1,368,032	1,309,578
Contributions in relation to the contractually required contribution	1,367,111	1,353,456	1,368,032	1,309,578
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 8,680,070	8,593,371	8,685,917	8,314,781
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years

	<u>2018</u>
District's proportion of the net OPEB liability	0.17485671%
District's proportionate share of the net OPEB liability	<u>\$ 1,371,941</u>
Covered employee payroll	<u>\$ 8,593,371</u>
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	<u>15.97%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>

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, 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
OPEB
Last 10 Fiscal Years

	<u>2018</u>
Contractually required contribution	\$ 58,488
Contributions in relation to the contractually required contribution	58,488
Contribution deficiency (excess)	<u>0</u>
Covered employee payroll	\$ 8,679,949
Contributions as a percentage of covered employee payroll	0.67%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Medicare Supplement Claims Pre-Medicare	5.00 percent
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Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
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Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent
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SUPPLEMENTARY INFORMATION

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SENATOBIA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 188,632
National school lunch program	10.555	185MS326N1099	574,051
Total child nutrition cluster			<u>762,683</u>
Total passed-through Mississippi Department of Education			<u>762,683</u>
Total U.S. Department of Agriculture			<u>762,683</u>
 U.S. Department of Education			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	ES010A170024	458,333
Rural education	84.358	ES358B170024	30,149
Supporting effective instruction - state grants	84.367	ES367A170023	73,738
Student support and academic enrichment program	84.424	ES424A170025	10,000
Total			<u>572,220</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	562,140
Special education - preschool grants	84.173	H173A170113	72,054
Total special education cluster			<u>634,194</u>
Total passed-through Mississippi Department of Education			<u>1,206,414</u>
Total U.S. Department of Education			<u>1,206,414</u>
 U.S. Department of Health and Human Services			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	35,277
Total passed-through Mississippi Department of Education			<u>35,277</u>
Total U.S. Department of Health and Human Services			<u>35,277</u>
Total for All Federal Awards			<u>\$ 2,004,374</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	\$ 11,846,156	8,832,998	779,794	908,990	1,324,374
Other	4,980,453	1,343,833	278,351	38,314	3,319,955
Total	<u>16,826,609</u>	<u>10,176,831</u>	<u>1,058,145</u>	<u>947,304</u>	<u>4,644,329</u>
Total number of students	<u>1,776</u>				
Cost per student	<u>\$ 9,474</u>	<u>5,730</u>	<u>596</u>	<u>533</u>	<u>2,615</u>

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

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OTHER INFORMATION

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2018	2017*	2016*	2015*
Revenues				
Local sources	\$ 4,509,025	4,302,629	4,122,050	4,005,144
State sources	9,299,165	9,196,714	9,746,696	8,918,030
Federal sources	6,591	48,483	31,393	20,100
Total Revenues	13,814,781	13,547,826	13,900,139	12,943,274
Expenditures				
Instruction	7,917,004	7,606,539	7,709,215	7,545,956
Support services	5,553,316	4,814,210	4,797,651	4,994,817
Noninstructional services	39,595	22,733	26,950	47,308
Facilities acquisition and construction	0	231,355	142,162	1,171,352
Debt service				
Principal	25,554	25,115	24,683	26,264
Interest	902	1,342	1,774	193
Other	0	0	46,135	0
Total Expenditures	13,536,371	12,701,294	12,748,570	13,785,890
Excess (Deficiency) of Revenues Over (Under) Expenditures	278,410	846,532	1,151,569	(842,616)
Other Financing Sources (Uses)				
Refunding bonds issued	0	0	46,135	0
Capital lease issued	0	0	0	127,618
Insurance loss recoveries	0	20,621	0	0
Sale of transportation equipment	0	0	2,026	0
Operating transfers out	(203,555)	(253,411)	(221,288)	(256,239)
Total Other Financing Sources (Uses)	(203,555)	(232,790)	(173,127)	(128,621)
Net Change in Fund Balances	74,855	613,742	978,442	(971,237)
Fund Balances				
Beginning of period, as previously reported	5,407,907	4,794,165	3,815,723	4,786,960
Prior period adjustments	(12,846)	0	0	0
Beginning of period, as restated	5,395,061	4,794,165	3,815,723	4,786,960
End of period	\$ 5,469,916	5,407,907	4,794,165	3,815,723

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

	UNAUDITED			
	2018	2017*	2016*	2015*
Revenues				
Local sources	\$ 5,543,964	5,289,268	5,096,638	4,851,742
State sources	9,450,882	9,340,470	9,886,558	9,056,716
Federal sources	1,987,634	1,720,366	1,699,691	1,649,773
Total Revenues	16,982,480	16,350,104	16,682,887	15,558,231
Expenditures				
Instruction	8,807,659	8,473,091	8,580,675	8,385,148
Support services	6,400,070	5,435,718	5,519,331	5,636,579
Noninstructional services	680,285	674,909	714,933	734,361
Facilities acquisition and construction	0	4,002,066	308,487	1,171,352
Debt service				
Principal	682,554	677,115	721,683	401,264
Interest	253,291	260,809	140,146	246,193
Other	2,750	2,750	137,509	2,250
Total Expenditures	16,826,609	19,526,458	16,122,764	16,577,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	155,871	(3,176,354)	560,123	(1,018,916)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	3,955,000	0
Proceeds of refunding bonds	0	0	5,800,000	0
Premiums on bonds	0	0	292,914	0
Capital lease issued	0	0	0	127,618
Insurance loss recoveries	0	20,621	0	0
Sale of transportation equipment	0	0	2,026	0
Operating transfers in	203,555	253,411	221,288	330,840
Operating transfers out	(203,555)	(253,411)	(221,288)	(330,840)
Payment to refunded bond escrow agent	0	0	(5,802,592)	0
Total Other Financing Sources (Uses)	0	20,621	4,247,348	127,618
Net Change in Fund Balances	155,871	(3,155,733)	4,807,471	(891,298)
Fund Balances				
Beginning of period, as previously reported	5,755,533	8,910,156	4,109,483	5,002,373
Prior period adjustments	(12,846)	0	(1,037)	0
Beginning of period, as restated	5,742,687	8,910,156	4,108,446	5,002,373
Increase (Decrease) in reserve for inventory	(1,224)	1,110	(5,761)	(1,592)
End of period	\$ 5,897,334	5,755,533	8,910,156	4,109,483

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

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

Independent Auditor's Report

Superintendent and School Board
Senatobia Municipal School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Senatobia Municipal School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Senatobia Municipal School District's basic financial statements, and have issued my report thereon dated February 19, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Senatobia Municipal 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Senatobia Municipal School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Senatobia Municipal School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 19, 2019

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Senatobia Municipal School District

Report on Compliance for Each Major Federal Program

I 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, 2018. Senatobia Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Senatobia Municipal School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Senatobia Municipal School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Senatobia Municipal School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Senatobia Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of 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 my audit of compliance, I

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Senatobia Municipal 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 19, 2019

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

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

Superintendent and School Board
Senatobia Municipal School District

I 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, 2018, which collectively comprise Senatobia Municipal School District's basic financial statements and have issued my report thereon dated February 19, 2019. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My findings and recommendations and Senatobia Municipal School District's responses are as follows:

Finding NO. 1:

CONDITION: The salary of a sample of eight PERS retirees that were reemployed by the district were tested for compliance with the salary limitations as indicated on the PERS Form 4 B. Three of the reemployed retirees were paid compensation in excess of the limitation. The excess compensation ranged from \$660 to \$1,403.

CRITERIA: Section 25-11-127, Miss. Code of 1972, address the reemployment of PERS retirees. Salary limitations are established and documented on the PERS Form 4 B which is certified by both the employer and the retiree.

CAUSE OF CONDITION: The cause of the condition is an oversight in monitoring the compensation paid to reemployed PERS retirees.

POTENTIAL EFFECT OF CONDITION: This condition could result in adverse effects to the retirement benefits of the PERS retiree.

RECOMMENDATION: It is recommended that the compensation paid to PERS retirees be monitored to ensure that payment in excess of the limitations does not occur.

DISTRICT RESPONSE: The school district will put into place procedures that will prevent and alleviate the likelihood of this finding occurring in subsequent school years.

Finding NO. 2:

CONDITION: Of the numerous expenditure transactions tested, two purchase orders for athletic supplies were noted that had sequential purchase order numbers, were dated the same date, contained essentially identical commodities (both in nature and quantity), and were for the same dollar amount. Each purchase order was slightly less than the \$5,000 threshold that requires a minimum of two quotes. Had the invoices been combined, the purchase would have been subject to acquiring at least two quotes prior to acquisition of the commodities.

CRITERIA: Section 31-7-13, Miss. Code of 1972, requires written vendor quotes on expenditures between \$5,000 and \$50,000.

CAUSE OF CONDITION: The condition appears to be the result of inadequate planning regarding the acquisition of athletic supplies.

POTENTIAL EFFECT OF CONDITION: This condition could be viewed as a violation of the state purchase laws.

RECOMMENDATION: It is recommended that the process for multiple purchases of identical items within a relatively close timeframe be restructured as a single purchase and become subject to the state purchase laws when applicable.

DISTRICT RESPONSE: The school district will put into place procedures that will prevent and alleviate the likelihood of this finding occurring in subsequent school years.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Senatobia Municipal School District's responses to the findings included in this report were not audited and, accordingly, I express no opinion on them.

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 19, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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