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Senatobia Municipal School District

Audited Financial Statements
For the Year Ended June 30, 2021

Fortenberry & Ballard, PC
Certified Public Accountants

Senatobia Municipal School District

TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position.	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.	22
Notes to the Financial Statements	24
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	49
Budgetary Comparison Schedule - ESSER II Fund	50
Schedule of the District’s Proportionate Share of the Net Pension Liability	51
Schedule of District Contributions (PERS).	52
Schedule of the District’s Proportionate Share of the Net OPEB Liability	53
Schedule of District Contributions (OPEB)	54
Notes to the Required Supplementary Information	55
 SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	60
Notes to the Schedule of Expenditures of Federal Awards	61
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	62
 OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	64
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	65
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	67
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance	69
Independent Auditor’s Report on Compliance with State Laws and Regulations	72
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75
AUDITEE’S CORRECTIVE ACTION PLAN	78
PRIOR YEAR AUDIT FINDING FOLLOW-UP.	80

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 15 and 49 - 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Senatobia Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022, on our consideration of the Senatobia Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 16, 2022

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

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, 2021. 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 2021 decreased \$877,974, which represents a 9% decrease from fiscal year 2020. Total net position for 2020 decreased \$1,873,532, including a fund reclassification (GASB 84) of \$27,571, which represents a 23% decrease from fiscal year 2019.
- General revenues amounted to \$14,673,372 and \$13,935,208, or 80% and 83% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,663,227, or 20% of total revenues for 2021, and \$2,902,749, or 17% of total revenues for 2020.
- The District had \$19,214,573 and \$18,739,060 in expenses for fiscal years 2021 and 2020; only \$3,663,227 for 2021 and \$2,902,749 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,673,372 for 2021 and \$13,935,208 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,361,937 in revenues and \$14,403,266 in expenditures for 2021, and \$13,950,130 in revenues and \$15,177,794 in expenditures in 2020. The General Fund's fund balance decreased by \$216,851 from 2020 to 2021, and decreased by \$1,357,738 from 2019 to 2020, including a fund reclassification of \$27,571.
- Capital assets, net of accumulated depreciation, decreased by \$442,511 for 2021 and decreased by \$384,424 for 2020. The decrease for 2021 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences, decreased by \$768,307 for 2021 and decreased by \$647,084 for 2020. The decrease for 2021 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,397 for 2021 and increased by \$6,942 for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

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 are currently reported as governmental funds.

Governmental funds – All 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.

Reconciliation of Government-wide and Fund Financial Statements

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

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 \$10,860,302 as of

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

June 30, 2021.

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, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 5,250,622	\$ 4,694,850	11.84 %
Restricted assets	-	606,658	(100.00) %
Capital assets, net	15,292,216	15,734,727	(2.81) %
Total assets	20,542,838	21,036,235	(2.35) %
Deferred outflows of resources	4,286,590	2,241,373	91.25 %
Current liabilities	655,833	526,873	24.48 %
Long-term debt outstanding	5,948,869	6,742,452	(11.77) %
Net OPEB liability	1,492,029	1,633,545	(8.66) %
Net pension liability	27,234,400	23,994,923	13.50 %
Total liabilities	35,331,131	32,897,793	7.40 %
Deferred inflows of resources	358,599	362,143	(0.98) %
Net position:			
Net investment in capital assets	9,478,120	9,185,260	3.19 %
Restricted	675,308	625,793	7.91 %
Unrestricted	(21,013,730)	(19,793,381)	(6.17) %
Total net position (deficit)	\$ (10,860,302)	\$ (9,982,328)	(8.80) %

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)	\$ (21,013,730)
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	24,810,982
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 3,797,252

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 \$442,511.
- The principal retirement of \$768,307 of long-term debt.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$18,336,599 and \$16,837,957, respectively. The total cost of all programs and services was \$19,214,573 for 2021 and \$18,739,060 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 542,909	\$ 598,814	(9.34) %
Operating grants and contributions	3,120,318	2,212,668	41.02 %
Capital Grants and Contributions	-	91,267	(100.00) %
General revenues:			
Property taxes	5,954,312	5,424,204	9.77 %
Grants and contributions not restricted	8,582,870	8,299,364	3.42 %
Investment earnings	113,146	130,423	(13.25) %
Other	23,044	81,217	(71.63) %
Total revenues	18,336,599	16,837,957	8.90 %
Expenses:			
Instruction	9,549,513	8,848,250	7.93 %
Support services	6,282,348	6,763,666	(7.12) %
Non-instructional	427,858	438,888	(2.51) %
Pension expense	2,716,413	2,369,300	14.65 %
OPEB expense	44,804	106,591	(57.97) %
Interest on long-term liabilities	193,637	212,365	(8.82) %
Total expenses	19,214,573	18,739,060	2.54 %
Increase (Decrease) in net position	(877,974)	(1,901,103)	53.82 %
Net Position (Deficit), July 1, as previously reported	(9,982,328)	(8,108,796)	(23.10) %
Fund reclassification	-	27,571	(100.00) %
Net Position (Deficit), July 1, as restated	(9,982,328)	(8,081,225)	(23.52) %
Net Position (Deficit), June 30	\$ (10,860,302)	\$ (9,982,328)	(8.80) %

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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 9,549,513	\$ 8,848,250	7.93 %
Support services	6,282,348	6,763,666	(7.12) %
Non-instructional	427,858	438,888	(2.51) %
Pension Expense	2,716,413	2,369,300	14.65 %
OPEB Expense	44,804	106,591	(57.97) %
Interest on long-term liabilities	193,637	212,365	(8.82) %
Total expenses	\$ 19,214,573	\$ 18,739,060	2.54 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (7,364,631)	\$ (7,307,719)	(0.78) %
Support services	(5,338,143)	(5,948,029)	10.25 %
Non-instructional	106,282	107,693	(1.31) %
Pension Expense	(2,716,413)	(2,369,300)	(14.65) %
OPEB Expense	(44,804)	(106,591)	57.97 %
Interest on long-term liabilities	(193,637)	(212,365)	8.82 %
Total net (expense) revenue	\$ (15,551,346)	\$ (15,836,311)	1.80 %

- Net cost of governmental activities (\$15,551,346 for 2021 and \$15,836,311 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$5,954,312 for 2021 and \$5,424,204 for 2020) and state and federal revenues (\$8,582,870 for 2021 and \$8,299,364 for 2020).
- Investment earnings amounted to \$113,146 for 2021 and \$130,423 for 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,626,130, a decrease of \$182,085, which includes a decrease in inventory of \$13,417. \$3,099,507, or 67% 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, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,526,623, or 33% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$216,851. The fund balance of Other Governmental Funds showed an increase in the amount of \$34,766, which includes a decrease in inventory of \$13,417. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER II 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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$25,235,421, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$135,400 from 2020. Total accumulated depreciation as of June 30, 2021, was \$9,943,205, and total depreciation expense for the year was \$577,911, resulting in total net capital assets of \$15,292,216.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,007,521	\$ 1,007,521	0.00 %
Buildings	11,784,000	12,106,601	(2.66) %
Building improvements	1,812,276	1,955,719	(7.33) %
Improvements other than buildings	78,256	87,327	(10.39) %
Mobile equipment	493,048	475,616	3.67 %
Furniture and equipment	117,115	101,943	14.88 %
Total	\$ 15,292,216	\$ 15,734,727	(2.81) %

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

Debt Administration. At June 30, 2021, the District had \$5,757,229 in outstanding long-term debt, of which \$763,343 is due within one year. During the fiscal year, the District made principal payments totaling \$768,307 on outstanding long-term debt. The liability for compensated absences decreased \$8,397 from the prior year.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Year ended June 30, 2021

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 2,665,000	\$ 3,225,000	(17.36) %
Certificates of participation payable	575,000	651,000	(11.67) %
Three mill notes payable	2,395,000	2,480,000	(3.43) %
Obligations under capital leases	34,789	82,096	(57.62) %
Compensated absences payable	87,440	95,837	(8.76) %
Total	<u>\$ 5,757,229</u>	<u>\$ 6,533,933</u>	(11.89) %

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

CURRENT ISSUES

The Senatobia Municipal School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,477,387
Due from other governments	695,988
Inventories	14,669
Prepaid items	62,578
Capital assets, non-depreciable:	
Land	1,007,521
Capital assets, net of accumulated depreciation:	
Buildings	11,784,000
Building improvements	1,812,276
Improvements other than buildings	78,256
Mobile equipment	493,048
Furniture and equipment	117,115
Total Assets	<u>20,542,838</u>
 Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	12,544
Deferred outflows - pensions	3,896,367
Deferred outflows - OPEB	377,679
Total Deferred Outflows of Resources	<u>4,286,590</u>
 Liabilities	
Accounts payable and accrued liabilities	624,492
Interest payable on long-term liabilities	31,341
Long-term liabilities, due within one year:	
Capital related liabilities	742,000
Non-capital related liabilities	21,343
Net OPEB liability	58,611
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,893,000
Capital related bond premiums	191,640
Non-capital related liabilities	100,886
Net pension liability	27,234,400
Net OPEB liability	1,433,418
Total Liabilities	<u>35,331,131</u>
 Deferred Inflows of Resources	
Deferred inflows - pensions	12,090
Deferred inflows - OPEB	346,509
Total Deferred Inflows of Resources	<u>358,599</u>
 Net Position	
Net investment in capital assets	9,478,120
Restricted for:	
Expendable:	
School-based activities	510,812
Debt service	124,767
Unemployment benefits	39,729
Unrestricted	(21,013,730)
Total Net Position (deficit)	<u>\$ (10,860,302)</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, 2021

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	\$ 9,549,513	537,534	1,647,348	(7,364,631)
Support services	6,282,348	-	944,205	(5,338,143)
Non-instructional	427,858	5,375	528,765	106,282
Pension expense	2,716,413	-	-	(2,716,413)
OPEB expense	44,804	-	-	(44,804)
Interest on long-term liabilities	193,637	-	-	(193,637)
Total Governmental Activities	<u>19,214,573</u>	<u>542,909</u>	<u>3,120,318</u>	<u>(15,551,346)</u>
General Revenues:				
Taxes:				
General purpose levies				5,133,567
Debt purpose levies				820,745
Unrestricted grants and contributions:				
State				8,566,105
Federal				16,765
Unrestricted investment earnings				113,146
Other				23,044
Total General Revenues				<u>14,673,372</u>
Change in Net Position				<u>(877,974)</u>
Net Position (deficit) - Beginning				<u>(9,982,328)</u>
Net Position (deficit) - Ending				<u>\$ (10,860,302)</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2021

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>ESSER II Fund</u>		
Assets				
Cash and cash equivalents	\$ 3,780,106	41,139	656,142	4,477,387
Due from other governments	259,790	161,582	274,616	695,988
Due from other funds	396,094	-	-	396,094
Inventories	-	-	14,669	14,669
Prepaid items	62,578	-	-	62,578
Total assets	<u>4,498,568</u>	<u>202,721</u>	<u>945,427</u>	<u>5,646,716</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	516,509	65,618	42,365	624,492
Due to other funds	-	137,103	258,991	396,094
Total Liabilities	<u>516,509</u>	<u>202,721</u>	<u>301,356</u>	<u>1,020,586</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	14,669	14,669
Prepaid items	62,578	-	-	62,578
Restricted:				
Debt service	-	-	156,108	156,108
Grant activities	-	-	433,565	433,565
Unemployment benefits	-	-	39,729	39,729
Assigned:				
School activities	251,956	-	-	251,956
Repairs and renovations	568,018	-	-	568,018
Unassigned	<u>3,099,507</u>	<u>-</u>	<u>-</u>	<u>3,099,507</u>
Total Fund Balances	<u>3,982,059</u>	<u>-</u>	<u>644,071</u>	<u>4,626,130</u>
Total Liabilities and Fund Balances	<u>\$ 4,498,568</u>	<u>202,721</u>	<u>945,427</u>	<u>5,646,716</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021**

Exhibit C-1

Total fund balances for governmental funds \$ 4,626,130

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

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$ 1,007,521	
Buildings	18,141,902	
Building improvements	3,586,080	
Improvements other than buildings	277,533	
Mobile equipment	1,804,249	
Furniture and equipment	418,136	
Accumulated depreciation	<u>(9,943,205)</u>	15,292,216

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

Net pension liability (27,234,400)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,896,367	
Deferred inflows of resources related to pensions	<u>(12,090)</u>	(23,350,123)

3. 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 (1,492,029)

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	377,679	
Deferred inflows of resources related to OPEB	<u>(346,509)</u>	(1,460,859)

4. 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	(2,665,000)	
Notes payable	(2,395,000)	
Certificates of participation	(575,000)	
Capital lease obligations	(34,789)	
Compensated absences	(87,440)	
Unamortized charges	12,544	
Unamortized premiums	(191,640)	
Accrued interest payable	<u>(31,341)</u>	(5,967,666)

Net Position of governmental activities \$ (10,860,302)

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

Exhibit D

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>ESSER II Fund</u>		
Revenues:				
Local sources	\$ 5,684,977	-	948,435	6,633,412
State sources	8,654,568	-	214,481	8,869,049
Federal sources	22,392	161,582	2,650,164	2,834,138
Total Revenues	<u>14,361,937</u>	<u>161,582</u>	<u>3,813,080</u>	<u>18,336,599</u>
Expenditures:				
Instruction	8,663,214	97,414	1,612,048	10,372,676
Support services	5,682,072	64,168	914,411	6,660,651
Noninstructional services	7,548	-	485,838	493,386
Debt service:				
Principal	47,307	-	721,000	768,307
Interest	3,125	-	204,322	207,447
Other	-	-	2,800	2,800
Total Expenditures	<u>14,403,266</u>	<u>161,582</u>	<u>3,940,419</u>	<u>18,505,267</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(41,329)</u>	<u>-</u>	<u>(127,339)</u>	<u>(168,668)</u>
Other Financing Sources (Uses):				
Operating transfers in	20,969	-	267,433	288,402
Operating transfers out	<u>(196,491)</u>	<u>-</u>	<u>(91,911)</u>	<u>(288,402)</u>
Total Other Financing Sources (Uses)	<u>(175,522)</u>	<u>-</u>	<u>175,522</u>	<u>-</u>
Net Change in Fund Balances	<u>(216,851)</u>	<u>-</u>	<u>48,183</u>	<u>(168,668)</u>
Fund Balances:				
July 1, 2020	4,198,910	-	609,305	4,808,215
Increase (Decrease) in inventory	<u>-</u>	<u>-</u>	<u>(13,417)</u>	<u>(13,417)</u>
June 30, 2021	<u>\$ 3,982,059</u>	<u>-</u>	<u>644,071</u>	<u>4,626,130</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (168,668)

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

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

Capital outlay	\$ 135,400	
Depreciation expense	<u>(577,911)</u>	(442,511)

2. 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	768,307	
Accrued interest payable	<u>2,239</u>	770,546

3. 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. The activities include:

Pension expense	(2,716,413)	
Contributions subsequent to the measurement date	<u>1,663,673</u>	(1,052,740)

4. 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. The activities include:

OPEB expense	(44,804)	
Contributions subsequent to the measurement date	<u>50,852</u>	6,048

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

Change in compensated absences	8,397	
Change in inventory	(13,417)	
Amortization of deferred charges, premiums and discounts	<u>14,371</u>	9,351

Change in Net Position of governmental activities	\$	<u>(877,974)</u>
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The notes to the financial statements are an integral part of this statement.

Senatobia Municipal School District

Notes to the Financial Statements
For the Year Ended June 30, 2021

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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 10).

B. Government-wide and Fund Financial Statements

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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.

ESSER II Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's ESSER II Fund.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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

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

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

The following schedule details the capitalization thresholds:

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

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 this school 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 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

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 fund financial statements and government-wide financial statements was \$4,477,387.

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, 2021, none of the district's bank balance of \$5,122,753 was exposed to custodial credit risk.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2021

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	ESSER II Fund	\$ 137,103
	Other governmental funds	258,991
Total		<u>\$ 396,094</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 196,491
Other governmental funds	General Fund	20,969
	Other governmental funds	70,942
Total		<u>\$ 288,402</u>

Transfers were made for indirect cost and for the purpose of funding the vocational program, extended school year, debt service funds, and the cost pool fund.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2021

Note 4 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,007,521	\$	\$	\$ 1,007,521
Total non-depreciable capital assets	1,007,521	-	-	1,007,521
<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	1,715,949	88,300		1,804,249
Furniture and equipment	371,036	47,100		418,136
Total depreciable capital assets	24,092,500	135,400	-	24,227,900
<u>Less accumulated depreciation for:</u>				
Buildings	6,035,301	322,601		6,357,902
Building improvements	1,630,361	143,443		1,773,804
Improvements other than buildings	190,206	9,071		199,277
Mobile equipment	1,240,333	70,868		1,311,201
Furniture and equipment	269,093	31,928		301,021
Total accumulated depreciation	9,365,294	577,911	-	9,943,205
Total depreciable capital assets, net	14,727,206	(442,511)	-	14,284,695
Governmental activities capital assets, net	\$ 15,734,727	\$ (442,511)	\$ -	\$ 15,292,216

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 400,108
Support services	170,601
Non-instructional	7,202
Total depreciation expense	<u>\$ 577,911</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

Note 5 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. General obligation refunding bonds payable	\$ 3,225,000	\$	\$ 560,000	\$ 2,665,000	\$ 575,000
B. Certificates of participation payable	651,000		76,000	575,000	77,000
C. Three mill notes payable	2,480,000		85,000	2,395,000	90,000
D. Obligations under capital leases	82,096		47,307	34,789	16,971
E. Compensated absences payable	95,837		8,397	87,440	4,372
Total	\$ 6,533,933	\$ -	\$ 776,704	\$ 5,757,229	\$ 763,343
Bond premium	208,519		16,879	191,640	
Total	\$ 6,742,452	\$ -	\$ 793,583	\$ 5,948,869	

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	\$ 2,665,000
Total				\$ 5,800,000	\$ 2,665,000

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 575,000	\$ 79,950	\$ 654,950
2023	595,000	62,700	657,700
2024	615,000	44,850	659,850
2025	630,000	26,400	656,400
2026	250,000	7,500	257,500
Total	\$ 2,665,000	\$ 221,400	\$ 2,886,400

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, 2021, the amount of outstanding bonded indebtedness was equal to 3% of property

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

assessments as of October 1, 2020.

B. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, Series 2016	1.985%	5/5/2016	5/1/2028	\$ 943,000	\$ 575,000
Total				<u>\$ 943,000</u>	<u>\$ 575,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 77,000	\$ 11,411	\$ 88,411
2023	79,000	9,883	88,883
2024	81,000	8,315	89,315
2025	82,000	6,708	88,708
2026	84,000	5,080	89,080
2027 – 2028	172,000	5,140	177,140
Total	<u>\$ 575,000</u>	<u>\$ 46,537</u>	<u>\$ 621,537</u>

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax Notes, Series 2016	2.0-4.0%	4/20/2016	4/1/2036	\$ 2,810,000	\$ 2,395,000
Total				<u>\$ 2,810,000</u>	<u>\$ 2,395,000</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2021

Year Ending June 30	Principal	Interest	Total
2022	\$ 90,000	\$ 92,100	\$ 182,100
2023	90,000	89,400	179,400
2024	95,000	86,700	181,700
2025	95,000	83,850	178,850
2026	100,000	81,000	181,000
2027 – 2031	865,000	318,400	1,183,400
2032 – 2036	1,060,000	130,600	1,190,600
Total	<u>\$ 2,395,000</u>	<u>\$ 882,050</u>	<u>\$ 3,277,050</u>

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

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of computer equipment at a total cost of \$69,660. The 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	4.99%	6/24/2020	6/24/2023	\$ 69,660	\$ 34,789
Total				<u>\$ 69,660</u>	<u>\$ 34,789</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2022	\$ 16,971	\$ 1,736	\$ 18,707
2023	17,818	889	18,707
Total	<u>\$ 34,789</u>	<u>\$ 2,625</u>	<u>\$ 37,414</u>

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

E. Compensated absences payable

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

Note 6 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$1,663,673, \$1,629,979 and \$1,399,103, 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, 2021, the school district reported a liability of \$27,234,400 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.140682 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.004285 percent from its proportionate share used to calculate the June

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$2,716,413. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 236,108	\$ 12,090
Net difference between projected and actual earnings on pension plan investments	1,284,397	
Changes of assumptions	110,116	
Changes in proportion and differences between District contributions and proportionate share of contributions	602,073	
District contributions subsequent to the measurement date	1,663,673	
Total	\$ <u>3,896,367</u>	\$ <u>12,090</u>

\$1,663,673 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, 2022. 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:	
2022	\$ 700,344
2023	662,284
2024	497,499
2025	360,477
Total	\$ <u>2,220,604</u>

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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 most recent 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>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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	\$ 35,251,585	\$ 27,234,400	\$ 20,617,002

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 7 – 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 authority to promulgate rules and regulations governing the operations of the Plan.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

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 \$50,852 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,492,029 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.19172628 percent. This was a decrease of 0.00078596 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$44,804. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,902	\$ 259,653
Changes of assumptions	231,651	63,051
Net difference between projected and actual earnings on OPEB plan investments	48	
Changes in proportion and differences between District contributions and proportionate share of contributions	93,226	23,805
District contributions subsequent to the measurement date	50,852	
Total	\$ <u>377,679</u>	\$ <u>346,509</u>

\$50,852 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, 2022. 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:

2022	\$ (9,242)
2023	(9,242)
2024	(3,181)
2025	11,110
2026	(9,127)
Total	\$ <u>(19,682)</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

Health Care Cost Trends

Medicare Supplement Claims	7.00 percent for 2021 decreasing to an
Pre-Medicare	ultimate rate of 4.50% by 2030

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 1,648,794	\$ 1,492,029	\$ 1,357,568

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	\$ 1,377,661	\$ 1,492,029	\$ 1,621,604

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 8 – Contingencies

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

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

Note 9 – Risk Management

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

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers liability related losses the member may be

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 10 – 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 5 for details regarding the debt service requirement on the trust certificates.

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

Note 11 – 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

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, 2021

Revenues

Local sources:

Tuition from other LEA's within the state:

Tate County School District

\$ 203,639

Total tuition from other LEA's within the state

203,639

Total Revenues

203,639

Expenditures

Salaries

249,102

Employee benefits

78,521

Purchased property services

8,728

Supplies

2,996

Property

52

Total Expenditures

339,399

Excess (Deficiency) of Revenues Over (Under) Expenditures

(135,760)

Other Financing Sources/Uses:

Transfers in

135,760

Total Other Financing Sources/Uses

135,760

Net Change in Fund Balance

-

Fund Balance:

July 1, 2020

-

June 30, 2021

\$ -

Note 12 – 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 consortium are included in its financial

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2021

statements.

Note 13 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$9,478,120 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$12,544 balance of the deferred outflow from advance refunding of debt at June 30, 2021, will be recognized as an expense and will decrease the net investment in capital assets net position over the next 5 years. The \$191,640 balance of the deferred bond premiums at June 30, 2021, will be recognized as a decrease in an expense and will increase the net investment in capital assets net position over the next 15 years.

The unrestricted net position (deficit) amount of (\$21,013,730) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,663,673 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$2,232,694 balance of deferred outflow of resources related to pensions at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position (deficit) amount of (\$21,013,730) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$12,090 balance of deferred inflow of resources related to pensions at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position (deficit) amount of (\$21,013,730) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$50,852 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$326,827 balance of deferred outflow of resources related to OPEB at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position (deficit) amount of (\$21,013,730) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$346,509 balance of deferred inflow of resources related to OPEB at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 14 – Other Matters

The onset of the recent COVID-19 pandemic has resulted in a volatile investment market currently. The resulting impact of this pandemic upon the operations of the District is uncertain at this time.

Note 15 – Subsequent Events

Events that occur after the Statement of Net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2021

that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Senatobia Municipal School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,673,060	5,684,977	5,684,977	11,917	-
State sources	9,000,630	8,654,568	8,654,568	(346,062)	-
Federal sources	6,600	22,392	22,392	15,792	-
Total Revenues	14,680,290	14,361,937	14,361,937	(318,353)	-
Expenditures:					
Instruction	9,528,299	8,663,214	8,663,214	865,085	-
Support services	5,854,354	5,638,660	5,682,072	215,694	(43,412)
Noninstructional services	46,190	7,548	7,548	38,642	-
Facilities acquisition and construction	375,000	43,412	-	331,588	43,412
Debt service:					
Principal	32,436	47,307	47,307	(14,871)	-
Interest	735	3,125	3,125	(2,390)	-
Total Expenditures	15,837,014	14,403,266	14,403,266	1,433,748	-
Excess (Deficiency) of Revenues over (under) Expenditures	(1,156,724)	(41,329)	(41,329)	1,115,395	-
Other Financing Sources (Uses):					
Operating transfers in	2,021,802	1,891,167	20,969	(130,635)	(1,870,198)
Operating transfers out	(2,237,217)	(2,066,689)	(196,491)	170,528	1,870,198
Total Other Financing Sources (Uses)	(215,415)	(175,522)	(175,522)	39,893	-
Net Change in Fund Balances	(1,372,139)	(216,851)	(216,851)	1,155,288	-
Fund Balances:					
July 1, 2020	4,153,975	4,198,910	4,198,910	44,935	-
June 30, 2021	\$ 2,781,836	3,982,059	3,982,059	1,200,223	-

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ESSER II Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	1,368,460	161,582	1,368,460	(1,206,878)
Total Revenues	-	1,368,460	161,582	1,368,460	(1,206,878)
Expenditures:					
Instruction	-	614,415	97,414	(614,415)	517,001
Support services	-	492,613	64,168	(492,613)	428,445
Facilities acquisition and construction	-	59,988	-	(59,988)	59,988
Total Expenditures	-	1,167,016	161,582	(1,167,016)	1,005,434
Excess (Deficiency) of Revenues over (under) Expenditures	-	201,444	-	201,444	(201,444)
Other Financing Sources (Uses):					
Operating transfers out	-	(201,444)	-	(201,444)	201,444
Total Other Financing Sources (Uses)	-	(201,444)	-	(201,444)	201,444
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2020	-	-	-	-	-
June 30, 2021	\$ -	-	-	-	-

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*

	2021	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 27,234,400	23,994,923	22,608,200	22,268,034	24,252,984	20,573,244	16,963,334
District's proportion of the net pension liability	0.140682%	0.136397%	0.135924%	0.133956%	0.135776%	0.133091%	0.139752%
District's covered payroll	9,367,695	8,040,822	8,680,070	8,593,371	8,685,917	8,314,781	8,539,562
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	298.41%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,663,673	1,629,979	1,399,103	1,367,111	1,353,456	1,368,032	1,309,578
Contributions in relation to the contractually required contribution	1,663,673	1,629,979	1,399,103	1,367,111	1,353,456	1,368,032	1,309,578
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	9,561,339	9,367,695	8,883,194	8,680,070	8,593,371	8,685,917	8,314,781
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	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 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Senatobia Municipal School DistrictSchedule of the District's Proportionate Share of the Net OPEB Liability
OPEB

Last 10 Fiscal Years*

	2021	2020	2019	2018
District's proportionate share of the net OPEB liability	\$ 1,492,029	1,633,545	1,395,065	1,371,941
District's proportion of the net OPEB liability	0.19172628%	0.19251224%	0.18034575%	0.17485671%
District's covered-employee payroll	9,239,972	8,815,956	8,156,916	7,855,831 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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.

** The amount used to calculate this figure was based on the Implicit Rate Subsidy at measurement date as it relates to contributions.

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*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 50,852	59,502	65,478	58,488 **
Contributions in relation to the actuarially determined contribution	50,852	59,502	65,478	58,488 **
Contribution deficiency (excess)	\$ -	-	-	-
District's covered-employee payroll	\$ 8,380,741	9,367,701	8,883,194	8,680,070
Contributions as a percentage of covered-employee payroll	0.61%	0.64%	0.74%	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 75 was implemented in 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. Prior year information is based on historical amounts reported in prior year audit report(s).

** The amounts reflected above only deal with the Implicit Rate Subsidy as it relates to contributions.

Senatobia Municipal School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of 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%.

Senatobia Municipal School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

(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, 2018 valuation for the June 30, 2020 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	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Senatobia Municipal School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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.

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019:

The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020:

The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) Changes in benefit provisions

2017:

None

2018:

None

2019:

None

2020:

The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(3) *Methods and assumptions used in calculation 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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method

Entry age

Amortization method

Level dollar

Senatobia Municipal School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

SUPPLEMENTARY INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	195MS326N1099	10.555	\$ 56,682
Summer Food Service Program for Children	195MS326N1099	10.559	600,279
Total Child Nutrition Cluster			656,961
Total passed-through the Mississippi Department of Education			656,961
Total U.S. Department of Agriculture			656,961
<u>U. S. Department of Treasury</u>			
Passed-through the Mississippi Department of Education			
COVID-19 - Coronavirus Relief Fund	N/A	21.019	582,219
Total passed-through the Mississippi Department of Education			582,219
Total U.S. Department of Treasury			582,219
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A180024	84.010	471,989
Rural Education	ES358B180024	84.358	39,438
Supporting Effective Instruction State Grants	ES367A180023	84.367	53,053
Student Support and Academic Enrichment Program	ES424A190025	84.424	28,768
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)	S425D200031	84.425D	420,364
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP III)	S425U200031	84.425U	41,543
Subtotal			1,055,155
Special Education Cluster:			
Special Education - Grants to States	H027A180108	84.027	480,699
Positive Behavior Specialists	H027A190108	84.027A	5,627
Special Education - Preschool Grants	H173A180113	84.173	65,517
Total Special Education Cluster			551,843
Total passed-through the Mississippi Department of Education			1,606,998
Total U.S. Department of Education			1,606,998
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	2005MS5ADM	93.778	8,164
Total passed-through the Mississippi Department of Education			8,164
Total U.S. Department of Health and Human Services			8,164
Total for All Federal Awards			\$ 2,854,342

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Senatobia Municipal School District

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(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, 2021. 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 position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$56,682 are included in the National School Lunch Program.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2021

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	13,262,991	10,031,278	761,573	1,072,621	1,397,519
Other	5,242,276	1,947,610	287,354	20,688	2,986,624
Total	<u>\$ 18,505,267</u>	<u>11,978,888</u>	<u>1,048,927</u>	<u>1,093,309</u>	<u>4,384,143</u>
Total number of students *	<u>1,679</u>				
Cost per student	<u>\$ 11,022</u>	<u>7,135</u>	<u>625</u>	<u>651</u>	<u>2,611</u>

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

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

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

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

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

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

OTHER INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,684,977	5,205,725	5,057,809	4,509,025
State sources	8,654,568	8,713,603	9,038,494	9,299,165
Federal sources	22,392	30,802	190,579	6,591
Total Revenues	<u>14,361,937</u>	<u>13,950,130</u>	<u>14,286,882</u>	<u>13,814,781</u>
Expenditures:				
Instruction	8,663,214	8,550,652	8,328,149	7,917,004
Support services	5,682,072	6,586,074	5,648,601	5,553,316
Noninstructional services	7,548	27,900	20,412	39,595
Debt service:				
Principal	47,307	11,744	50,260	25,554
Interest	3,125	1,424	2,532	902
Total Expenditures	<u>14,403,266</u>	<u>15,177,794</u>	<u>14,049,954</u>	<u>13,536,371</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(41,329)</u>	<u>(1,227,664)</u>	<u>236,928</u>	<u>278,410</u>
Other Financing Sources (Uses):				
Inception of capital leases	-	69,660	48,438	-
Insurance recovery	-	5,509	-	-
Sale of transportation equipment	-	612	-	-
Operating transfers in	20,969	-	-	-
Operating transfers out	(196,491)	(233,426)	(193,333)	(203,555)
Total Other Financing Sources (Uses)	<u>(175,522)</u>	<u>(157,645)</u>	<u>(144,895)</u>	<u>(203,555)</u>
Net Change in Fund Balances	(216,851)	(1,385,309)	92,033	74,855
Fund Balances:				
Beginning of period, as previously reported	4,198,910	5,556,648	5,469,916	5,407,907
Prior period adjustment	-	-	(5,301)	(12,846)
Fund reclassification	-	27,571	-	-
Beginning of period, as restated	<u>4,198,910</u>	<u>5,584,219</u>	<u>5,464,615</u>	<u>5,395,061</u>
End of period	<u>\$ 3,982,059</u>	<u>4,198,910</u>	<u>5,556,648</u>	<u>5,469,916</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 6,633,412	6,228,539	6,172,680	5,543,964
State sources	8,869,049	8,926,086	9,159,004	9,450,882
Federal sources	2,834,138	1,677,211	2,085,930	1,987,634
Total Revenues	<u>18,336,599</u>	<u>16,831,836</u>	<u>17,417,614</u>	<u>16,982,480</u>
Expenditures:				
Instruction	10,372,676	9,523,522	9,257,141	8,807,659
Support services	6,660,651	7,228,086	6,319,621	6,400,070
Noninstructional services	493,386	606,300	641,677	680,285
Debt service:				
Principal	768,307	716,744	738,260	682,554
Interest	207,447	226,135	241,792	253,291
Other	2,800	2,800	2,800	2,750
Total Expenditures	<u>18,505,267</u>	<u>18,303,587</u>	<u>17,201,291</u>	<u>16,826,609</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(168,668)</u>	<u>(1,471,751)</u>	<u>216,323</u>	<u>155,871</u>
Other Financing Sources (Uses):				
Inception of capital leases	-	69,660	48,438	-
Insurance recovery	-	5,509	-	-
Sale of transportation equipment	-	612	-	-
Operating transfers in	288,402	252,132	193,333	203,555
Operating transfers out	<u>(288,402)</u>	<u>(252,132)</u>	<u>(193,333)</u>	<u>(203,555)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>75,781</u>	<u>48,438</u>	<u>-</u>
Net Change in Fund Balances	(168,668)	(1,395,970)	264,761	155,871
Fund Balances:				
Beginning of period, as previously reported	4,808,215	6,167,625	5,897,334	5,755,533
Prior period adjustment	-	-	(5,301)	(12,846)
Fund reclassification	<u>-</u>	<u>27,571</u>	<u>-</u>	<u>-</u>
Beginning of period, as restated	<u>4,808,215</u>	<u>6,195,196</u>	<u>5,892,033</u>	<u>5,742,687</u>
Increase (decrease) in inventory	<u>(13,417)</u>	<u>8,989</u>	<u>10,831</u>	<u>(1,224)</u>
End of period	<u>\$ 4,626,130</u>	<u>4,808,215</u>	<u>6,167,625</u>	<u>5,897,334</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Senatobia Municipal School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Senatobia Municipal School District's basic financial statements, and have issued our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

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

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

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

did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Senatobia Municipal School District's Response to Finding

Senatobia Municipal School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Senatobia Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 16, 2022

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

Report on Compliance for Each Major Federal Program

We have audited Senatobia Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Senatobia Municipal School District's major federal program for the year ended June 30, 2021. The Senatobia Municipal School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Senatobia Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 16, 2022

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Senatobia Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2021, which collectively comprise Senatobia Municipal School District's basic financial statements and have issued our report thereon dated February 16, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of

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MADISON, MISSISSIPPI 39110
TELEPHONE 601-992-5292 FAX 601-992-2033

noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 1

Criteria:

Section 25-11-127, Miss. Code of 1972, as amended, requires that the school district files the PERS Form 4B (Re-employment of PERS Service Retiree Certification/Acknowledgement) within 5 days of employment if the prospective employee is a PERS retiree.

Condition:

During the testing of retired personnel, we noted three instances in which re-hired employees' form 4B were not filed timely with PERS.

Cause:

The school district failed to comply with Section 25-11-127, Miss. Code of 1972.

Effect:

It could result in employees being paid in excess of the amount allowed.

Recommendation:

PERS Form 4B must be properly completed annually by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five days from the date of re-employment and within five days from the termination of such re-employment and employees must not be paid in excess of the maximum amount allowed.

School District's Response:

The school district employees responsible for securing the completed Form 4B's from re-employed retirees will maintain the documentation on the date of filing with PERS within the five days of employment as required in the above stated section of Miss. Code of 1972.

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

The Senatobia Municipal School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 16, 2022

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Senatobia Municipal School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.555 & 10.559	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant Deficiency

Finding 2021-001

Criteria:

An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensure strong financial accountability and safeguarding of assets. The maintenance of accurate capital assets records is important.

Condition:

We noted two iPads that were given to administrators were not in the correct location when compared to the School District's records. Also, there were three items in the cafeteria that were not tagged.

Cause:

The district is not tracking its assets to make sure they are in the correct location as part of their system of internal control and did not make sure all assets were tagged.

Effect:

Without proper controls to ensure accurate accounting records, the School District's assets may be displaced and increases the risk of theft of physical assets.

Recommendation:

The district should follow up and test that the internal control system has been implemented and is working as designated to ensure accuracy of capital assets records and easy tracking of assets by means of the tagging system.

Response:

The district will follow up and test that the internal control system is working as designated to ensure accuracy of capital assets records and easy tracking of assets by means of the tagging system. The 2 IPADS corrected in the asset system to reflect their actual location and the 3 cafeteria items with no tags have tags now.

Section III: Federal Awards Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



SENATOBIA MUNICIPAL SCHOOL DISTRICT

104 McKie Street
Senatobia, MS 38668

Chris D. Fleming
Superintendent of Education

April Scott, Ed. D.
Assistant Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Senatobia Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

Finding

2021-001

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: Juanita Jamison

Title: TST Coordinator and Fixed Asset Director

Phone Number: 662-562-4897

b. Correction Action Planned:

The district will follow up and test that the internal control system is working as designated to ensure accuracy of capital assets records and easy tracking of assets by means of the tagging system. The 2 IPADS corrected in the asset system to reflect their actual location and the 3 cafeteria items with no tags have tags now.

c. Anticipated Completion Date: 2-17-2022

Respectfully,

Chris Fleming, Superintendent

PRIOR YEAR AUDIT FINDING FOLLOW-UP



SENATOBIA MUNICIPAL SCHOOL DISTRICT

104 McKie Street
Senatobia, MS 38668

Chris D. Fleming
Superintendent of Education

April Scott, Ed. D.
Assistant Superintendent

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOLLOW UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Senatobia Municipal School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2021:

Finding:	<u>Status</u>
2020-001	Corrected
2020-002	Corrected

Respectfully,

Chris Fleming, Superintendent