



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2004

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

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, 2004, which collectively comprise the Senatobia Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Senatobia Municipal School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, on our consideration of the Senatobia Municipal School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 11, 2005

SENATOBIA MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

The discussion and analysis of Senatobia Municipal School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No 34 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

Total net assets increased \$1,296,701, which represents 36% increase from fiscal year 2003.

General revenues account for \$9,047,414 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,127,745 or 19% of total revenues.

The District had \$9,974,461 in expenses; only \$2,127,745 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,047,414 were adequate to provide for these programs.

Among major funds, the General Fund had \$8,650,042 in revenues and \$7,794,414 in expenditures. The General Fund's fund balance increased \$873,149 over the prior year. This was a result of increases in local and state revenues and frugal spending.

Capital assets, net of accumulated depreciation, increased by \$19,105.

Long-term debt decreased by \$410,598 which was a planned debt reduction.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 expense are reported in this statement for some items that will only result in cash flows in future fiscal years.

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, sixteenth section and interest on long-term liabilities.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,873,668 as of June 30, 2004.

By far the largest portion of the District's net assets (40%) reflects its investment in capital assets(e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2003 and 2004.

	<u>2004</u>	<u>2003</u>
Current assets	\$ 3,390,996	\$ 2,354,171
Capital assets, net	<u>\$ 5,375,694</u>	<u>\$ 5,356,589</u>
Total assets	<u>\$ 8,766,690</u>	<u>\$ 7,710,760</u>
Current liabilities	\$ 381,755	\$ 211,929
Long-term debt outstanding	<u>\$ 3,511,267</u>	<u>\$ 3,921,864</u>
Total liabilities	<u>\$ 3,893,022</u>	<u>\$ 4,133,793</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 1,981,594	\$ 1,528,488
Restricted	\$ 327,879	\$ 416,520
Unrestricted	<u>\$ 2,564,195</u>	<u>\$ 1,631,959</u>
Total net assets	<u>\$ 4,873,668</u>	<u>\$ 3,576,967</u>

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

The principal retirement of \$434,000 of long-term debt.

An increase in current assets was due to increases in local and state revenues and frugal spending.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004 were \$11,175,159. The total cost of all programs and services was \$9,974,461. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues	\$ 2,127,745	\$ 1,934,783
General revenues	<u>\$ 9,047,414</u>	<u>\$ 8,446,863</u>
Total revenues	<u>\$11,175,159</u>	<u>\$10,381,646</u>
Expenses:		
Instruction	\$ 5,832,869	\$ 5,366,310
Support Services	\$ 3,457,252	\$ 3,075,080
Non-instructional	\$ 532,537	\$ 490,663
Interest on long-term liabilities	<u>\$ 151,803</u>	<u>\$ 205,116</u>
Total expenses	<u>\$ 9,974,461</u>	<u>\$ 9,137,169</u>
Increase in net assets	<u>\$ 1,200,698</u>	<u>\$ 1,244,477</u>

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

	<u>2004</u>		<u>2003</u>	
	<u>Total</u> <u>Expenses</u>	<u>Net(Expense)</u> <u>Revenue</u>	<u>Total</u> <u>Expenses</u>	<u>Net (Expense)</u> <u>Revenue</u>
Instruction	\$ 5,832,869	\$ (4,881,492)	\$ 5,366,310	\$ (4,512,177)
Support Services	\$ 3,457,252	\$ (2,805,514)	\$ 3,075,080	\$ (2,453,010)
Non-instructional	\$ 532,537	\$ (7,907)	\$ 490,663	\$ (32,083)
Interest on long-term liabilities	<u>151,803</u>	<u>\$ (151,803)</u>	<u>\$ 205,116</u>	<u>\$ (205,116)</u>
Total expenses	<u>\$ 9,974,461</u>	<u>\$ (7,846,716)</u>	<u>\$ 9,137,169</u>	<u>\$ (7,202,386)</u>

Net cost of governmental activities (\$7,846,716), was financed by general revenue, which is made up of primarily property taxes (\$2,319,328) and state revenue (\$6,545,072).

Investment earnings accounted for \$38,626 of funding.

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, unreserved 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 \$3,041,336, an increase of \$816,605 due primarily to increases in local and state revenues. \$2,681,362 or 88% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$359,974 or 12% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$873,149 a result of increases in local and state revenues. The fund balance of Other Governmental Funds showed a decrease due primarily to increased expenditures for instructional, non-instructional and support services.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

5% of MAEP funds were not originally budgeted in order to compensate for a deficit in funds if required. The budget was amended to reflect the additional MAEP funds received. This was recommended by the Mississippi Department of Education.

GENERAL FUND

Revenues: The school district received more local revenues than originally budgeted due to an increase in ad valorem taxes, tuition from individuals, interest and contributions. State revenues were more than budgeted due to an increase in driver education, homestead exemption, MAEP, and heavy truck tax receipts. Federal revenues increased due to more e-rate and TVA dollars.

Expenditures: The original budget for instructional expenditures was less than the final due to an additional regular special education teacher being hired. The expenditures for support services and non-instructional services were under budget due to budgeting on the high side to compensate for any major increases in fuel, electricity, transportation, etc. Expenditures for facility & construction were a lot less than budgeted due to the board agreeing not to buy land or build this year. The debt expenditures were more than budgeted due to the football stadium principal payment not being included in the original budget. The budgets were amended to reflect actual expenditures.

EEF-TRANSPORTATION/MAINTENANCE

Revenues & Expenditures: The final expenditures for this fund was \$11,767 less than budgeted due to a reduced cost in the purchase of a bus.

EHA PART B

Revenues & Expenditures: The final budget was more than originally budgeted due to additional allocation being awarded in the year.

CAPACITY BUILDING GRANT

Revenues & Expenditures: The final expenditures did not include the balance of \$627 from a prior year allocation. This fund was apparently not FIFO and the school district had to forfeit the unused amount; however, it was originally budgeted to expend and receive reimbursement.

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, 2004, the District's total capital assets were \$8,287,623, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$120,839 from the previous year. Total accumulated depreciation as of June 30, 2004 was \$2,911,929 and total depreciation expense for the year was \$204,842, resulting in total net assets of \$5,375,694.

Debt Administration. At June 30, 2004, the District had \$3,511,267 in general obligation bonds and other long-term debt outstanding, of which \$424,000 is due within one year.

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 millage rate has not increased in over four (4) years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase 141 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Senatobia Municipal School District at 104 McKie Street; Senatobia, MS 38668.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,093,189
Due from other governments	283,118
Inventories and prepaid items	14,689
Capital assets, net	<u>5,375,694</u>
 Total Assets	 <u>8,766,690</u>
Liabilities	
Accounts payable and accrued liabilities	349,660
Interest payable on long-term liabilities	32,095
Long-term liabilities, due within one year	
Capital related liabilities	424,000
Long-term liabilities, due beyond one year	
Capital related liabilities	2,970,100
Non-capital related liabilities	<u>117,167</u>
 Total Liabilities	 <u>3,893,022</u>
Net Assets	
Investment in capital assets, net of related debt	1,981,594
Restricted net assets:	
Expendable:	
School-based activities	238,163
Debt service	64,928
Unemployment benefits	24,788
Unrestricted	<u>2,564,195</u>
 Total Net Assets	 \$ <u><u>4,873,668</u></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, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 5,832,869	289,595	661,782		(4,881,492)
Support services	3,457,252		623,874	27,864	(2,805,514)
Non-instructional	532,537	164,871	359,759		(7,907)
Interest and other expenses on long term liabilities	151,803				(151,803)
Total Governmental Activities	\$ 9,974,461	454,466	1,645,415	27,864	(7,846,716)
General Revenues:					
Taxes:					
					2,069,299
					250,029
Unrestricted grants and contributions:					
					6,545,072
					16,571
					38,626
					127,817
					<u>9,047,414</u>
					<u>1,200,698</u>
					3,576,967
					96,003
					<u>3,672,970</u>
					<u>\$ 4,873,668</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2004

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Transportation and Maintenance Fund	EHA Part B Fund	Capacity Building Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 2,624,413	68,233	19,158	42,791	338,594	3,093,189
Due from other governments	142,904		45,422	42,791	52,001	283,118
Due from other funds	121,479					121,479
Inventories and prepaid items					14,689	14,689
Total Assets	\$ 2,888,796	68,233	64,580	85,582	405,284	3,512,475
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 207,434	68,233	19,158	42,791	12,044	349,660
Due to other funds			45,422	42,791	33,266	121,479
Total Liabilities	207,434	68,233	64,580	85,582	45,310	471,139
Fund Balances:						
Reserved for:						
Inventory					14,689	14,689
Debt service					97,023	97,023
Unreserved:						
Undesignated, reported in:						
General Fund	2,681,362					2,681,362
Special Revenue Funds					248,262	248,262
Total Fund Balances	2,681,362	0	0	0	359,974	3,041,336
Total Liabilities and Fund Balances	\$ 2,888,796	68,233	64,580	85,582	405,284	3,512,475

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2004

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,041,336
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,911,929.	5,375,694
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,511,267)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(32,095)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 4,873,668</u></u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Transportation and Maintenance Fund	EHA Part B Fund	Capacity Building Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,459,531				478,556	2,938,087
State sources	6,173,940	68,233			582,375	6,824,548
Federal sources	16,571		382,098	50,000	961,705	1,410,374
Total Revenues	8,650,042	68,233	382,098	50,000	2,022,636	11,173,009
Expenditures:						
Instruction	4,917,375		173,657		714,669	5,805,701
Support services	2,711,188	68,233	195,943	50,000	330,820	3,356,184
Noninstructional services	44,811				486,500	531,311
Facilities acquisition and construction	1,538		3,950		22,586	28,074
Debt service:						
Principal	89,000				345,000	434,000
Interest	29,340				169,263	198,603
Other	1,162				2,433	3,595
Total Expenditures	7,794,414	68,233	373,550	50,000	2,071,271	10,357,468
Excess (Deficiency) of Revenues over Expenditures	855,628	0	8,548	0	(48,635)	815,541
Other Financing Sources (Uses):						
Insurance loss recoveries	2,150					2,150
Operating transfers in	15,458				4,672	20,130
Operating transfers out	(87)		(8,548)		(11,495)	(20,130)
Total Other Financing Sources (Uses)	17,521	0	(8,548)	0	(6,823)	2,150
Net Change in Fund Balances	873,149	0	0	0	(55,458)	817,691
Fund Balances:						
July 1, 2003	1,808,213	0	0	0	416,518	2,224,731
Decrease in reserve for inventory	0	0	0	0	(1,086)	(1,086)
June 30, 2004	\$ 2,681,362	0	0	0	359,974	3,041,336

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2004

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 817,691
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$128,015 and the depreciation expense amounted to \$204,842.	(76,827)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	434,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	50,395
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(72)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(1,086)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(23,403)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,200,698</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2004

Exhibit E

		Agency Funds
Assets		<u> </u>
Cash and cash equivalents	\$	<u>470,004</u>
Total Assets	\$	<u><u>470,004</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	450,143
Due to student clubs		<u>19,861</u>
Total Liabilities	\$	<u><u>470,004</u></u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Transportation and Maintenance Fund - This fund was established to account for the expenditures associated with the education enhancement revenues used for transportation expenses.

EHA Part B Fund - This fund accounts for a federal grant which is used to provide for the requirements of special needs students.

Capacity Building Fund - This fund is used to account for federal revenues used to develop services for students with educationally handicapped rulings.

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 the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired.

H. 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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

1. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide Statement of Net Assets. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions was \$3,563,193, and the bank balance was \$3,121,238.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 121,479	
EHA Part B Fund		45,422
Capacity Building Fund		42,791
Other governmental funds		<u>33,266</u>
Total	<u>\$ 121,479</u>	<u>121,479</u>

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 15,458	87
EHA Part B Fund		8,548
Other governmental funds	<u>4,672</u>	<u>11,495</u>
Total	<u>\$ 20,130</u>	<u>20,130</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(4) Capital Assets.

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

	Balance 7-1-2003	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2004
<u>Non-depreciable capital assets:</u>						
Land	\$ 315,424					315,424
Construction in progress	90,481	28,074		(111,562)		6,993
Total non-depreciable capital assets	<u>405,905</u>	<u>28,074</u>	<u>0</u>	<u>(111,562)</u>	<u>0</u>	<u>322,417</u>
<u>Depreciable capital assets:</u>						
Buildings	6,116,267					6,116,267
Building improvements	132,951					132,951
Improvements other than buildings	50,764			111,562		162,326
Mobile equipment	772,164	83,733				855,897
Furniture and equipment	183,633	16,208	7,176			192,665
Leased property under capital leases	505,100					505,100
Total depreciable capital assets	<u>7,760,879</u>	<u>99,941</u>	<u>7,176</u>	<u>111,562</u>	<u>0</u>	<u>7,965,206</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,973,008	108,110			(56,189)	2,024,929
Building improvements	5,318	5,318				10,636
Improvements other than buildings	22,336	6,493			(2,030)	26,799
Mobile equipment	539,699	49,564			(24,784)	564,479
Furniture and equipment	148,610	25,255	7,104		(13,001)	153,760
Leased property under capital leases	121,224	10,102				131,326
Total accumulated depreciation	<u>2,810,195</u>	<u>204,842</u>	<u>7,104</u>	<u>0</u>	<u>(96,004)</u>	<u>2,911,929</u>
Total depreciable capital assets, net	<u>4,950,684</u>	<u>(104,901)</u>	<u>72</u>	<u>111,562</u>	<u>96,004</u>	<u>5,053,277</u>
Governmental activities capital assets, net	<u>\$ 5,356,589</u>	<u>(76,827)</u>	<u>72</u>	<u>0</u>	<u>96,004</u>	<u>5,375,694</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 8,998
Support services	<u>195,844</u>
Total Depreciation Expense	<u>\$ 204,842</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(5) Long-term Liabilities.

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

	Balance 7-1-2003	Additions	Reductions	Adjustments	Balance 6-30-2004	Amounts due within one year
A. General obligation bonds payable	\$ 3,105,000		250,000		2,855,000	260,000
B. Three mill notes payable	345,000		95,000		250,000	95,000
C. Obligations under capital leases	300,101		50,000	(1)	250,100	30,000
D. Installment purchases loans payable	78,000		39,000		39,000	39,000
E. Compensated absences payable	93,764	23,403			117,167	
Total	\$ <u>3,921,865</u>	<u>23,403</u>	<u>434,000</u>	<u>(1)</u>	<u>3,511,267</u>	<u>424,000</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1987	Varies	03-01-1987	03-01-2007	\$ 1,550,000	385,000
General obligation bonds, Series 1998	Varies	03-15-1998	03-15-2014	<u>3,500,000</u>	<u>2,470,000</u>
Total				\$ <u>5,050,000</u>	<u>2,855,000</u>

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

Year Ending June 30	Principal	Interest	Total
2005	\$ 260,000	138,237	398,237
2006	280,000	124,297	404,297
2007	295,000	108,988	403,988
2008	245,000	92,675	337,675
2009	265,000	81,650	346,650
2010 - 2014	<u>1,510,000</u>	<u>214,590</u>	<u>1,724,590</u>
Total	\$ <u>2,855,000</u>	<u>760,437</u>	<u>3,615,437</u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. 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 state statutes, have been met. As of June 30, 2004, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2003. This debt will be retired from the Bond Retirement Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
School note, Series 1996	5.40%	10-01-1996	10-01-2006	\$ 400,000	145,000
School note, Series 1997	4.90%	02-01-1997	03-15-2006	400,000	105,000
Total				<u>\$ 800,000</u>	<u>250,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 95,000	12,975	107,975
2006	105,000	8,095	113,095
2007	50,000	2,700	52,700
Total	<u>\$ 250,000</u>	<u>23,770</u>	<u>273,770</u>

This debt will be retired from the Three Mill Note Retirement Fund.

C. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a football stadium, parking area and related facilities.

The various options available to the lessee for this lease are as follows:

At the end of the primary lease period or when the general obligation bonds, series 1991, issued by the City of Senatobia for the construction of the football facility are paid in full, the lessee shall have the option to purchase the leased property for \$100.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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
2005	\$ 30,000	17,335	47,335
2006	30,000	15,310	45,310
2007	30,000	13,270	43,270
2008	35,000	11,200	46,200
2009	40,000	8,750	48,750
2010 - 2014	85,100	9,100	94,200
Total	\$ <u>250,100</u>	<u>74,965</u>	<u>325,065</u>

This debt will be retired from the District Maintenance Fund.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

D. Installment purchases loans payable.

The school district has entered into an installment purchases agreement. Property under this installment purchases agreement is composed of 10.51 acres of land.

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

Year Ending June 30	Principal	Interest	Total
2005	\$ <u>39,000</u>	_____	<u>39,000</u>
Total	\$ <u>39,000</u>	<u>0</u>	<u>39,000</u>

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

As more fully explained in Note 1(O), 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 Financial Statements
For the Year Ended June 30, 2004

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$563,016, \$526,977 and \$494,334, respectively, which equaled the required contributions for each year.

(7) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct error in recording prior year accumulated depreciation and to adjust beginning long-term debt balance for rounding difference.	\$ <u>96,003</u>
Total	\$ <u><u>96,003</u></u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's 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 BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$300,000. For a claim exceeding \$300,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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 pool.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(9) Alternative School Consortium.

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

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

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

The following Statement of Revenues and Expenditures and Changes in Fund Balance 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, 2004

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Tate County School District	\$ <u>104,971</u>
Total tuition from other LEA's within the state	<u>104,971</u>
Total local sources	<u>104,971</u>
State sources	<u>69,982</u>
Total Revenues	<u>174,953</u>
Expenditures	
Salaries	142,050
Employee benefits	26,100
Other professional services	4,591
Supplies	1,457
Property	585
Other	170
Total Expenditures	<u>174,953</u>
Excess (Deficiency) of Revenues over Expenditures	<u>0</u>
Net Change in Fund Balance	<u>0</u>
Fund Balance:	
July 1, 2003	<u>0</u>
June 30, 2004	\$ <u><u>0</u></u>

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(10) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated January 31, 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 37-13-92(6), 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 statements.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,411,961	2,459,531	2,459,531	47,570	
State sources	5,992,747	6,173,940	6,173,940	181,193	
Federal sources	9,000	16,571	16,571	7,571	
Total Revenues	<u>8,413,708</u>	<u>8,650,042</u>	<u>8,650,042</u>	<u>236,334</u>	<u>0</u>
Expenditures:					
Instruction	4,867,609	4,919,329	4,917,375	(51,720)	1,954
Support services	2,807,447	2,698,980	2,711,188	108,467	(12,208)
Noninstructional services	49,200	44,811	44,811	4,389	
Facilities acquisition and construction	93,293	2,538	1,538	90,755	1,000
Debt service:					
Principal	64,000	89,000	89,000	(25,000)	
Interest	33,000		29,340	33,000	(29,340)
Other	500	1,162	1,162	(662)	
Total Expenditures	<u>7,915,049</u>	<u>7,755,820</u>	<u>7,794,414</u>	<u>159,229</u>	<u>(38,594)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>498,659</u>	<u>894,222</u>	<u>855,628</u>	<u>395,563</u>	<u>(38,594)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		2,150	2,150	2,150	
Transfers In	56,245	60,185	15,458	3,940	(44,727)
Transfers Out	(52,706)	(44,814)	(87)	7,892	44,727
Total Other Financing Sources (Uses)	<u>3,539</u>	<u>17,521</u>	<u>17,521</u>	<u>13,982</u>	<u>0</u>
Net Change in Fund Balances	<u>502,198</u>	<u>911,743</u>	<u>873,149</u>	<u>409,545</u>	<u>(38,594)</u>
Fund Balances:					
July 1, 2003	<u>511,250</u>	<u>1,810,167</u>	<u>1,808,213</u>	<u>1,298,917</u>	<u>(1,954)</u>
June 30, 2004	\$ <u>1,013,448</u>	<u>2,721,910</u>	<u>2,681,362</u>	<u>1,708,462</u>	<u>(40,548)</u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Transportation and Maintenance Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 80,000	68,233	68,233	(11,767)	
Total Revenues	<u>80,000</u>	<u>68,233</u>	<u>68,233</u>	<u>(11,767)</u>	<u>0</u>
Expenditures:					
Support services	80,000	68,233	68,233	11,767	
Total Expenditures	<u>80,000</u>	<u>68,233</u>	<u>68,233</u>	<u>11,767</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2004	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA Part B Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 363,291	382,098	382,098	18,807	
Total Revenues	<u>363,291</u>	<u>382,098</u>	<u>382,098</u>	<u>18,807</u>	<u>0</u>
Expenditures:					
Instruction	135,553	173,657	173,657	(38,104)	
Support services	220,844	195,943	195,943	24,901	
Facilities acquisition and construction		3,950	3,950	(3,950)	
Total Expenditures	<u>356,397</u>	<u>373,550</u>	<u>373,550</u>	<u>(17,153)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,894</u>	<u>8,548</u>	<u>8,548</u>	<u>1,654</u>	<u>0</u>
Other Financing Sources (Uses):					
Transfers Out	(6,894)	(8,548)	(8,548)	(1,654)	
Total Other Financing Sources (Uses)	<u>(6,894)</u>	<u>(8,548)</u>	<u>(8,548)</u>	<u>(1,654)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2004	<u><u>\$ 0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Capacity Building Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 50,627	50,000	50,000	(627)	
Total Revenues	<u>50,627</u>	<u>50,000</u>	<u>50,000</u>	<u>(627)</u>	<u>0</u>
Expenditures:					
Support services	50,627	50,000	50,000	627	
Total Expenditures	<u>50,627</u>	<u>50,000</u>	<u>50,000</u>	<u>627</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2004	<u><u>\$ 0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2004

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. 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.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SENATOBIA MUNICIPAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>38,080</u>
Child nutrition cluster:		
School breakfast program	10.553	73,521
National school lunch program	10.555	292,330
Total child nutrition cluster		<u>365,851</u>
Total U.S. Department of Agriculture		<u>403,931</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	4,129
Total		<u>4,129</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	286,417
Safe and drug-free schools and communities - state grants	84.186	7,270
State grants for innovative programs	84.298	10,543
Achieve Mississippi grants	84.342A	23,980
School renovation grants	84.352	50,000
Rural education	84.358	48,218
Improving teacher quality - state grants	84.367	91,685
Total		<u>518,113</u>
Special education cluster:		
Special education - grants to states	84.027	382,098
Special education - preschool grants	84.173	64,208
Total		<u>446,306</u>
Total passed-through Mississippi Department of Education		<u>964,419</u>
Total U.S. Department of Education		<u>968,548</u>
Total for All Federal Awards		\$ <u><u>1,372,479</u></u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

SENATOBIA MUNICIPAL SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2004

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,508,064	5,132,502	867,867	1,507,695
Other	<u>2,849,404</u>	<u>673,199</u>	<u>200,485</u>	<u>1,975,720</u>
Total	\$ <u>10,357,468</u>	<u>5,805,701</u>	<u>1,068,352</u>	<u>3,483,415</u>
Total number of students	<u>1,755</u>			
Cost per student	\$ <u>5,902</u>	<u>3,308</u>	<u>609</u>	<u>1,985</u>

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

Instruction - 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. (all the 1000 functional codes).

Administrative - includes expenditures for the following functions: support services - general administration (2300s); support services - school administration (2400s); and support services - business (2500s).

Other - includes all expenditure functions not included in instruction or administrative.

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

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, 2004, and have issued our report thereon dated February 11, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 11, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Senatobia Municipal School District

Compliance

We have audited the compliance of the Senatobia Municipal School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The school district's major federal program is identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Senatobia Municipal School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Senatobia Municipal School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 11, 2005

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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, 2004, and have issued our report thereon dated February 11, 2005. 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), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$15,067 of classroom supply funds carried over from previous years.

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 11, 2005

SENATOBIA MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SENATOBIA MUNICIPAL SCHOOL DISTRICT

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SENATOBIA MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program:
Child Nutrition Cluster
CFDA #10.553
CFDA #10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

SENATOBIA MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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