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**Corinth School District**

Audited Financial Statements  
For the Year Ended June 30, 2017

**Fortenberry & Ballard, PC**  
Certified Public Accountants

# Corinth School District

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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Corinth 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 Corinth School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corinth 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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## **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 Corinth School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 19 and 63 to 68, 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 Corinth School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Corinth 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 Corinth 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 Corinth School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 29, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Corinth School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

The following discussion and analysis of Corinth School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 decreased \$2,424,886, including a prior period adjustment of (\$15,000), which represents a 48% decrease from fiscal year 2016. Total net position for 2016 increased \$668,224, including a prior period adjustment of (\$30,645), which represents a 15% increase from fiscal year 2015.
- General revenues amounted to \$19,770,605 and \$18,317,260, or 77% and 76% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,766,811, or 23% of total revenues for 2017, and \$5,697,004, or 24% of total revenues for 2016.
- The District had \$27,947,302 and \$23,315,395 in expenses for fiscal years 2017 and 2016; only \$5,766,811 for 2017 and \$5,697,004 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,770,605 for 2017 were not adequate to provide for these programs. However, general revenues of \$18,317,260 for 2016 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$17,222,296 in revenues and \$18,216,380 in expenditures for 2017, and \$17,104,018 in revenues and \$17,820,745 in expenditures for 2016. The General Fund's fund balance increased by \$657,190, including a prior period adjustment of (\$15,000), from 2016 to 2017, and decreased by \$1,747,939, including a prior period adjustment of (\$15,000), from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$1,147,159 for 2017 and increased by \$1,428,596 for 2016. The decrease for 2017 was primarily due to the recording of depreciation expense during the year.
- Long-term debt increased by \$2,089,187 for 2017 and decreased by \$171,723 for 2016. This increase for 2017 was due primarily to the issuance of a three mill note totaling \$2,500,000 and the inception of leases totaling \$2,373,683. The liability for compensated absences decreased by \$6,465 for 2017 and decreased by \$105,444 for 2016.

**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,

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Management's Discussion and Analysis  
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supplementary information, and other information.

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,657,398 as of June 30, 2017.

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

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assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 16,541,065	13,356,721	24%
Restricted assets	3,145,226	2,606,165	21%
Capital assets, net	29,924,582	31,071,741	-4%
<b>Total assets</b>	<u>49,610,873</u>	<u>47,034,627</u>	5%
 <b>Deferred outflows of resources</b>	 <u>8,800,767</u>	 <u>6,959,305</u>	 26%
 Current liabilities	 482,597	 511,760	 (6)%
Long-term debt outstanding	22,540,734	20,458,012	10%
Net pension liability	32,332,548	26,993,118	20%
<b>Total liabilities</b>	<u>55,355,879</u>	<u>47,962,890</u>	15%
 <b>Deferred inflows of resources</b>	 <u>398,363</u>	 <u>948,758</u>	 (58)%
 <b>Net position:</b>			
Net investment in capital assets	10,102,724	11,656,431	(13)%
Restricted	7,500,782	4,421,049	70%
Unrestricted	(14,946,108)	(10,995,196)	(36)%
<b>Total net position</b>	<u>\$ 2,657,398</u>	<u>5,082,284</u>	(48)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (14,946,108)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>24,737,807</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 9,791,699</u>

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Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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 \$1,147,159.
- The principal retirement of \$2,739,635 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$25,537,416 and \$24,014,264, respectively. The total cost of all programs and services was \$27,947,302 for 2017 and \$23,315,395 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

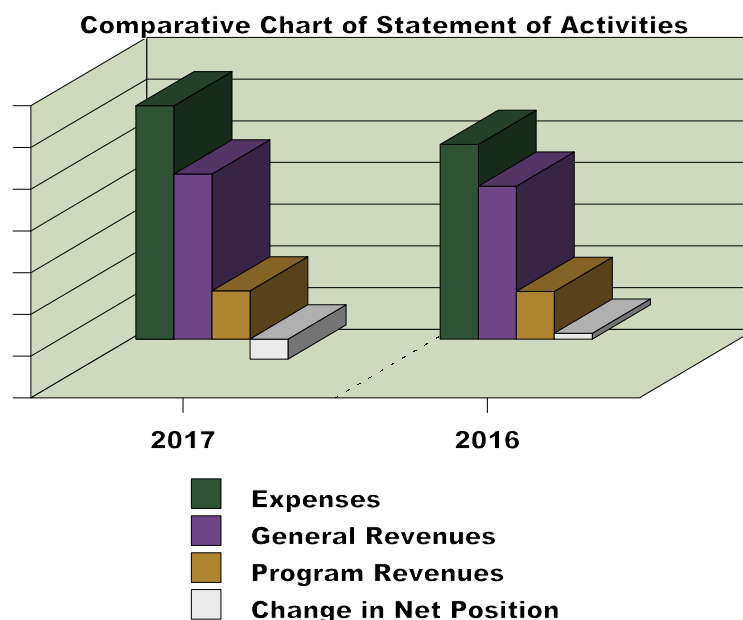
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**For the Year Ended June 30, 2017**

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2017</b>	<b>Year Ended June 30, 2016</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 499,427	464,359	8%
Operating grants and contributions	5,267,384	5,232,645	1%
Total program revenues	5,766,811	5,697,004	1%
General revenues:			
Property taxes	4,960,640	4,930,416	1%
Grants and contributions not restricted	13,523,990	13,271,818	2%
Unrestricted investment earnings	35,895	13,805	160%
Other	1,250,080	101,221	1,135%
Total general revenues	19,770,605	18,317,260	8%
<b>Total revenues</b>	25,537,416	24,014,264	6%
<b>Expenses:</b>			
Instruction	15,464,392	12,675,673	22%
Support services	5,957,484	5,935,635	0%
Non-instructional	1,198,378	1,169,734	2%
Pension expense	4,664,532	3,004,188	55%
Interest on long term liabilities	662,516	530,165	25%
<b>Total expenses</b>	27,947,302	23,315,395	20%
<b>Change in net position</b>	(2,409,886)	698,869	(445)%
<b>Net Position, July 1, as previously reported</b>	5,082,284	4,414,060	15%
<b>Prior period adjustment</b>	(15,000)	(30,645)	51%
<b>Net Position, July 1, as restated</b>	5,067,284	4,383,415	16%
<b>Net Position, June 30</b>	\$ 2,657,398	5,082,284	(48)%



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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**



### Governmental activities

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

**Table 3**  
**Net Cost of Governmental Activities**

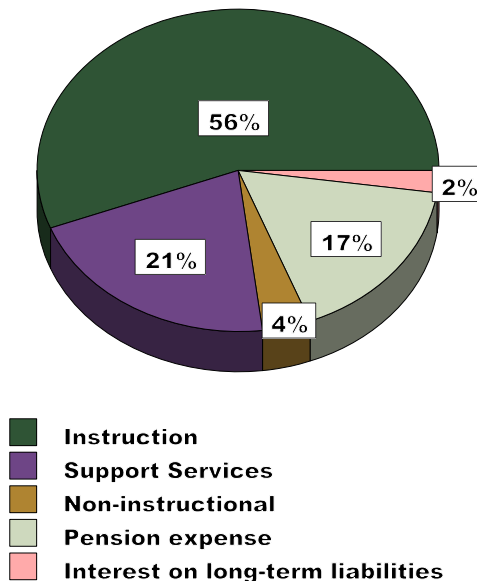
	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 15,464,392	12,675,673	22%
Support services	5,957,484	5,935,635	0%
Non-instructional	1,198,378	1,169,734	2%
Pension expense	4,664,532	3,004,188	55%
Interest on long term liabilities	662,516	530,165	25%
<b>Total expenses</b>	<b>\$ 27,947,302</b>	<b>23,315,395</b>	<b>20%</b>

**Corinth School District**  
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**Net (Expense) Revenue**

	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Percentage Change</u></b>
Instruction	\$ (11,966,863)	(9,368,444)	(28)%
Support services	(4,946,338)	(4,802,709)	(3)%
Non-instructional	59,758	87,115	(31)%
Pension expense	(4,664,532)	(3,004,188)	(55)%
Interest on long-term liabilities	(662,516)	(530,165)	(25)%
<b>Total net (expense) revenue</b>	<b>\$ <u>(22,180,491)</u></b>	<b><u>(17,618,391)</u></b>	<b><u>(26)%</u></b>

**Chart of Expenses as per Statement of Activities**



- Net cost of governmental activities (\$22,180,491 for 2017 and \$17,618,391 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$4,960,640 for 2017 and \$4,930,416 for 2016) and state and federal revenues of (\$13,523,990 for 2017 and (\$13,271,818 for 2016).
- Investment earnings amounted to \$35,895 for 2017 and \$13,805 for 2016.

**Corinth School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$19,313,599, an increase of \$3,798,563, including a prior period adjustment of (\$15,000) and an increase in inventory of \$5,221. \$8,759,980, or 45% 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 \$10,553,619 or 55% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$657,190, including a prior period adjustment of (\$15,000). The fund balance of Other Governmental Funds showed an increase in the amount of \$771,678, which includes an increase for inventory of \$5,221. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
21 <sup>st</sup> Century Learning Grant Fund	no increase or decrease
Early Learning Collaborative Fund	no increase or decrease
Other Capital Project Fund	\$ 2,369,695

**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.

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.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$42,873,163, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$27,677 from 2016. Total accumulated depreciation as of June 30, 2017, was \$12,948,581, and total depreciation expense for the year was \$1,174,836, resulting in total net capital assets of \$29,924,582.

**Table 4**  
**Capital Assets, Net Accumulated Depreciation**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 2,146,535	2,146,535	0%
Construction in progress		2,987,063	(100)%
Buildings	17,190,346	17,647,189	(3)%
Buildings improvements	8,409,453	6,738,246	25%
Improvements other than buildings	1,207,877	312,167	287%
Mobile equipment	672,894	784,683	(14)%
Furniture and equipment	297,477	455,858	(35)%
<b>Total</b>	<b>\$ <u>29,924,582</u></b>	<b><u>31,071,741</u></b>	<b>(4)%</b>

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

**Debt Administration.** At June 30, 2017, the District had \$22,540,734 in outstanding long-term debt, of which \$1,732,268 is due within one year. The liability for compensated absences decreased \$6,465 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,185,000	1,725,000	(31)%
General obligation bonds refunding payable	8,700,000	8,815,000	(1)%
Premiums	37,560	40,690	(8)%
Three mill notes payable	2,706,961	406,077	567%
Obligations under leases	1,749,944	1,303,511	34%
Qualified school construction bonds payable	8,000,000	8,000,000	0%
Compensated absences payable	161,269	167,734	(4)%
<b>Total</b>	<b>\$ <u>22,540,734</u></b>	<b><u>20,458,012</u></b>	<b>10%</b>

**Corinth School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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

**CURRENT ISSUES**

The Corinth 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.

Enrollment for the 2016-2017 year increased by 0.8% to 2,646 students.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Corinth School District, 1204 North Harper Road, Corinth, MS 38834.

## FINANCIAL STATEMENTS

**CORINTH SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 15,120,452
Due from other governments	1,399,440
Inventories	21,173
Restricted assets	3,145,226
Capital assets, non-depreciable:	
Land	2,146,535
Capital assets, net of accumulated depreciation:	
Buildings	17,190,346
Building improvements	8,409,453
Improvements other than buildings	1,207,877
Mobile equipment	672,894
Furniture and equipment	297,477
Total Assets	<u>49,610,873</u>
<b>Deferred Outflows of Resources</b>	
Deferred charges on debt refunding	1,120,108
Deferred outflows - pensions	7,680,659
Total Deferred Outflows of Resources	<u>8,800,767</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	313,260
Unearned revenue	59,432
Interest payable on long-term liabilities	109,905
Long-term liabilities, due within one year:	
Capital related liabilities	1,115,037
Bond premium, capital related	3,130
Non-capital related liabilities	614,101
Long-term liabilities, due beyond one year:	
Capital related liabilities	19,476,924
Bond premium, capital related	34,430
Non-capital related liabilities	1,297,112
Net pension liability	32,332,548
Total Liabilities	<u>55,355,879</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	85,918
Deferred inflows of escrow investments	312,445
Total Deferred Inflows of Resources	<u>398,363</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	10,102,724
Restricted For:	
Expendable:	
School-based activities	1,128,672
Debt service	3,766,863
Capital projects	2,369,695
Unemployment benefits	162,547
Nonexpendable:	
Sixteenth section	73,005
Unrestricted	(14,946,108)
Total Net Position	<u>\$ 2,657,398</u>

The accompanying notes are an integral part of this statement.

**CORINTH SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 15,464,392	\$ 315,625	\$ 3,181,904	\$ (11,966,863)
<i>Support services</i>	5,957,484	--	1,011,146	(4,946,338)
<i>Noninstructional services</i>	1,198,378	183,802	1,074,334	59,758
<i>Pension expense</i>	4,664,532	--	--	(4,664,532)
<i>Interest on long-term liabilities</i>	662,516	--	--	(662,516)
Total Governmental Activities	<u>\$ 27,947,302</u>	<u>\$ 499,427</u>	<u>\$ 5,267,384</u>	<u>(22,180,491)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				3,746,957
<i>Debt purpose levies</i>				1,213,683
Unrestricted grants and contributions:				
<i>State</i>				13,082,760
<i>Federal</i>				441,230
<i>Unrestricted investment earnings</i>				35,895
<i>Other</i>				1,250,080
Total General Revenues				<u>19,770,605</u>
Change in Net Position				<u>(2,409,886)</u>
Net Position - Beginning, as previously reported				5,082,284
Prior Period Adjustment				<u>(15,000)</u>
Net Position - Beginning, as restated				5,067,284
Net Position - Ending				<u>\$ 2,657,398</u>

The accompanying notes are an integral part of this statement.



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**CORINTH SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	General Fund	21st Century Learning Grant Fund
	<hr/>	<hr/>
<b>Assets:</b>		
<i>Cash and cash equivalents</i>	\$ 10,693,745	\$ --
<i>Cash with fiscal agents</i>	--	--
<i>Due from other governments</i>	239,658	401,416
<i>Due from other funds</i>	937,816	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 11,871,219</u>	<u>\$ 401,416</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 168,307	\$ 83,154
<i>Due to other funds</i>	--	318,262
<i>Unearned revenue</i>	--	--
Total Liabilities	<u>168,307</u>	<u>401,416</u>
 <b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Assigned:</b>		
Activity funds	80,410	--
Capital improvements	2,862,522	--
<b>Unassigned</b>	8,759,980	--
Total Fund Balances	<u>11,702,912</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 11,871,219</u>	<u>\$ 401,416</u>

The accompanying notes are an integral part of this statement.

Early Learning Collaborative Fund	Other Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 2,369,695	\$ 2,131,517	\$ 15,194,957
--	--	3,070,721	3,070,721
169,076	--	589,290	1,399,440
--	--	500	938,316
--	--	21,173	21,173
<u>\$ 169,076</u>	<u>\$ 2,369,695</u>	<u>\$ 5,813,201</u>	<u>\$ 20,624,607</u>
\$ 28,688	\$ --	\$ 33,111	\$ 313,260
140,388	--	479,666	938,316
--	--	59,432	59,432
<u>169,076</u>	<u>--</u>	<u>572,209</u>	<u>1,311,008</u>
--	--	73,005	73,005
--	--	21,173	21,173
--	--	162,547	162,547
--	2,369,695	--	2,369,695
--	--	3,876,768	3,876,768
--	--	332,790	332,790
--	--	774,709	774,709
--	--	--	80,410
--	--	--	2,862,522
--	--	--	8,759,980
<u>--</u>	<u>2,369,695</u>	<u>5,240,992</u>	<u>19,313,599</u>
<u>\$ 169,076</u>	<u>\$ 2,369,695</u>	<u>\$ 5,813,201</u>	<u>\$ 20,624,607</u>

**CORINTH SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017*

Total fund balances for governmental funds	\$ 19,313,599
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	29,924,582
Liabilities due in one year are not recognized in the funds.	(1,732,268)
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,195,000)
Payables for leases which are not due in the current period are not reported in the funds.	(1,135,843)
Payables for bond interest which are not due in the current period are not reported in the funds.	(109,905)
Payables for notes which are not due in the current period are not reported in the funds.	(2,281,924)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(161,269)
Deferred amount on refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	1,120,108
Deferred Inflows of Resources related to the escrow investments are not reported in the funds.	(312,445)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(32,332,548)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(85,918)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	7,680,659
Bond premiums are amortized in the SNP but not in the funds.	(34,430)
Net position of governmental activities	<u>\$ 2,657,398</u>

The accompanying notes are an integral part of this statement.

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**CORINTH SCHOOL DISTRICT**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017*

	General Fund	21st Century Learning Grant Fund
<b>Revenues:</b>		
Local sources	\$ 4,058,926	\$ --
State sources	12,941,611	--
Federal sources	221,759	701,423
Total Revenues	<u>17,222,296</u>	<u>701,423</u>
<b>Expenditures:</b>		
Instruction	12,397,286	659,630
Support services	5,095,840	41,793
Noninstructional services	8,185	--
Facilities acquisition and construction	16,074	--
Debt service:		
Principal	698,995	--
Interest	--	--
Other	--	--
Total Expenditures	<u>18,216,380</u>	<u>701,423</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(994,084)</u>	<u>--</u>
<b>Other Financing Sources (Uses):</b>		
Notes issued	--	--
Inception of leases	2,373,683	--
Insurance recovery	35,081	--
Payment to QSCB escrow agent	--	--
Payment to QSCB debt escrow agent	--	--
Sale of other property	1,096,538	--
Operating transfers in	79,793	--
Operating transfers out	(1,918,821)	--
Total Other Financing Sources (Uses)	<u>1,666,274</u>	<u>--</u>
Net change in fund balances	<u>672,190</u>	<u>--</u>
<b>Fund Balances:</b>		
July 1, 2016, as previously reported	11,045,722	--
Prior period adjustments	(15,000)	--
July 1, 2016, as restated	<u>11,030,722</u>	<u>--</u>
Increase (Decrease) in inventory	--	--
June 30, 2017	<u>\$ 11,702,912</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Early Learning Collaborative Fund	Other Capital Project Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 1,590,578	\$ 5,649,504
505,514	--	784,328	14,231,453
--	--	3,636,739	4,559,921
505,514	--	6,011,645	24,440,878
505,514	--	2,358,918	15,921,348
--	130,305	973,909	6,241,847
--	--	1,116,672	1,124,857
--	--	--	16,074
--	--	2,040,640	2,739,635
--	--	589,627	589,627
--	--	4,450	4,450
505,514	130,305	7,084,216	26,637,838
--	(130,305)	(1,072,571)	(2,196,960)
--	2,500,000	--	2,500,000
--	--	--	2,373,683
--	--	--	35,081
--	--	532,812	532,812
--	--	(532,812)	(532,812)
--	--	--	1,096,538
--	--	1,931,388	2,011,181
--	--	(92,360)	(2,011,181)
--	2,500,000	1,839,028	6,005,302
--	2,369,695	766,457	3,808,342
--	--	4,469,314	15,515,036
--	--	--	(15,000)
--	--	4,469,314	15,500,036
--	--	5,221	5,221
\$ --	\$ 2,369,695	\$ 5,240,992	\$ 19,313,599

**CORINTH SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017*

Net change in fund balances - total governmental funds	\$ 3,808,342
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	27,677
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,174,836)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	41,731
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	655,000
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	1,885,519
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	199,116
(Increase) decrease in accrued interest from beginning of period to end of period.	(45,995)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	5,221
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	6,465
Deferred Outflow of Resources related to refunding of debt is amortized in SOA but not in the funds.	(93,342)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,500,000)
Bond premiums are reported in the funds, capitalized and amortized in the SOA.	3,130
Inception of leases are reported as Other Financing Sources in funds but not in SOA.	(2,373,683)
The escrow investments are not reported in the funds but amortized in the SOA.	26,037
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	1,784,264
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(4,664,532)
Change in net position of governmental activities	\$ <u>(2,409,886)</u>

The accompanying notes are an integral part of this statement.



**CORINTH SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2017*

	Private-purpose Trust Funds	Agency Funds
<b>Assets:</b>		
<i>Cash and cash equivalents</i>	\$ 8,188	\$ 1,101,508
Total Assets	<u>8,188</u>	<u>\$ 1,101,508</u>
<b>Liabilities:</b>		
<i>Accounts Payable and accrued liabilities</i>	3,000	\$ 923,595
<i>Other payables</i>	--	177,913
Total Liabilities	<u>3,000</u>	<u>\$ 1,101,508</u>
<b>Net Position</b>		
Held in Trust	5,188	
Total Net Position	<u>\$ 5,188</u>	

The accompanying notes are an integral part of this statement.

**CORINTH SCHOOL DISTRICT***STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2017*

	Private-purpose Trust Funds
<b>Additions:</b>	
Interest on investments	\$ 13
Contributions and donations from private sources	2,500
Total Additions	<u>2,513</u>
<b>Deductions</b>	
Scholarship Awards	<u>1,750</u>
Total Deductions	<u>1,750</u>
<b>Change in Net Position</b>	<u>763</u>
<b>Net Position</b>	
July 1, 2016	4,425
June 30, 2017	<u>\$ 5,188</u>

The accompanying notes are an integral part of this statement.

**Corinth School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

## **Corinth School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### **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 Corinth 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, Corinth School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

#### **B. Government-wide and Fund Financial Statements**

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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 have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

21<sup>st</sup> Century Learning Grant Fund - This fund is used to account for federal revenues and expenditures of the 21<sup>st</sup> Century Program.

Early Learning Collaborative Fund - This fund is used to account for the federal revenues and expenditures of the Early Learning Collaborative between Corinth School District, Alcorn County School District, and Prentiss County School District. Corinth School District serves as the fiscal agent and lead in the collaborative.

Other Capital Project Fund - This fund is used to account for the capital projects of the district. The acquisition and construction of new capital projects revenues and expenditures are reported in this 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.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

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

**Scholarship Funds** - These funds are used to account for funds received for scholarships at the district.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

**Permanent Funds** - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

#### FIDUCIARY FUNDS

**Private-purpose Trust Funds** - Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon 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.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

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

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

#### **D. Encumbrances**

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

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

##### **1. Cash, Cash equivalents and Investments**

###### **Cash and cash equivalents**

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



## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

#### 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

Activity 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.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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:

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

#### 7. Deferred outflows/inflows of resources

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

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district have deferred inflows which are presented as deferred inflow for pension and escrow investments.

See Note 12 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

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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 6 for details.

#### 10. Pensions

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

#### 11. Fund Balances

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

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

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

*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. 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 Business Manager pursuant to authorization established by the policy adopted by the school district.

*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 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 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 district maintenance revenues. If the unassigned fund balance at fiscal year end

## **Corinth School District**

### Notes to the Financial Statements For the Year Ended June 30, 2017

falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### **Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents**

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.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$15,194,957 and \$1,109,696, respectively.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

*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, 2017, none of the district's bank balance of \$16,304,693 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,070,721.

### 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	21 <sup>st</sup> Century Learning Grant Fund	\$ 318,262
	Early Learning Collaborative Fund	140,388
	Other Governmental Funds	479,166
Other Governmental Funds	Other Governmental Funds	500
Total		<u>\$ 938,316</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

#### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 79,793
Other Governmental Funds	General Fund	1,918,821
	Other Governmental Funds	12,567
Total		<u>\$ 2,011,181</u>

# Corinth School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

The primary purpose of the inter-fund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$74,505, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets reported the cash with fiscal agents balance, totaling \$3,070,721, of the QSCB 2010 & 2012 Bond Retirement Funds.

### Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Deletions	Completed Construction	Adjustments	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,146,535					2,146,535
Construction in progress	2,987,063	16,074		(3,003,137)		0
Total non-depreciable capital assets	5,133,598	16,074	0	(3,003,137)	0	2,146,535
<u>Depreciable capital assets:</u>						
Buildings	23,554,436					23,554,436
Building improvements	8,868,486			2,064,560		10,933,046
Improvements other than buildings	1,646,836			938,577		2,585,413
Mobile equipment	2,495,321	11,603			6,286	2,513,210
Furniture and equipment	1,146,809				(6,286)	1,140,523
Total depreciable capital assets	37,711,888	11,603	0	3,003,137	0	40,726,628
<u>Less accumulated depreciation for:</u>						
Buildings	5,907,247	456,843				6,364,090
Building improvements	2,130,240	393,353				2,523,593
Improvements other than buildings	1,334,669	42,867				1,377,536
Mobile equipment	1,710,638	129,678				1,840,316
Furniture and equipment	690,951	152,095				843,046
Total accumulated depreciation	11,773,745	1,174,836	0	0	0	12,948,581
Total depreciable capital assets, net	25,938,143	(1,163,233)	0	3,003,137	0	27,778,047
Governmental activities capital assets, net	\$ 31,071,741	(1,147,159)	0	0	0	29,924,582

Adjustments were made to properly present capital assets at year end.



# Corinth School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 822,385
Support services	234,967
Non-instructional	117,484
Total depreciation expense	\$ 1,174,836

### Note 6 - Long-term liabilities

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

	Balance 7-1-2016	Additions	Deletions	Adjustments	Balance 6-30-2017	Amounts due within one year
A. General obligation bonds payable	\$ 1,725,000		540,000		1,185,000	575,000
General obligation refunding bonds payable	8,815,000		115,000		8,700,000	115,000
Premiums	40,690		3,130		37,560	3,130
B. Three mill notes payable	406,077	2,500,000	199,116		2,706,961	425,037
C. Obligations under leases	1,303,511	2,373,683	1,885,519	(41,731)	1,749,944	614,101
D. Qualified school construction bonds payable	8,000,000				8,000,000	
E. Compensated absences payable	167,734		6,465		161,269	
<b>Total</b>	<b>\$ 20,458,012</b>	<b>4,873,683</b>	<b>2,749,230</b>	<b>(41,731) *</b>	<b>22,540,734</b>	<b>1,732,268</b>

\* The school district paid off and retired two apple leases with an outstanding balance of \$1,160,113 as of June 30, 2017. The school district paid \$1,118,382 during the fiscal year. The remaining balance of \$41,731 was financed in the new lease contracts.

#### 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 2008	4.7-6.0%	11-01-08	11-01-18	\$ 7,800,000	725,000
General obligation bonds, Series 2009	4.375-5.3%	03-01-09	03-01-19	5,000,000	460,000
General obligation refunding bonds, Series 2015	2.0-2.75%	08-05-15	11-01-28	8,935,000	8,700,000
<b>Total</b>				<b>\$ 21,735,000</b>	<b>9,885,000</b>

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

1. General obligation bond issue of 2008:

Year Ending June 30		Principal	Interest	Total
2018	\$	350,000	25,156	375,156
2019		375,000	8,203	383,203
Total	\$	<u>725,000</u>	<u>33,359</u>	<u>758,359</u>

This debt will be retired from the Bond Retirement \$7.8M Fund (4032).

2. General obligation bond issue of 2009:

Year Ending June 30		Principal	Interest	Total
2018	\$	225,000	24,380	249,380
2019		235,000	12,455	247,455
Total	\$	<u>460,000</u>	<u>36,835</u>	<u>496,835</u>

This debt will be retired from the Bond Retirement \$5M Fund (4033).

3. General obligation refunding bond issue of 2015:

Year Ending June 30		Principal	Interest	Total
2018	\$	115,000	209,494	324,494
2019		120,000	207,144	327,144
2020		740,000	198,544	938,544
2021		765,000	167,944	932,944
2022		790,000	167,944	957,944
2023 - 2027		4,300,000	367,341	4,667,341
2028 - 2029		1,870,000	51,837	1,921,837
Total	\$	<u>8,700,000</u>	<u>1,370,248</u>	<u>10,070,248</u>

This debt will be retired from the Bond Retirement GO Fund (4036).

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	690,000	259,030	949,030
2019		730,000	227,802	957,802
2020		740,000	198,544	938,544
2021		765,000	167,944	932,944
2022		790,000	167,944	957,944
2023 - 2027		4,300,000	367,341	4,667,341
2028 - 2029		1,870,000	51,837	1,921,837
Total	\$	<u>9,885,000</u>	<u>1,440,442</u>	<u>11,325,442</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2016.

#### **B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax school note, Series 2007	3.94%	10-01-07	10-01-17	\$ 1,750,000	206,961
Limited tax school note, Series 2016	3.00%	02-01-17	02-01-27	<u>2,500,000</u>	<u>2,500,000</u>
				\$ <u>4,250,000</u>	<u>2,706,961</u>

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

##### 1. Limited tax school note, Series 2007

Year Ending June 30		Principal	Interest	Total
2018	\$	<u>206,961</u>	<u>8,154</u>	<u>215,115</u>

This debt will be retired from the Three Mills Notes Retirement Fund.

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

#### 2. Limited tax school note, Series 2016

Year Ending June 30		Principal	Interest	Total
2018	\$	218,076	75,000	293,076
2019		224,618	68,458	293,076
2020		231,357	61,719	293,076
2021		238,298	54,778	293,076
2022		245,447	47,629	293,076
2023 - 2027		1,342,204	123,178	1,465,382
Total	\$	<u>2,500,000</u>	<u>430,762</u>	<u>2,930,762</u>

This debt will be retired from the Three Mill Note Retirement 2017-2017 Fund (4022).

Total three mill notes for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	425,037	83,154	508,191
2019		224,618	68,458	293,076
2020		231,357	61,719	293,076
2021		238,298	54,778	293,076
2022		245,447	47,629	293,076
2023 - 2027		1,342,204	123,178	1,465,382
Total	\$	<u>2,706,961</u>	<u>438,916</u>	<u>3,145,877</u>

#### C. Obligations under leases

The school district has entered into lease agreements as lessee for financing the acquisition of 2,050 MacBook Air, 150 MacBook Air, and 740 Ipad's at a cost of \$244,575, \$2,058,687, \$265,645, and \$49,350 respectively with no down payment. These leases qualify as leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Apple lease, series 2014	0.49%	07-15-14	07-15-16	\$ 430,200	0
Apple lease, series 2014	0.49%	07-15-14	07-15-17	1,956,000	0
Apple lease, series 2015	1.10%	09-01-15	09-01-18	244,575	0
Apple lease, series 2016	0.72%	10-15-16	10-15-19	2,058,687	1,540,610
Apple lease, series 2016	0.49%	10-15-16	10-15-18	265,645	176,832
Apple lease, series 2016	2.44%	10-15-16	10-15-18	49,350	32,502
Total				<u>\$ 5,004,457</u>	<u>1,749,944</u>

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

1. Apple lease series 2014

This debt was paid off and retired from the Apple Lease Purchase 2014 Fund.

2. Apple lease series 2014

This debt was paid off and retired from the Apple Lease Purchase 2014 Fund.

3. Apple lease series 2015

This debt was paid off and retired from the Apple Lease Purchase 2015 Fund.

4. Apple lease series 2016

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	509,846	11,123	520,969
2019		513,528	7,442	520,970
2020		517,236	3,734	520,970
Total	\$	<u>1,540,610</u>	<u>22,299</u>	<u>1,562,909</u>

This debt will be retired from the 2016 Apple Lease Fund (4043).

5. Apple lease series 2016

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	88,200	866	89,066
2019		88,632	434	89,066
Total	\$	<u>176,832</u>	<u>1,300</u>	<u>178,132</u>

This debt will be retired from the MAEP Retirement Fund.

# Corinth School District

## Notes to the Financial Statements For the Year Ended June 30, 2017

### 6. Apple lease series 2016

Total capital leases payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	16,055	793	16,848
2019		16,447	401	16,848
Total	\$	<u>32,502</u>	<u>1,194</u>	<u>33,696</u>

This debt will be retired from the 2016 Apple Lease Fund (4042).

Total leases for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	614,101	12,782	626,883
2019		618,607	8,277	626,884
2020		517,236	3,734	520,970
Total	\$	<u>1,749,944</u>	<u>24,793</u>	<u>1,774,737</u>

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. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2010	1.01%	01-15-10	01-15-25	\$ 3,000,000	3,000,000
QSCB, Series 2012	4.82%	05-15-12	05-15-27	5,000,000	5,000,000
Total				<u>\$ 8,000,000</u>	<u>8,000,000</u>

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

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

#### 1. QSCB, Series 2010

Year Ending June 30		Principal	Interest	Total
2018	\$		30,300	30,300
2019			30,300	30,300
2020			30,300	30,300
2021			30,300	30,300
2022			30,300	30,300
2023 - 2025		3,000,000	90,900	3,090,900
Total	\$	<u>3,000,000</u>	<u>242,400</u>	<u>3,242,400</u>

This debt will be retired from the Bond Retirement Fund \$3M QSCB Fund.

#### 2. QSCB, Series 2012

Year Ending June 30		Principal	Interest	Total
2018	\$		241,000	241,000
2019			241,000	241,000
2020			241,000	241,000
2021			241,000	241,000
2022			241,000	241,000
2023 - 2027		5,000,000	1,205,000	6,205,000
Total	\$	<u>5,000,000</u>	<u>2,410,000</u>	<u>7,410,000</u>

This debt will be retired from the Bond Retirement Fund \$5M QSCB Fund.

Total qualified school construction bonds payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$		271,300	271,300
2019			271,300	271,300
2020			271,300	271,300
2021			271,300	271,300
2022			271,300	271,300
2023 - 2027		8,000,000	1,295,900	9,295,900
Total	\$	<u>8,000,000</u>	<u>2,652,400</u>	<u>10,652,400</u>

## Corinth School District

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### **E. Compensated absences payable**

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

## **Note 7 - Defined Benefit Pension Plan**

### **General Information about the Pension Plan**

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

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



## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015, were \$1,784,264, \$1,823,774, and \$1,718,230, 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, 2017, the school district reported a liability of \$32,332,548 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.181008 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.006386 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,664,532. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,262,983	\$
Net difference between projected and actual earnings on pension plan investments	2,674,558	
Changes in assumptions		85,918
Changes in proportion and differences between District contributions and proportionate share of contributions	1,958,854	
District contributions subsequent to the measurement date	1,784,264	
Total	<u>\$ 7,680,659</u>	<u>\$ 85,918</u>

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

\$1,784,264 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, 2018. 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:		
2016	\$	2,232,645
2017		1,686,165
2018		1,252,929
2019		638,738
Total	\$	<u>5,810,477</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 41,457,576	\$ 32,332,548	\$ 24,761,733

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

## Note 8 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Alcorn County Vocational Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Alcorn County School District and Corinth 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 provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the

## **Corinth School District**

### **Notes to the Financial Statements For the Year Ended June 30, 2017**

manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Alcorn School District has been designated as the fiscal agent for the Alcorn County Vocational Center, and the operations of the consortium are included in its financial statements.

#### **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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### **Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the member'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 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 up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

#### **Note 10 - Contingencies**

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

**Litigation** - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability

## Corinth School District

### Notes to the Financial Statements For the Year Ended June 30, 2017

resulting from these laws will not have a material adverse effect on the financial condition of the school district.

#### Note 11 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$224,371.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$3,070,721. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Series 2010	Series 2012	Total
2018	\$	200,000	333,333	533,333
2019		200,000	333,333	533,333
2020		200,000	333,333	533,333
2021		200,000	333,333	533,333
2022		200,000	333,333	533,333
2023 - 2027		600,000	1,666,665	2,266,665
Total	\$	<u>1,600,000</u>	<u>3,333,330</u>	<u>4,933,330</u>

## Corinth School District

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### Note 12 - Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$14,946,108) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$7,680,659 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The net investment in capital assets net position amount of \$10,102,724 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$1,120,108 balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and decrease the net investment in capital assets net position over the next 12 years.

The unrestricted net position amount of (\$14,946,108) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$85,918 balance of deferred inflow of resources, at June 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The net investment in capital assets net position amount of \$10,102,724 includes the effect of deferring the recognition of revenues resulting from a deferred inflow from advance refunding of school district debt. The \$312,445 balance of the deferred inflow of resources at June 30, 2017 will be recognized as a revenue and increase the net investment in capital assets net position over the next 12 years.

### Note 13 - Insurance Recovery

The Corinth School District received \$35,081 in insurance loss recoveries related to building damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

### Note 14 - Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
See explanation below.	\$ <u>(15,000)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year receivable.	\$ <u>(15,000)</u>

## **Corinth School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### **Note 15 - Prior Year Defeasance of Debt**

In prior years, the Corinth School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2017, \$7,325,000 of bonds outstanding are defeased.

### **Note 16 - Subsequent Events**

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

## REQUIRED SUPPLEMENTARY INFORMATION



# **CORINTH SCHOOL DISTRICT**

## Budgetary Comparison Schedule

### General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,629,635	4,058,924	4,058,926	(570,711)	2
State sources	12,720,946	12,941,611	12,941,611	220,665	-
Federal sources	150,500	221,759	221,759	71,259	-
Total Revenues	17,501,081	17,222,294	17,222,296	(278,787)	2
<b>Expenditures:</b>					
Instruction	10,840,185	10,023,601	12,397,286	816,584	(2,373,685)
Support services	5,330,019	5,066,251	5,095,840	263,768	(29,589)
Noninstructional services	6,735	8,185	8,185	(1,450)	-
Facilities acquisition and construction	284,304	45,661	16,074	238,643	29,587
Debt Service:					
Principal	698,984	698,994	698,995	(10)	(1)
Total Expenditures	17,160,227	15,842,692	18,216,380	1,317,535	(2,373,688)
Excess (Deficiency) of Revenues Over (Under) Expenditures	340,854	1,379,602	(994,084)	1,038,748	(2,373,686)
<b>Other Financing Sources (Uses):</b>					
Inception of leases	-	-	2,373,683	-	2,373,683
Insurance recovery	100	35,081	35,081	34,981	-
Sale of transportation equipment	100	-	-	(100)	-
Sale of other property	101	1,096,538	1,096,538	1,096,437	-
Transfers In	714,692	378,635	79,793	(336,057)	(298,842)
Transfers Out	(1,249,719)	(2,217,663)	(1,918,821)	(967,944)	298,842
Total Other Financing Sources (Uses)	(534,726)	(707,409)	1,666,274	(172,683)	2,373,683
Net Change in Fund Balances	(193,872)	672,193	672,190	866,065	(3)
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	11,045,721	11,045,721	11,045,722	-	1
Prior period adjustment	(100)	(15,003)	(15,000)	(14,903)	3
July 1, 2016, as restated	11,045,621	11,030,718	11,030,722	(14,903)	4
June 30, 2017	\$ 10,851,749	11,702,911	11,702,912	851,162	1

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

**CORINTH SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 21st Century Learning Grant Fund  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 799,889	1,274,832	701,423	474,943	(573,409)
Total Revenues	<u>799,889</u>	<u>1,274,832</u>	<u>701,423</u>	<u>474,943</u>	<u>(573,409)</u>
<b>Expenditures:</b>					
Instruction	510,182	733,158	659,630	(222,976)	73,528
Support services	2,280	41,792	41,793	(39,512)	(1)
Total Expenditures	<u>512,462</u>	<u>774,950</u>	<u>701,423</u>	<u>(262,488)</u>	<u>73,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>287,427</u>	<u>499,882</u>	<u>-</u>	<u>212,455</u>	<u>(499,882)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(30,521)	-	-	30,521	-
Total Other Financing Sources (Uses)	<u>(30,521)</u>	<u>-</u>	<u>-</u>	<u>30,521</u>	<u>-</u>
Net Change in Fund Balances	<u>256,906</u>	<u>499,882</u>	<u>-</u>	<u>242,976</u>	<u>(499,882)</u>
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	<u>\$ 256,906</u>	<u>499,882</u>	<u>-</u>	<u>242,976</u>	<u>(499,882)</u>

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

**CORINTH SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 Early Learning Collaborative Fund  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 856,954	519,225	505,514	(337,729)	(13,711)
Total Revenues	<u>856,954</u>	<u>519,225</u>	<u>505,514</u>	<u>(337,729)</u>	<u>(13,711)</u>
<b>Expenditures:</b>					
Instruction	<u>729,144</u>	<u>519,304</u>	<u>505,514</u>	<u>209,840</u>	<u>13,790</u>
Total Expenditures	<u>729,144</u>	<u>519,304</u>	<u>505,514</u>	<u>209,840</u>	<u>13,790</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>127,810</u>	<u>(79)</u>	<u>-</u>	<u>(127,889)</u>	<u>79</u>
Net Change in Fund Balances	<u>127,810</u>	<u>(79)</u>	<u>-</u>	<u>(127,889)</u>	<u>79</u>
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	<u>\$ 127,810</u>	<u>(79)</u>	<u>-</u>	<u>(127,889)</u>	<u>79</u>

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

**Corinth School District**

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

## PERS

## Last 10 Fiscal Years\*

	2017	2016	2015
District's proportion of the net pension liability (asset) \$	32,332,548	26,993,118	20,140,742
District's proportionate share of the net pension liability (asset)	0.181008%	0.174622%	0.165929%
District's covered payroll	11,579,517	10,909,397	10,139,098
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	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 FY 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.

**Corinth School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years\*

	2017	2016	2015
Contractually required contribution	\$ 1,784,264	1,823,774	1,718,230
Contributions in relation to the contractually required contribution	1,784,264	1,823,774	1,718,230
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	11,328,660	11,579,517	10,909,397
Contributions as a percentage of covered payroll	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.

## Corinth School District

### Notes to the Required Supplementary Information For the Year Ended June 30, 2017

#### 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 in benefit provisions

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.

(2) 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%.

## SUPPLEMENTARY INFORMATION

**Corinth School District**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 269,660
National School Lunch Program	10.555	868,357
Summer Food Service Program for Children	10.559	17,674
Total Child Nutrition Cluster		<u>1,155,691</u>
Child and Adult Care Food Program	10.558	2,886
Total passed-through Mississippi Department of Education		<u>1,158,577</u>
<b>Total U. S. Department of Agriculture</b>		<u><u>1,158,577</u></u>
<b><u>U. S. DEPARTMENT OF INTERIOR</u></b>		
Direct Program:		
National Park Service Conservation, Protection, Outreach, and Education	15.954	4,900
<b>Total U. S. Department of Interior</b>		<u><u>4,900</u></u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>		
Direct Program:		
Impact aid	84.041	10,545
Elementary and Secondary School Counseling Programs	84.215E	237,618
Innovative Approaches to Literacy Program	84.215G	87,454
Total Direct Program		<u>335,617</u>
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,046,599
Career and Technical Education - Basic Grants to States	84.048	23,822
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	561
Education of Homeless Children and Youth	84.196	37,488
Twenty-first Century Community Learning Centers	84.287	701,423
Rural Education	84.358	53,558
English Language Acquisition State Grants	84.365	13,937
Supporting Effective Instruction State Grants	84.367	214,354
Subtotal		<u>2,091,742</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	520,726
Special Education - Preschool Grants	84.173	17,875
Total Special Education Cluster		<u>538,601</u>
Total passed-through the Mississippi Department of Education		<u>2,630,343</u>
<b>Total U. S. Department of Education</b>		<u><u>2,965,960</u></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed-through Mississippi Department of Education		
Medical Assistance Program	93.778	23,873
Total passed-through the Mississippi Department of Education		<u>23,873</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><u>23,873</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 4,153,310</u></u>

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



**Corinth School District**

## Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 16,348,606	12,993,467	840,648	998,802	1,515,689
Other	10,289,232	2,122,849	176,295	10,612	7,979,476
Total	\$ <u>26,637,838</u>	<u>15,116,316</u>	<u>1,016,943</u>	<u>1,009,414</u>	<u>9,495,165</u>
Total number of students *	<u>2,646</u>				
Cost per student	\$ <u>10,067</u>	<u>5,713</u>	<u>384</u>	<u>381</u>	<u>3,589</u>

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

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

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

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

Other - includes all expenditures 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

## Corinth School District

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

#### 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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net 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

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$90,874 are included in the National School Lunch Program.

(5) Subrecipients

Twenty-First Century Community Learning Centers

Of the federal expenditures presented in the schedule, the school district provided federal awards totaling \$263,452 to subrecipients during the year ended June 30, 2017.

## OTHER INFORMATION

**CORINTH SCHOOL DISTRICT****"UNAUDITED"**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## General Fund

## Last Four Years

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 4,058,926	4,024,039	3,776,567	3,620,934
State sources	12,941,611	12,890,431	12,297,296	11,118,875
Federal sources	221,759	189,548	256,380	180,435
Total Revenues	<u>17,222,296</u>	<u>17,104,018</u>	<u>16,330,243</u>	<u>14,920,244</u>
<b>Expenditures:</b>				
Instruction	12,397,286	10,167,830	11,945,740	8,984,161
Support services	5,095,840	5,453,357	5,040,874	4,559,936
Noninstructional services	8,185	4,298	6,551	5,763
Facilities acquisition and construction	16,074	2,195,260	685,299	412,407
Debt service:				
Principal	698,995		636,844	
Total Expenditures	<u>18,216,380</u>	<u>17,820,745</u>	<u>18,315,308</u>	<u>13,962,267</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(994,084)</u>	<u>(716,727)</u>	<u>(1,985,065)</u>	<u>957,977</u>
<b>Other Financing Sources (Uses):</b>				
Inception of leases	2,373,683	244,575	2,386,200	
Insurance recovery	35,081		1,907	
Sale of other property	1,096,538		10	
Operating transfers in	79,793	120,021	675,283	
Operating transfers out	<u>(1,918,821)</u>	<u>(1,380,808)</u>	<u>(1,164,520)</u>	<u>(484,894)</u>
Total Other Financing Sources (Uses)	<u>1,666,274</u>	<u>(1,016,212)</u>	<u>1,898,880</u>	<u>(484,894)</u>
Net Change in Fund Balances	<u>672,190</u>	<u>(1,732,939)</u>	<u>(86,185)</u>	<u>473,083</u>
<b>Fund Balances:</b>				
July 1, as previously reported	11,045,722	12,793,661	12,863,229	12,390,146
Prior period adjustment	<u>(15,000)</u>	<u>(15,000)</u>	<u>16,617</u>	
July 1, as restated	<u>11,030,722</u>	<u>12,778,661</u>	<u>12,879,846</u>	<u>12,390,146</u>
June 30,	\$ <u><u>11,702,912</u></u>	\$ <u><u>11,045,722</u></u>	\$ <u><u>12,793,661</u></u>	\$ <u><u>12,863,229</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CORINTH SCHOOL DISTRICT**

"UNAUDITED"

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

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 5,649,504	5,509,801	5,286,685	5,116,950
State sources	14,231,453	14,543,031	13,479,077	11,606,833
Federal sources	4,559,921	3,961,432	4,398,153	4,876,620
Total Revenues	<u>24,440,878</u>	<u>24,014,264</u>	<u>23,163,915</u>	<u>21,600,403</u>
<b>Expenditures:</b>				
Instruction	15,921,348	13,327,498	15,311,763	12,104,756
Support services	6,241,847	6,512,779	5,957,775	5,572,746
Noninstructional services	1,124,857	1,095,153	1,082,076	1,061,492
Facilities acquisition and construction	16,074	2,195,260	685,299	3,631,304
Debt service:				
Principal	2,739,635	1,526,988	1,346,150	662,320
Interest	589,627	612,278	786,815	822,357
Other	4,450	240,172	4,450	10,368
Total Expenditures	<u>26,637,838</u>	<u>25,510,128</u>	<u>25,174,328</u>	<u>23,865,343</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,196,960)</u>	<u>(1,495,864)</u>	<u>(2,010,413)</u>	<u>(2,264,940)</u>
<b>Other Financing Sources (Uses):</b>				
Notes issued	2,500,000			
Inception of leases	2,373,683	244,575	2,386,200	
Refunding bonds issued		8,935,000		
Premium on bonds and refunding debt issued		40,690		
Payment to refunded bond escrow agent		(8,739,968)		
Insurance recovery	35,081		1,907	
Sale of other property	1,096,538		10	
Payment to QSCB escrow agent	532,812	533,298	533,306	
Payment to QSCB debt escrow agent	(532,812)	(533,298)	(533,306)	
Operating transfers in	2,011,181	1,516,117	1,377,803	484,894
Operating transfers out	(2,011,181)	(1,516,117)	(1,377,803)	(484,894)
Total Other Financing Sources (Uses)	<u>6,005,302</u>	<u>480,297</u>	<u>2,388,117</u>	<u>0</u>
Net Change in Fund Balances	<u>3,808,342</u>	<u>(1,015,567)</u>	<u>377,704</u>	<u>(2,264,940)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	15,515,036	16,569,414	16,189,050	18,448,154
Prior period adjustment	(15,000)	(30,645)	5,984	5,836
July 1, as restated	<u>15,500,036</u>	<u>16,538,769</u>	<u>16,195,034</u>	<u>18,453,990</u>
Increase (Decrease) in inventory	5,221	(8,166)	(3,324)	
June 30,	<u>\$ 19,313,599</u>	<u>15,515,036</u>	<u>16,569,414</u>	<u>16,189,050</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Corinth 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 Corinth School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corinth School District's basic financial statements, and have issued our report thereon dated November 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
November 29, 2017

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 UNIFORM GUIDANCE

Superintendent and School Board  
Corinth School District

**Report on Compliance for Each Major Federal Program**

We have audited Corinth School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corinth School District's major federal programs for the year ended June 30, 2017. The Corinth School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Corinth School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 Corinth School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Corinth 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 Corinth 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
November 29, 2017

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  
Corinth School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Corinth School District as of and for the year ended June 30, 2017, which collectively comprise Corinth School District's basic financial statements and have issued our report thereon dated November 29, 2017. 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 did not disclose any instances of noncompliance with other state laws and regulations.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 29, 2017

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Corinth School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-first Century Community Learning Centers

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

#### Section II: Financial Statement Findings

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

#### Section III: Federal Award Findings and Questioned Costs

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