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**FOREST MUNICIPAL SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOREST MUNICIPAL SCHOOL DISTRICT  
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**INDEPENDENT AUDITORS' REPORT**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT**

Superintendent and School Board  
Forest Municipal School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Forest Municipal School District's basic financial statements as listed in the 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.

***Auditors' 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 auditors' 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 auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District, as of June 30, 2015, 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 5-14, 43-45, 46 and 47, 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 Forest Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 March 10, 2016 on our consideration of the Forest Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forest Municipal School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 10, 2016

*Watkins Ward and Stafford, PLLC*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

The following discussion and analysis of Forest Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$13,839,681, including a prior period adjustment of \$(14,459,031), which represents a 211.7% decrease from fiscal year 2014. Total net position for 2014 decreased \$263,773, including a prior period adjustment of \$46,258, which represents a 3.9% decrease from fiscal year 2013.
- General revenues amounted to \$11,132,912 and \$9,873,542, or 80.1% and 78.2% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,771,625, or 19.9% of total revenues for 2015, and \$2,755,789, or 21.8% of total revenues for 2014.
- The District had \$13,285,187 and \$12,939,362 in expenses for fiscal years 2015 and 2014; only \$2,771,625 for 2015 and \$2,755,789 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,132,912 for 2015 were adequate to provide for these programs. General revenues of \$9,873,542 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$10,901,481 in revenues and \$10,434,278 in expenditures for 2015, and \$9,629,693 in revenues and \$10,266,602 in expenditures in 2014. The General Fund's fund balance increased by \$518,704, which includes a fund reclassification of 196,190, from 2014 to 2015, and decreased by \$395,062 from 2013 to 2014, including a prior period adjustment of \$27,793.
- Capital assets, net of accumulated depreciation, increased by \$2,200,401 for 2015 and increased by \$60,100 for 2014. The increase for 2015 was due to the following: additions of \$2,503,987, deletions of \$5,138 and the increase in accumulated depreciation of \$298,448.
- Long-term debt decreased by \$430,268 for 2015 and increased by \$2,902,903 for 2014. This decrease for 2015 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences decreased by \$30,863 for 2015 and increased by \$16,081 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

The Statement of Net Position presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two 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, sixteenth section and interest on long-term liabilities.

### **Fund Financial Statements**

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

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

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

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

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

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules 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. Additionally, the schedule of the district's proportionate share of the net pension liability and the schedule of the district's contributions are presented in this section.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 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.

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,302,301 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1  
Condensed Statement of Net Position**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Current assets	\$ 4,714,209	\$ 6,061,890	-22.23 %
Restricted assets	261,450	260,260	0.46 %
Capital assets, net	7,889,550	5,689,149	38.68 %
<b>Total assets</b>	<b>12,865,209</b>	<b>12,011,299</b>	<b>7.11 %</b>
<b>Deferred outflows of resources</b>	<b>1,327,327</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	1,328,944	374,184	255.16 %
Net Pension Liability	13,351,986	-	N/A %
Long-term debt outstanding	4,669,467	5,099,735	-8.44 %
<b>Total liabilities</b>	<b>19,350,397</b>	<b>5,473,919</b>	<b>253.50 %</b>
<b>Deferred inflows of resources</b>	<b>2,144,440</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	3,310,327	3,489,758	-5.14 %
Restricted	1,371,749	1,007,730	36.12 %
Unrestricted	(11,984,377)	2,039,892	-687.50 %
<b>Total net position (deficit)</b>	<b>\$ (7,302,301)</b>	<b>\$ 6,537,380</b>	<b>-211.70 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(11,984,377)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	14,169,099
Unrestricted net position, exclusive of the net pension liability effect	<u>\$2,184,722</u>

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

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

- Increase in net capital assets in the amount of \$2,200,401.
- The principal retirement of \$399,405 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$13,904,537 and \$12,629,331, respectively. The total cost of all programs and services was \$13,285,187 for 2015 and \$12,939,362 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 204,054	\$ 223,762	(8.81) %
Operating grants and contributions	2,567,571	2,532,027	1.40 %
General revenues:			
Property taxes	4,333,615	3,835,161	13.00 %
Grants and contributions not restricted	6,607,378	5,896,326	12.06 %
Investment earnings	18,309	16,609	10.24 %
Sixteenth section sources	144,138	104,752	37.60 %
Other	29,472	20,694	42.42 %
Total revenues	<u>13,904,537</u>	<u>12,629,331</u>	10.10 %
<b>Expenses:</b>			
Instruction	6,512,142	6,946,989	(6.26) %
Support services	4,779,430	4,964,898	(3.74) %
Non-instructional	987,828	949,879	4.00 %
Sixteenth section	45,657	16,295	180.19 %
Pension Expense	829,108	-	N/A %
Interest on long-term liabilities	131,022	61,301	113.74 %
Total expenses	<u>13,285,187</u>	<u>12,939,362</u>	2.67 %
Increase (Decrease) in net position	<u>619,350</u>	<u>(310,031)</u>	299.77 %
Net Position, July 1, as previously reported	6,537,380	6,801,153	(3.88) %
Prior Period Adjustment	(14,459,031)	46,258	(31,357) %
Net Position, July 1, as restated	<u>(7,921,651)</u>	<u>6,847,411</u>	(215.69) %
Net Position (Deficit), June 30	<u>\$ (7,302,301)</u>	<u>\$ 6,537,380</u>	(211.70) %

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

**Governmental activities**

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 6,512,142	\$ 6,946,989	(6.26) %
Support services	4,779,430	4,964,898	(3.74) %
Non-instructional	987,828	949,879	4.00 %
Sixteenth section	45,657	16,295	180.19 %
Pension Expense	829,108	-	N/A %
Interest on long-term liabilities	131,022	61,301	113.74 %
<b>Total expenses</b>	<b>\$ 13,285,187</b>	<b>\$ 12,939,362</b>	<b>2.67 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ (5,517,921)	\$ (5,996,645)	(7.98) %
Support services	(4,043,522)	(4,190,446)	(3.51) %
Non-instructional	45,717	81,114	(43.64) %
Sixteenth section	(37,706)	(16,295)	131.40 %
Pension Expense	(829,108)	-	N/A %
Interest on long-term liabilities	(131,022)	(61,301)	113.74 %
<b>Total net (expense) revenue</b>	<b>\$ (10,513,562)</b>	<b>\$ (10,183,573)</b>	<b>3.24 %</b>

- Net cost of governmental activities (\$10,513,562 for 2015 and \$10,183,573 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,333,615 for 2015 and \$3,835,161 for 2014) and state and federal revenues (\$6,607,378 for 2015 and \$5,896,326 for 2014). In addition, there was \$144,138 and \$104,752 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$18,309 for 2015 and \$16,609 for 2014.

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,693,844, a decrease of \$2,295,832 which includes a decrease in inventory of \$4,730. \$2,050,737 or 56% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,643,107 or 44% is non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$518,704, which includes a fund reclassification of 196,190. The fund balance of Other Governmental Funds showed a decrease in the amount of \$315,497, which includes a fund reclassification of \$(196,190). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition           \$	(42,311)
Vocational Maintenance	(883)
Local Capital Projects	(2,455,845)

**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 major special revenue funds is provided in this report as required supplementary information.

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$13,849,773 including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,498,849 from 2014. Total accumulated depreciation as of June 30, 2015, was \$5,960,223 and total depreciation expense for the year was \$303,535 resulting in total net capital assets of \$7,889,550.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 15,485	\$ 15,485	0.00 %
Construction in Progress	2,324,333	245,750	845.81 %
Buildings	3,404,796	3,492,145	(2.50) %
Building improvements	1,311,252	1,134,460	15.58 %
Improvements other than buildings	93,917	100,164	(6.24) %
Mobile equipment	568,727	579,417	(1.84) %
Furniture and equipment	171,040	121,728	40.51 %
<b>Total</b>	<b>\$ 7,889,550</b>	<b>\$ 5,689,149</b>	<b>38.68 %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$4,669,467 in outstanding long-term debt, of which \$398,190 is due within one year. The liability for compensated absences decreased \$30,863 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 2,800,000	\$ 2,950,000	(5.08) %
Three mill notes payable	1,530,000	1,700,000	(10.00) %
Obligations under energy efficiency leases	249,223	328,628	(24.16) %
Compensated absences payable	90,244	121,107	(25.48) %
<b>Total</b>	<b>\$ 4,669,467</b>	<b>\$ 5,099,735</b>	<b>(8.44) %</b>

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

**FOREST MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For The Year Ended June, 30 2015**

**CURRENT ISSUES**

Forest Municipal School District is financially stable. The district is proud of its community support of the public schools. The district has committed itself to financial excellence. The district plans to continue its sound financial management to meet the challenges of the future.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Forest Municipal School District, 325 Cleveland Street, Forest, Mississippi.

**FINANCIAL STATEMENTS**

**Forest Municipal School District  
Statement of Net Position  
June 30, 2015**

**Exhibit A**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,650,388
Cash with fiscal agents	781,785
Due from other governments	267,475
Other receivables, net	2,571
Inventories	11,990
Restricted assets	261,450
Capital assets, non-depreciable:	
Land	15,485
Construction in progress	2,324,333
Capital assets, net of accumulated depreciation:	
Buildings	3,404,796
Building improvements	1,311,252
Improvements other than buildings	93,917
Mobile equipment	568,727
Furniture and equipment	171,040
Total Assets	<u>12,865,209</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,327,327
Total Deferred Outflows of Resources	<u>1,327,327</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,281,298
Unearned revenue	517
Interest payable on long-term liabilities	47,129
Long-term liabilities, due within one year:	
Capital related liabilities	398,190
Non-capital related liabilities	-
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,181,033
Non-capital related liabilities	90,244
Net pension liability	13,351,986
Total Liabilities	<u>19,350,397</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,144,440
Total Deferred Inflows of Resources	<u>2,144,440</u>
<b>Net Position</b>	
Net investment in capital assets	3,310,327
Restricted for:	
Expendable:	
School-based activities	548,612
Debt service	171,277
Capital improvements	323,392
Forestry improvements	40,364
Unemployment benefits	26,654
Non-expendable:	
Sixteenth section	261,450
Unrestricted	(11,984,377)
Total Net Position (Deficit)	<u>\$ (7,302,301)</u>

The accompanying notes to financial statements are an integral part of these statements.

**Forest Municipal School District  
Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 6,512,142	\$ 94,829	\$ 899,392	\$ -		\$ (5,517,921)
Support services	4,779,430	1,555	734,353	-		(4,043,522)
Non-instructional	987,828	99,719	933,826	-		45,717
Sixteenth section	45,657	7,951	-	-		(37,706)
Pension expense	829,108	-	-	-		(829,108)
Interest on long-term liabilities	131,022	-	-	-		(131,022)
<b>Total Governmental Activities</b>	<b>\$ 13,285,187</b>	<b>\$ 204,054</b>	<b>\$ 2,567,571</b>	<b>\$ -</b>		<b>\$ (10,513,562)</b>

**General Revenues:**

**Taxes:**

General purpose levies 4,161,997

Debt purpose levies 171,618

**Unrestricted grants and contributions:**

State 6,567,007

Federal 40,371

Unrestricted investment earnings 18,309

Sixteenth section sources 144,138

Other 29,472

**Total General Revenues 11,132,912**

Change in Net Position 619,350

Net Position - Beginning, as previously reported 6,537,380

Prior Period Adjustments (14,459,031)

Net Position - Beginning (7,921,651)

Net Position - Ending \$ (7,302,301)

The accompanying notes to financial statements are an integral part of these statements.

Forest Municipal School District  
 Governmental Funds  
 Balance Sheet  
 June 30, 2015

Exhibit C

	Major Fund						Total Governmental Funds
	General Fund	Child Nutrition Fund	Vocational Maintenance Fund	Local Capital Projects Fund	Other Governmental Funds		
<b>Assets</b>							
Cash and cash equivalents	\$ 1,772,066	\$ 563,134	\$ 244,297	\$ 648,627	\$ 683,713	\$ 3,911,837	
Cash with fiscal agents	-	-	-	781,785	-	781,785	
Due from other governments	114,751	164	3,503	-	149,058	267,476	
Other receivables, net	1,424	-	-	-	-	1,424	
Due from other funds	532,131	-	-	-	-	532,131	
Inventories	-	11,990	-	-	-	11,990	
<b>Total Assets</b>	<b>\$ 2,420,372</b>	<b>\$ 575,288</b>	<b>\$ 247,800</b>	<b>\$ 1,430,412</b>	<b>\$ 832,771</b>	<b>\$ 5,506,643</b>	
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 145,406	\$ 157,686	\$ 244,297	\$ 717,306	\$ 16,603	\$ 1,281,298	
Due to other funds	-	-	-	389,714	141,270	530,984	
Unearned revenue	-	-	-	-	517	517	
<b>Total Liabilities</b>	<b>\$ 145,406</b>	<b>\$ 157,686</b>	<b>\$ 244,297</b>	<b>\$ 1,107,020</b>	<b>\$ 158,390</b>	<b>\$ 1,812,799</b>	
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	11,990	-	-	-	11,990	
Permanent fund principal	-	-	-	-	261,450	261,450	
Ad Valorem escrow	175,287	-	-	-	-	175,287	
<b>Restricted:</b>							
Debt service	-	-	-	-	218,406	218,406	
Capital projects	-	-	-	323,392	-	323,392	
Forestry improvement purposes	-	-	-	-	40,364	40,364	
Grant activities	-	205,612	-	-	127,507	333,119	
Unemployment benefits	-	-	-	-	26,654	26,654	
<b>Committed:</b>							
Capital improvements	-	200,000	-	-	-	200,000	
<b>Assigned:</b>							
Vocational	-	-	3,503	-	-	3,503	
Student activity	48,942	-	-	-	-	48,942	
<b>Unassigned</b>							
	2,050,737	-	-	-	-	2,050,737	
<b>Total Fund Balances</b>	<b>2,274,966</b>	<b>417,602</b>	<b>3,503</b>	<b>323,392</b>	<b>674,381</b>	<b>3,693,844</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,420,372</b>	<b>\$ 575,288</b>	<b>\$ 247,800</b>	<b>\$ 1,430,412</b>	<b>\$ 832,771</b>	<b>\$ 5,506,643</b>	

The accompanying notes to financial statements are an integral part of these statements.

**Forest Municipal School District  
Governmental Funds**

**Exhibit C-1**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Total fund balances for governmental funds** \$ 3,693,844

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

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

Land	\$ 15,485	
Construction in progress	2,324,333	
Buildings	7,276,331	
Building improvements	1,831,208	
Improvements other than buildings	156,182	
Mobile equipment	1,715,518	
Furniture and equipment	530,716	
Accumulated depreciation	<u>(5,960,223)</u>	7,889,550

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

Net pension liability	(13,351,986)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	1,327,327	
Deferred inflows of resources related to pensions	<u>(2,144,440)</u>	(14,169,099)

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

Three mill notes payable	(1,530,000)	
Certificates of participation	(2,800,000)	
Obligations under energy efficiency lease	(249,223)	
Compensated absences	(90,244)	
Accrued interest payable	<u>(47,129)</u>	(4,716,596)

**Net position of governmental activities** \$ (7,302,301)

The accompanying notes to financial statements are an integral part of these statements.

Forest Municipal School District  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For The Year Ended June 30, 2015

Exhibit D

	Major Fund					Total Governmental Funds
	General Fund	Child Nutrition Fund	Vocational Maintenance Fund	Local Capital Projects Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 4,056,604	\$ 101,898	\$ 224,144	\$ 571	\$ 191,562	\$ 4,574,779
State sources	6,651,071	11,564	-	-	93,610	6,756,245
Federal sources	40,371	1,106,784	-	-	1,271,549	2,418,704
Sixteenth section sources	153,435	-	-	-	1,373	154,808
<b>Total Revenues</b>	<b>10,901,481</b>	<b>1,220,246</b>	<b>224,144</b>	<b>571</b>	<b>1,558,094</b>	<b>13,904,536</b>
<b>Expenditures:</b>						
Instruction	6,070,160	-	244,297	-	778,632	7,093,089
Support services	4,224,564	224,456	-	121,867	599,728	5,170,615
Noninstructional services	3,198	1,033,371	-	-	5,694	1,042,263
Sixteenth section	45,608	-	-	-	49	45,657
Facilities acquisition and construction	-	-	-	2,319,006	-	2,319,006
Debt service:						
Principal	79,405	-	-	-	320,000	399,405
Interest	11,343	-	-	-	112,760	124,103
Other	-	-	-	-	1,500	1,500
<b>Total Expenditures</b>	<b>10,434,278</b>	<b>1,257,827</b>	<b>244,297</b>	<b>2,440,873</b>	<b>1,818,363</b>	<b>16,195,638</b>
Excess (Deficiency) of Revenues over (under) Expenditures	467,203	(37,581)	(20,153)	(2,440,302)	(260,269)	(2,291,102)
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	107,024	-	19,270	-	232,443	358,737
Operating transfers out	(251,713)	-	-	(15,543)	(91,481)	(358,737)
<b>Total Other Financing Sources (Uses)</b>	<b>(144,689)</b>	<b>-</b>	<b>19,270</b>	<b>(15,543)</b>	<b>140,962</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>322,514</b>	<b>(37,581)</b>	<b>(883)</b>	<b>(2,455,845)</b>	<b>(119,307)</b>	<b>(2,291,102)</b>
<b>Fund Balances:</b>						
July 1, 2014, as previously reported	1,756,262	459,913	4,386	2,779,237	989,878	5,989,676
Fund reclassification	196,190	-	-	-	(196,190)	-
July 1, 2014	1,952,452	459,913	4,386	2,779,237	793,688	5,989,676
Increase (Decrease) in reserve for inventory	-	(4,730)	-	-	-	(4,730)
<b>June 30, 2015</b>	<b>\$ 2,274,966</b>	<b>\$ 417,602</b>	<b>\$ 3,503</b>	<b>\$ 323,392</b>	<b>674,381</b>	<b>\$ 3,693,844</b>

The accompanying notes to financial statements are an integral part of these statements.

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (2,291,102)

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

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

Capital outlay	\$ 2,503,987	
Depreciation expense	<u>(303,535)</u>	2,200,452

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (51)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	399,405	
Accrued interest payable	<u>(5,419)</u>	393,986

4. The implementation of GASB 68 creates a change in the amount of pension expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Pension contributions for the FYE 6/30/15 are reported as a deferred outflow	1,119,040	
Pension expense calculated during the implementation of GASB 68	<u>(829,108)</u>	289,932

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

Change in compensated absences	30,863	
Change in inventory reserve	<u>(4,730)</u>	26,133

Change in net position of governmental activities \$ 619,350

The accompanying notes to financial statements are an integral part of these statements.

**Forest Municipal School District  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
6/30/2015**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 617,520
Total Assets	<u>\$ 617,520</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 586,351
Due to other funds	1,147
Due to student clubs	30,022
Total Liabilities	<u>\$ 617,520</u>

The accompanying notes to financial statements are an integral part of these statements.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

**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. 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.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Child Nutrition Fund - This is the school district's fund that accounts for resources received to operate and maintain the school's child nutrition program.

Vocational Maintenance - This is a special revenue fund that accounts for the revenues and related expenditures supporting the vocational education of students in the district who attend a joint vocational complex.

Local Capital Projects Fund - This is a capital projects fund used to account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

Student Club Account Funds - These funds are fiduciary funds that account for the assets and liabilities associated with student club activities.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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**

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

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

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

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

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

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

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

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

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

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

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

**D. Encumbrances**

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

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

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

Cash and cash equivalents

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

Investments

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

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 16 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 16 for further details.

8. Compensated Absences

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

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

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

*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 business manager pursuant to authorization established by school board policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**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 and investments 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 \$ 3,911,837 and \$617,520, respectively.

*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. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$781,785.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Capital Projects Fund	\$ 389,714
	Other Governmental Funds	141,270
	Agency Fund	<u>1,147</u>
Total		<u>\$ 532,131</u>

The Interfund balances primarily represent loans created by negative individual fund cash in a pooled bank account caused by the time lag between expending federal funds and receiving reimbursement for those expenditures

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Vo-Tech Maintenance	\$ 19,270
	Other Governmental	232,443
Local Capital Projects Fund	General Fund	15,543
Other Governmental	General Fund	<u>91,481</u>
Total		<u>\$ 358,737</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$261,450 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.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	*Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 15,485	\$ -	\$ -	\$ -	15,485
Construction-in-progress	245,750	2,319,006	-	(240,423)	2,324,333
<b>Total non-depreciable capital assets</b>	<b>261,235</b>	<b>2,319,006</b>	<b>-</b>	<b>(240,423)</b>	<b>2,339,818</b>
<u>Depreciable capital assets:</u>					
Buildings	7,276,331	-	-	-	7,276,331
Building improvements	1,590,785	-	-	240,423	1,831,208
Improvements other than buildings	156,182	-	-	-	156,182
Mobile equipment	1,631,018	84,500	-	-	1,715,518
Furniture and equipment	435,373	100,481	5,138	-	530,716
<b>Total depreciable capital assets</b>	<b>11,089,689</b>	<b>184,981</b>	<b>5,138</b>	<b>240,423</b>	<b>11,509,955</b>
<u>Less accumulated depreciation for:</u>					
Buildings	3,784,186	87,349	-	-	3,871,535
Building improvements	456,325	63,631	-	-	519,956
Improvements other than buildings	56,018	6,247	-	-	62,265
Mobile equipment	1,051,601	95,190	-	-	1,146,791
Furniture and equipment	313,645	51,118	5,087	-	359,676
<b>Total accumulated depreciation</b>	<b>5,661,775</b>	<b>303,535</b>	<b>5,087</b>	<b>-</b>	<b>5,960,223</b>
<b>Total depreciable capital assets, net</b>	<b>5,427,914</b>	<b>(118,554)</b>	<b>51</b>	<b>240,423</b>	<b>5,549,732</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,689,149</b>	<b>\$ 2,200,452</b>	<b>\$ 51</b>	<b>\$ -</b>	<b>7,889,550</b>

\* Adjustments represent construction completed during the fiscal year and reclassified to a depreciable reporting category.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 133,633
Support services	117,262
Non-instructional	52,640
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 303,535</b>

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
<b>Governmental Activities:</b>		
FES Cafeteria Renovation	\$ 2,324,333	\$ 303,413

Construction projects included in governmental activities are funded with proceeds from certificates of participation payable (See Note 6 and Note 13 for details of these trust certificates).

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Certificates of participation payable	\$ 2,950,000	\$ -	\$ 150,000	\$ 2,800,000	\$ 155,000
B. Three mill notes payable	1,700,000	-	170,000	1,530,000	153,000
C. Obligations under energy efficiency leases	328,628	-	79,405	249,223	90,190
D. Compensated absences payable	121,107	-	30,863	90,244	-
<b>Total</b>	<b>\$ 5,099,735</b>	<b>\$ -</b>	<b>\$ 430,268</b>	<b>\$ 4,669,467</b>	<b>\$ 398,190</b>

**A. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2014	2.64%	5/1/2014	5/1/2028	\$ 2,950,000	\$ 2,800,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 155,000	\$ 73,920	\$ 228,920
2017	160,000	69,828	229,828
2018	170,000	65,604	235,604
2019	175,000	61,116	236,116
2020	185,000	56,496	241,496
2021 - 2025	1,115,000	204,996	1,319,996
2026 - 2030	840,000	43,164	883,164
<b>Total</b>	<b>\$ 2,800,000</b>	<b>\$ 575,124</b>	<b>\$ 3,375,124</b>

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

The certificates of participation payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF") created under Section 37-61-33 Mississippi Code Ann. (1972). The amount of the annual pledge is \$57,452, which is 100% of such expected revenues. The pledge will begin July 1, 2023 and remain in effect until June 30, 2028. Such EEF funds are currently pledged to the Districts \$1,530,000 Three Mil Note Payable, Series 2013 through June 30, 2023.

**FOREST MUNICIPAL SCHOOL DISTRICT  
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**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2013	2.14%	8/15/2013	8/15/2023	\$ <u>1,700,000</u>	\$ <u>1,530,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 153,000	\$ 32,742	\$ 185,742
2017	157,000	29,468	186,468
2018	161,000	26,108	187,108
2019	165,000	22,663	187,663
2020	170,000	19,132	189,132
2021 - 2025	724,000	39,225	763,225
Total	\$ 1,530,000	\$ 169,338	\$ 1,699,338

This debt will be retired from the Note Retirement Fund (Fund 4021).

The three mill notes payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF") created under Section 37-61-33 Mississippi Code Ann. (1972). The amount of the annual pledge is \$57,452, which is 100% of such expected revenues. The pledge will continue through June 30, 2023.

**C. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MS Power Lease, Series 2007	2.64%	5/1/2014	5/1/2028	\$ <u>806,101</u>	\$ <u>249,223</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 90,190	\$ 8,807	\$ 98,997
2017	94,080	4,717	98,797
2018	64,963	1,035	65,998
Total	\$ 249,233	\$ 14,559	\$ 263,792

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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This debt will be retired from the District Maintenance Fund (General Fund).

An energy efficiency lease agreement dated December 15, 2007, was executed by and between the district, the lessee, and Mississippi Power Company, the lessor.

The agreement authorized the borrowing of \$806,101 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**D. 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 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.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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*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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,119,040, \$1,059,619 and \$974,334, 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, 2015, the school district reported a liability of \$13,351,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the school district's proportion was 0.110 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$829,108. At June 30, 2015 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	\$ 208,287	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,935,469
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	208,971
District contributions subsequent to the measurement date	1,119,040	-
Total	\$ <u>1,327,327</u>	\$ <u>2,144,440</u>

\$1,119,040 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (484,114)
2017	(484,114)
2018	(484,058)
2019	(483,868)
2020	-
Thereafter	-

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	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 8.00 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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 18,202,738	\$ 13,351,986	\$ 9,305,737

**FOREST MUNICIPAL SCHOOL DISTRICT**  
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*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 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 124,226
2017	123,856
2018	116,922
2019	112,612
2020	112,612
2021 - 2025	535,600
2026 - 2030	486,366
2031 - 2035	417,137
2036 - 2040	270,213
2041 - 2045	180,212
2046 - 2050	58,512
2051 - 2055	25,512
Total	<u>\$ 2,563,780</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (15,518,649)
Deferred outflows - contributions made during fiscal year 2014	<u>1,059,618</u>
Total prior period adjustment related to GASB 68 and 71	<u>(14,459,031)</u>
Total	<u>\$ (14,459,031)</u>

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 10 – Fund Reclassification**

A fund reclassification in the amount of \$196,190 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for the fiscal year ended June 30, 2015.

**Note 11 – Contingencies**

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

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

**Note 12 – 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 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 13 – Trust Certificates**

A trust agreement dated May 1, 2014 was executed by and between the school district and Forest Municipal Schools Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,950,000. Approximately \$2,925,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$25,000 was used to pay the cost of issuance.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

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

**Note 14 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated August 19, 1994 creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the following: Newton County School District, Forest Municipal School District, Newton Municipal School District, Philadelphia School District, Scott County School District, Neshoba County School District, and Enterprise Public School District.

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

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

**Note 15 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 3, 1971 creating the Forest Scott County Career and Technology 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 Forest Municipal School District and the Scott County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center and the operations of the consortium are included in its financial statements.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$11,984,377) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,327,327 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$11,984,377) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,144,440 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years

**Note 17 - 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 Forest Municipal School District evaluated the activity of the district through March 10 2016 (the date the financial statements were available to be issued), and determined that there were no subsequent events occurring which would require disclosure in the notes to the financial statements

**REQUIRED SUPPLEMENTARY INFORMATION**

**Forest Municipal School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,968,158	\$ 4,045,476	\$ 4,056,604	\$ 77,318	\$ 11,128
State sources	6,668,648	6,651,071	6,651,071	(17,577)	-
Federal sources	65,108	50,371	40,371	(14,737)	(10,000)
Sixteenth section sources	-	152,012	153,435	152,012	1,423
<b>Total Revenues</b>	<b>10,701,914</b>	<b>10,898,930</b>	<b>10,901,481</b>	<b>197,016</b>	<b>2,551</b>
<b>Expenditures:</b>					
Instruction	6,198,291	6,071,212	6,070,160	127,079	1,052
Support services	4,346,022	4,293,019	4,224,564	53,003	68,455
Noninstructional services	4,800	3,198	3,198	1,602	-
Sixteenth section	-	45,608	45,608	(45,608)	-
Debt service:					
Principal	237,072	236,461	79,405	611	157,056
Interest	89,806	90,416	11,343	(610)	79,073
<b>Total Expenditures</b>	<b>10,875,991</b>	<b>10,739,914</b>	<b>10,434,278</b>	<b>136,077</b>	<b>305,636</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(174,077)	159,016	467,203	333,093	308,187
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Leases	-	12,812	-	12,812	(12,812)
Sale of transportation equipment	2,000	-	-	(2,000)	-
Operating transfers in	211,825	276,745	107,024	64,920	(169,721)
Operating transfers out	(59,578)	(206,368)	(251,713)	(146,790)	(45,345)
<b>Total Other Financing Sources (Uses)</b>	<b>154,247</b>	<b>83,189</b>	<b>(144,689)</b>	<b>(71,058)</b>	<b>(227,878)</b>
<b>Net Change in Fund Balances</b>	<b>(19,830)</b>	<b>242,205</b>	<b>322,514</b>	<b>262,035</b>	<b>80,309</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	1,756,262	1,756,262	1,756,262	-	-
Fund reclassification	-	-	196,190	-	196,190
July 1, 2014, as restated	1,756,262	1,756,262	1,952,452	-	196,190
June 30, 2015	\$ 1,736,432	\$ 1,998,467	\$ 2,274,966	\$ 262,035	\$ 276,499

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

**Forest Municipal School District  
Required Supplementary Information  
Budgetary Comparison Schedule  
Child Nutrition Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 96,100	\$ 101,898	\$ 101,898	\$ 5,798	\$ -
State sources	9,920	-	11,564	(9,920)	11,564
Federal Sources	1,025,000	1,065,123	1,106,784	40,123	41,661
<b>Total Revenues</b>	<b>1,131,020</b>	<b>1,167,021</b>	<b>1,220,246</b>	<b>36,001</b>	<b>53,225</b>
<b>Expenditures:</b>					
Support services	150,874	224,914	224,456	(74,040)	458
Noninstructional services	850,527	980,233	1,033,371	(129,706)	(53,138)
<b>Total Expenditures</b>	<b>1,001,401</b>	<b>1,205,147</b>	<b>1,257,827</b>	<b>(203,746)</b>	<b>(52,680)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	129,619	(38,126)	(37,581)	(167,745)	545
<b>Net Change in Fund Balances</b>	<b>129,619</b>	<b>(38,126)</b>	<b>(37,581)</b>	<b>(167,745)</b>	<b>545</b>
<b>Fund Balances:</b>					
July 1, 2014,	459,913	459,913	459,913	-	-
Increase (Decrease) in reserve for inventory	-	-	(4,730)	-	(4,730)
<b>June 30, 2015</b>	<b>\$ 589,532</b>	<b>\$ 421,787</b>	<b>\$ 417,602</b>	<b>\$ (167,745)</b>	<b>\$ (4,185)</b>

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

**Forest Municipal School District  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Vocational Maintenance Fund  
 For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 216,982	\$ 224,144	\$ 224,144	\$ 7,162	\$ (0)
Total Revenues	216,982	224,144	224,144	7,162	(0)
<b>Expenditures:</b>					
Instruction	243,000	244,297	244,297	(1,297)	0
Total Expenditures	243,000	244,297	244,297	(1,297)	0
Excess (Deficiency) of Revenues over (under) Expenditures	(26,018)	(20,153)	(20,153)	5,865	0
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	26,018	19,270	19,270	(6,748)	(0)
Total Other Financing Sources (Uses)	26,018	19,270	19,270	(6,748)	(0)
Net Change in Fund Balances	-	(883)	(883)	(883)	0
Fund Balances:					
July 1, 2014,	4,386	4,386	4,386	-	-
June 30, 2015	\$ 4,386	\$ 3,503	\$ 3,503	(883)	\$ 0

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

**Forest Municipal School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 PERS  
 Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability	\$ 13,351,986
District's proportionate share of the net pension liability (asset)	0.110%
District's covered-employee payroll	\$ 6,727,740
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	198.46%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

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

The 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.

**Forest Municipal School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years**

	<u>2015</u>
Contractually required contribution	\$ 1,119,040
Contribution in relation to the contractually required contribution	1,119,040
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered-employee payroll	7,105,017
Contributions as a percentage of covered-employee payroll	15.75%

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

The 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.

**FOREST MUNICIPAL SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 6/30/2015.

**SUPPLEMENTARY INFORMATION**

**Forest Municipal School District  
Supplementary Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 301,012
National school lunch program	10.555	805,772
Total child nutrition cluster		<u>1,106,784</u>
Total passed-through Mississippi Department of Education		<u>1,106,784</u>
Passed-through Scott County:		
National forest-dependent rural communities	10.670	10,069
Total passed-through Scott County		<u>10,069</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>1,116,853</u></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	20,597
<b>Total Federal Communications Commission</b>		<u>20,597</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	604,968
Rural education	84.358	28,343
English language acquisition grants	84.365	46,097
Improving teacher quality state grants	84.367	177,164
Subtotal		<u>856,572</u>
Special education cluster:		
Special education - grants to states	84.027	405,582
Special education - preschool grants	84.173	9,395
Total special education cluster		<u>414,977</u>
Total passed-through Mississippi Department of Education		<u>1,271,549</u>
<b>Total U.S. Department of Education</b>		<u>1,271,549</u>
Total for All Federal Awards		<u><u>\$ 2,408,999</u></u>

**NOTES TO SCHEDULE**

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

**Forest Municipal School District  
 Supplementary Information  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 9,806,533	7,051,497	789,793	749,497	1,215,746
Other	6,389,105	1,328,498	111,533	13,860	4,935,214
Total	<u>\$ 16,195,638</u>	<u>8,379,995</u>	<u>901,326</u>	<u>763,357</u>	<u>6,150,960</u>
Total number of students *	<u>1,657</u>				
Cost per student	<u>\$ 9,774</u>	<u>5,057</u>	<u>544</u>	<u>461</u>	<u>3,712</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

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

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

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

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

**OTHER INFORMATION**

**Forest Municipal School District  
Other Information  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years  
UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 4,056,604	\$ 3,630,054	\$ 3,848,621	\$ 3,775,797
State sources	6,651,071	5,920,456	5,775,745	5,872,280
Federal sources	40,371	79,183	75,624	72,330
Sixteenth section sources	153,435	-	-	-
<b>Total Revenues</b>	<b>10,901,481</b>	<b>9,629,693</b>	<b>9,699,990</b>	<b>9,720,407</b>
<b>Expenditures:</b>				
Instruction	6,070,160	5,892,661	6,115,925	5,986,499
Support services	4,224,564	4,255,401	4,128,813	3,719,217
Noninstructional services	3,198	6,731	5,838	7,264
Sixteenth section	45,608	-	-	-
Facilities acquisition and construction	-	12,812	-	-
Debt service:				
Principal	79,405	82,886	86,234	84,658
Interest	11,343	16,111	21,013	22,824
<b>Total Expenditures</b>	<b>10,434,278</b>	<b>10,266,602</b>	<b>10,357,823</b>	<b>9,820,462</b>
Excess (Deficiency) of Revenues over (under) Expenditures	467,203	(636,909)	(657,833)	(100,055)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	-	56,000	72,748
Sale of transportation equipment	-	5,362	-	-
Sale of other property	-	857	-	-
Operating transfers in	107,024	207,837	374,247	133,197
Operating transfers out	(251,713)	(2)	(101,672)	(41,116)
<b>Total Other Financing Sources (Uses)</b>	<b>(144,689)</b>	<b>214,054</b>	<b>328,575</b>	<b>164,829</b>
<b>Net Change in Fund Balances</b>	<b>322,514</b>	<b>(422,855)</b>	<b>(329,258)</b>	<b>64,774</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,756,262	2,151,324	2,480,582	2,415,808
Prior period adjustments	-	27,793	-	-
Fund balance reclassifications	196,190	-	-	-
<b>Beginning of period, as restated</b>	<b>1,952,452</b>	<b>2,179,117</b>	<b>2,480,582</b>	<b>2,415,808</b>
<b>End of Period</b>	<b>\$ 2,274,966</b>	<b>\$ 1,756,262</b>	<b>\$ 2,151,324</b>	<b>\$ 2,480,582</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**Forest Municipal School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 4,574,779	\$ 4,090,806	\$ 4,232,898	\$ 4,184,412
Intermediate sources	-	-	5,000	26,967
State sources	6,756,245	6,020,448	6,142,614	6,256,747
Federal sources	2,418,704	2,410,991	2,143,207	2,263,576
Sixteenth section sources	154,808	107,086	138,937	114,976
<b>Total Revenues</b>	<b>13,904,536</b>	<b>12,629,331</b>	<b>12,662,656</b>	<b>12,846,678</b>
<b>Expenditures:</b>				
Instruction	7,093,089	6,801,497	7,031,468	7,053,542
Support services	5,170,615	4,925,778	4,900,126	4,322,065
Noninstructional services	1,042,263	913,243	871,534	968,478
Sixteenth section	45,657	16,295	44,825	16,418
Facilities acquisition and construction	2,319,006	245,750	-	-
Debt service:				
Principal	399,405	1,762,886	436,234	444,787
Interest	124,103	29,366	102,885	120,233
Other	1,500	27,425	-	-
<b>Total Expenditures</b>	<b>16,195,638</b>	<b>14,722,240</b>	<b>13,387,072</b>	<b>12,925,523</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(2,291,102)	(2,092,909)	(724,416)	(78,845)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	1,700,000	-	-
Insurance recovery	-	-	56,000	72,748
Sale of transportation equipment	-	5,362	-	-
Sale of other property	-	857	-	210
Proceeds of certificates of participation	-	2,950,000	-	-
Operating transfers in	358,737	371,725	565,959	174,313
Other financing sources	-	-	-	-
Operating transfers out	(358,737)	(371,725)	(565,959)	(174,313)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>4,656,219</b>	<b>56,000</b>	<b>72,958</b>
<b>Net Change in Fund Balances</b>	<b>(2,291,102)</b>	<b>2,563,310</b>	<b>(668,416)</b>	<b>(5,887)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,989,676	3,378,711	4,044,760	4,052,543
Prior period adjustments	-	44,254	-	-
Beginning of period, as restated	5,989,676	3,422,965	4,044,760	4,052,543
Increase (Decrease) in reserve for inventory	(4,730)	3,401	2,367	(1,896)
<b>End of Period</b>	<b>\$ 3,693,844</b>	<b>\$ 5,989,676</b>	<b>\$ 3,378,711</b>	<b>\$ 4,044,760</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' 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**

To the Superintendent and School Board  
 Forest Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Forest Municipal School District's basic financial statements and have issued our report thereon dated March 10, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (**Finding 2015-1**).

**Compliance and Other Matters**

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

**Forest Municipal School District's Response to Findings**

Forest Municipal School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Forest Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 10, 2016

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Superintendent and School Board  
 Forest Municipal School District

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

We have audited Forest Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Forest Municipal School District's major federal programs for the year ended June 30, 2015. Forest Municipal School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Forest Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Forest Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Forest Municipal School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of Forest Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Forest Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Forest Municipal School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 10, 2016

*Watkins Ward and Stafford, PLLC*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

To the Superintendent and School Board  
Forest Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District as of and for the year ended June 30, 2015, which collectively comprise Forest Municipal School District's basic financial statements and have issued our report thereon dated March 10, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

1. Public Depositors Annual Report Should Be Submitted to the Mississippi Treasury Department Within 30 Days of Fiscal Year End

Finding

Section 27-105-5, Miss Code Ann. (1972) requires that a public depositor not later than thirty (30) days following its fiscal year end shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end.

During our testing of compliance with Section 27-105-5, Miss Code Ann. (1972) we noted the public depositors annual report was not submitted to the Mississippi Treasury Department until August 11, 2015 after the 30 day deadline.

Noncompliance with Section 27-105-5, Miss. Code Ann. (1972), resulted in the school district not submitting the public depositors annual report within the required deadline.

Recommendation

We recommend the district comply with Section 27-105-5, Miss Code Ann. (1972) and submit its public depositors annual report no later than thirty (30) days following its fiscal year end.

School District's Response

We will comply with Section 27-105-5, Miss Code Ann. (1972) and submit our public depositors annual report no later than thirty (30) days following fiscal year end.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
March 10, 2016

*Watkins Ward and Stafford, PLLC*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOREST MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs**

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |  |               |
|--|---------------|
| 4. Internal control over major programs:                       |               |
| a. Material weakness(es) identified? (Yes/No)                  | No            |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None Reported |

- |  |            |
|--|------------|
| 5. Type of auditors' report issued on compliance for major programs:   | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No         |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no)                          | Yes       |

Section II: Financial Statement Findings

**Significant Deficiencies Not Considered To Be A Material Weakness**

**Finding 2015-1. Controls over activity fund receipts should be strengthened:**

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

As noted in the prior year, controls over activity fund receipts should be strengthened. During our testing of activity/agency fund receipts we noted the following deficiencies:

Hawkins Middle School

- We noted that pre-numbered receipts were not being used to account for funds received.
- We also noted that personnel were not depositing funds received on a daily basis.

Forest Elementary School

- We noted that pre-numbered receipts were not being used to account for funds received.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

**Recommendation:**

We recommend the district implement internal controls to ensure that all deposits are made daily, that receipts are posted on pre-numbered receipts, and that revenue is properly reported and documentation is maintained to substantiate all receipts.

**School District's Response**

We will internal controls to ensure that all deposits are made daily, that receipts are posted on pre-numbered receipts, and that revenue is properly reported and documentation is maintained to substantiate all receipts.

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.

**SUMMARY OF PRIOR AUDIT FINDINGS**

# Forest Municipal School District

325 Cleveland Street • Forest, Mississippi 39074 • (601) 469-3250

Dr. Joseph White  
Superintendent

## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

### Financial and Compliance Audit Division

As required by Section \_\_\_\_\_.315(b) of OMB Circular A-133, Forest Municipal School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2014-1	Repeat Finding
2014-2	Corrected
2014-3	Corrected

Sincerely,

Dr. Joseph White, Superintendent