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FORREST COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

FORREST COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Forrest County 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 Forrest County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Forrest County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Forrest County 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 Districts Contributions on pages 6-17, 52-54, 55, and 56 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 Forrest County School District's 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 information 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 January 15, 2016, on our consideration of the Forrest County 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 Forrest County School District's internal control over financial reporting and compliance.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
January 15, 2016

FORREST COUNTY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of Forrest County 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 \$25,213,687, including a prior period adjustment of (\$25,933,394) resulting from the effect of the net pension liability, which represents a 107% decrease from fiscal year 2014. Total net position for 2014 decreased \$409,363, which represents a 2% decrease from fiscal year 2013.
- General revenues amounted to \$19,272,249 and \$17,913,338, or 82% and 80% 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 \$4,326,739, or 18% of total revenues for 2015, and \$4,427,578, or 20% of total revenues for 2014.
- The District had \$22,879,281 and \$22,750,279 in expenses for fiscal years 2015 and 2014; only \$4,326,739 for 2015 and \$4,427,578 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,272,249 for 2015 were adequate to provide for these programs. General revenues of \$17,913,338 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$18,730,168 in revenues and \$18,533,955 in expenditures for 2015, and \$17,151,017 in revenues and \$18,145,626 in expenditures in 2014. The General Fund's fund balance increased by \$224,790 from 2014 to 2015, including a fund reclassification of \$58,198, and decreased by \$1,192,742 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$578,634 for 2015 and increased by \$325,163 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$547,025 for 2015 and decreased by \$760,763 for 2014. The decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$10,053 for 2015 and increased by \$5,642 for 2014.

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets 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, pension expense and interest on long-term liabilities.

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 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.

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 \$1,678,963 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 9,727,365	\$ 9,366,502	3.85 %
Restricted assets	797,236	688,935	15.72 %
Capital assets, net	18,996,650	19,575,284	(2.96) %
Total assets	<u>29,521,251</u>	<u>29,630,721</u>	(0.37) %
Deferred outflows of resources	<u>2,803,757</u>	<u>62,149</u>	4,411.35 %
Current liabilities	395,152	368,386	7.27 %
Long-term debt outstanding	5,233,358	5,789,760	(9.61) %
Net pension liability	24,782,985	-	N/A
Total liabilities	<u>30,411,495</u>	<u>6,158,146</u>	393.84 %
Deferred inflows of resources	<u>3,592,476</u>	<u>-</u>	N/A
Net position:			
Net investment in capital assets	14,006,432	14,103,571	(0.69) %
Restricted	3,721,438	3,495,821	6.45 %
Unrestricted	(19,406,833)	5,935,332	(426.97) %
Total net position	<u>\$ (1,678,963)</u>	<u>\$ 23,534,724</u>	(107.13) %

Additional information on unrestricted net position:

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

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Total unrestricted net position (deficit)	\$(19,406,833)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>25,623,460</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,216,627</u>

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

- Decrease in net capital assets in the amount of \$578,634.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The principal retirement of \$557,078 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 \$23,598,988 and \$22,340,916, respectively. The total cost of all programs and services was \$22,879,281 for 2015 and \$22,750,279 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.

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 589,049	\$ 591,426	(0.40) %
Operating grants and contributions	3,737,690	3,836,152	(2.57) %
General revenues:			
Property taxes	7,319,282	7,037,011	4.01 %
Grants and contributions not restricted	11,438,363	10,471,792	9.23 %
Investment earnings	39,585	29,699	33.29 %
Sixteenth section sources	237,934	286,865	(17.06) %
Other	237,085	87,971	169.50 %
Total revenues	<u>23,598,988</u>	<u>22,340,916</u>	5.63 %
Expenses:			
Instruction	11,446,203	12,245,426	(6.53) %
Support services	7,943,191	8,770,836	(9.44) %
Non-instructional	1,442,602	1,404,068	2.74 %
Sixteenth section	124,143	172,236	(27.92) %
Pension expense	1,778,192	-	N/A
Interest on long-term liabilities	144,950	157,713	(8.09) %
Total expenses	<u>22,879,281</u>	<u>22,750,279</u>	0.57 %
Increase (Decrease) in net position	<u>719,707</u>	<u>(409,363)</u>	275.81 %
Net Position, July 1, as previously reported	<u>23,534,724</u>	<u>23,944,087</u>	(1.71) %
Prior Period Adjustment	<u>(25,933,394)</u>	-	N/A %
Net Position, July 1, as restated	<u>(2,398,670)</u>	<u>23,944,087</u>	(110.02) %
Net Position (deficit), June 30	<u>\$ (1,678,963)</u>	<u>\$ 23,534,724</u>	(107.13) %

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.

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 11,446,203	\$ 12,245,426	(6.53) %
Support services	7,943,191	8,770,836	(9.44) %
Non-instructional	1,442,602	1,404,068	2.74 %
Sixteenth section	124,143	172,236	(27.92) %
Pension Expense	1,778,192	-	N/A %
Interest on long-term liabilities	144,950	157,713	(8.09) %
Total expenses	\$ 22,879,281	\$ 22,750,279	0.57 %
	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (9,599,941)	\$ (10,403,347)	(7.72) %
Support services	(6,970,117)	(7,635,529)	(8.71) %
Non-instructional	55,088	39,567	39.23 %
Sixteenth section	(114,430)	(165,679)	(30.93) %
Pension Expense	(1,778,192)	-	N/A %
Interest on long-term liabilities	(144,950)	(157,713)	(8.09) %
Total net (expense) revenue	\$ (18,552,542)	\$ (18,322,701)	1.25 %

- Net cost of governmental activities (\$18,552,542 for 2015 and \$18,322,701 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$7,319,282 for 2015 and \$7,037,011 for 2014) and state and federal revenues (\$11,438,363 for 2015 and \$10,471,792 for 2014). In addition, there was \$237,934 and \$286,865 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$39,585 for 2015 and \$29,699 for 2014.

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.

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 \$10,164,287, an increase of \$443,610, which includes a decrease in inventory of \$8,831. \$5,845,010, or 58% 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 \$4,319,277, or 42% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$224,790, which includes a fund reclassification of \$58,198. The fund balance of Other Governmental Funds showed an increase in the amount of \$163,766, which includes a fund reclassification of (\$58,198). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ 55,054
Title I-A Basic Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$33,048,488, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$107,269 from 2014. Total accumulated depreciation as of June 30, 2015, was \$14,051,838, and total depreciation expense for the year was \$708,756, resulting in total net capital assets of \$18,996,650.

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 194,027	\$ 194,027	0.00 %
Construction in Progress	-	49,068	(100.00) %
Buildings	17,347,061	17,836,216	(2.74) %
Building improvements	179,245	103,020	73.99 %
Improvements other than buildings	150,799	113,950	32.34 %
Mobile equipment	947,750	1,051,700	(9.88) %
Furniture and equipment	162,778	205,074	(20.62) %
Leased property under capital leases	14,990	22,229	(32.57) %
Total	<u>\$ 18,996,650</u>	<u>\$ 19,575,284</u>	(2.96) %

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 \$5,226,717 in outstanding long-term debt, of which \$574,645 is due within one year. During the fiscal year, the District made principal payments totaling \$557,078 on outstanding long-term debt. The liability for compensated absences increased \$10,053 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 1,305,000	\$ 1,470,000	(11.22) %
Limited obligation bonds payable	1,365,000	1,680,000	(18.75) %
Shortfall notes payable	68,150	134,708	(49.41) %
Obligations under capital leases	5,333	15,853	(66.36) %
Qualified school construction bonds payable	2,360,000	2,360,000	0.00 %
Compensated absences payable	123,234	113,181	8.88 %
Total	<u>\$ 5,226,717</u>	<u>\$ 5,773,742</u>	(9.47) %

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

**FORREST COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT ISSUES

The Forrest County School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Forrest County School District, 400 Forrest Street, Hattiesburg, MS 39401.

FORREST COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FORREST COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2015**

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	8,671,088
Due from other governments		1,024,505
Inventories		31,772
Restricted assets		797,236
Capital assets, not being depreciated		
Land		194,027
Capital assets, net of accumulated depreciation		
Buildings		17,347,061
Building improvements		179,245
Improvements other than buildings		150,799
Mobile equipment		947,750
Furniture and equipment		162,778
Leased property under capital leases		14,990
Total Assets	\$	<u>29,521,251</u>
Deferred Outflows of Resources		
Deferred outflow from advance refunding of debt		51,756
Deferred outflow related to pensions		2,752,001
Total Deferred Outflows of Resources		<u>2,803,757</u>
Liabilities		
Accounts payable and accrued liabilities	\$	345,044
Unearned revenue		15,270
Interest payable on long-term liabilities		34,838
Deferred bond premiums		6,641
Long-term liabilities, due within one year		
Capital-related liabilities		500,333
Non-capital related liabilities		74,312
Long-term liabilities, due beyond one year		
Capital-related liabilities		4,535,000
Non-capital related liabilities		117,072
Net pension liability		24,782,985
Total Liabilities		<u>30,411,495</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions		3,592,476
Total Deferred Inflows of Resources		<u>3,592,476</u>
Net Position		
Net investment in capital assets		14,006,432
Restricted for:		
Expendable		
School-based activities		876,840
Debt service		1,698,757
Forestry improvements		146,462
Unemployment benefits		57,704
Non-expendable:		
Sixteenth section		941,675
Unrestricted		(19,406,833)
Total Net Position (deficit)	\$	<u>(1,678,963)</u>

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

FORREST COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Total
Governmental Activities:				
Instruction	\$ 11,446,203	\$ 297,656	\$ 1,548,606	\$ -
Support services	7,943,191	-	973,074	-
Non-instructional services	1,442,602	281,680	1,216,010	-
Sixteenth section	124,143	9,713	-	-
Pension expense	1,778,192			-
Interest and other charges related to long-term liabilities	144,950	-	-	-
Total Governmental Activities	\$ 22,879,281	\$ 589,049	\$ 3,737,690	\$ -
General Revenues:				
Taxes:				
General purpose levies				6,966,539
Debt purpose levies				352,743
Unrestricted grants and contributions:				
State				11,012,299
Federal				426,064
Unrestricted investment earnings				39,585
Sixteenth section sources				237,934
Other				237,085
Total General Revenues				19,272,249
Change in Net Position				719,707
Net Position - Beginning, as previously reported				23,534,724
Prior period adjustment				(25,933,394)
Net Position - Beginning, as restated				(2,398,670)
Net Position - Ending				\$ (1,678,963)

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

FORREST COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	School Food Service Fund	Title I - A Basic Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 6,346,576	\$ 1,002,792	\$ -	\$ 1,695,900	\$ 9,045,268
Cash with fiscal agent	-	-	-	423,056	423,056
Due from other governments	480,681	-	219,409	323,991	1,024,081
Due from other funds	430,469	-	-	-	430,469
Advance to other funds	-	-	-	567,043	567,043
Inventories	-	31,772	-	-	31,772
Total Assets	\$ 7,257,726	\$ 1,034,564	\$ 219,409	\$ 3,009,990	\$ 11,521,689
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 267,402	\$ 27,569	\$ 29,547	\$ 20,526	\$ 345,044
Due to other funds	-	131,545	189,862	108,638	430,045
Advances from other funds	567,043	-	-	-	567,043
Unearned Revenue	15,270	-	-	-	15,270
Total Liabilities	849,715	159,114	219,409	129,164	1,357,402
Fund balances:					
Nonspendable:					
Inventory	-	31,772	-	-	31,772
Permanent fund principal	-	-	-	374,632	374,632
Advances	-	-	-	567,043	567,043
Restricted:					
Debt service	-	-	-	1,733,595	1,733,595
Forestry improvement purposes	-	-	-	146,462	146,462
Grant activities	-	-	-	1,390	1,390
Unemployment benefits	-	-	-	57,704	57,704
Food Service	-	843,678	-	-	843,678
Assigned:					
Activity funds	144,013	-	-	-	144,013
Building Maintenance/Technology	399,702	-	-	-	399,702
Special Education	3,112	-	-	-	3,112
Alternative school	16,174	-	-	-	16,174
Unassigned	5,845,010	-	-	-	5,845,010
Total Fund Balances	6,408,011	875,450	-	2,880,826	10,164,287
Total Liabilities & Fund Balances	\$ 7,257,726	\$ 1,034,564	\$ 219,409	\$ 3,009,990	\$ 11,521,689

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

FORREST COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 10,164,287

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

1.	Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:		
	Land	\$ 194,027	
	Buildings	25,155,459	
	Building improvements	258,255	
	Improvements other than buildings	261,580	
	Mobile equipment	2,898,411	
	Furniture and equipment	4,229,572	
	Leased property under capital leases	51,184	
	Accumulated Depreciation	<u>(14,051,838)</u>	18,996,650
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	(24,782,985)	
	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	2,752,001	
	Deferred inflows of resources related to pensions	<u>(3,592,476)</u>	(25,623,460)
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:		
	General obligation refunding bonds	(1,305,000)	
	Limited obligation bonds	(1,365,000)	
	Other bonds payable	(2,360,000)	
	Notes payable	(68,150)	
	Capital lease obligations	(5,333)	
	Compensated absences	(123,234)	
	Unamortized charges	51,756	
	Unamortized premiums	(6,641)	
	Accrued interest payable	<u>(34,838)</u>	(5,216,440)
	Net position of governmental activities		<u>\$ (1,678,963)</u>

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

FORREST COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I - A Basic Fund		
Revenues:					
Local sources	\$ 7,524,546	\$ 266,722	\$ -	\$ 353,826	\$ 8,145,094
State sources	10,596,603	14,322	-	882,827	11,493,752
Federal sources	409,989	1,355,090	1,055,325	861,897	3,682,301
Sixteenth section sources	199,030	-	-	78,811	277,841
Total Revenues	18,730,168	1,636,134	1,055,325	2,177,361	23,598,988
Expenditures:					
Instruction	10,658,023	-	728,617	967,389	12,354,029
Support services	7,587,581	192,112	280,559	469,353	8,529,605
Non-instructional services	75,873	1,251,227	12,327	17,639	1,357,066
Sixteenth section	96,299	-	-	27,844	124,143
Facilities acquisition and construction	81,904	-	-	-	81,904
Debt Service:					
Principal	10,520	-	-	546,558	557,078
Interest	23,755	-	-	113,737	137,492
Other	-	-	-	5,230	5,230
Total Expenditures	18,533,955	1,443,339	1,021,503	2,147,750	23,146,547
Excess (Deficiency) of Revenues over (under) Expenditures	196,213	192,795	33,822	29,611	452,441
Other Financing Sources (Uses):					
Payments held by escrow agent	-	-	-	52,976	52,976
Payments to QSCB debt escrow agent	-	-	-	(52,976)	(52,976)
Operating transfers in	316,135	2,635	-	343,121	661,891
Operating transfers out	(345,756)	(131,545)	(33,822)	(150,768)	(661,891)
Total Other Financing Sources (Uses)	(29,621)	(128,910)	(33,822)	192,353	-
Net change in fund balances	166,592	63,885	-	221,964	452,441
Fund Balances					
July 1, 2014, as previously reported	6,183,221	820,396	-	2,717,060	9,720,677
Fund reclassification	58,198	-	-	(58,198)	-
July 1, 2014, as restated	6,241,419	820,396	-	2,658,862	9,720,677
Increase (Decrease) in reserve for inventory	-	(8,831)	-	-	(8,831)
June 30, 2015	\$ 6,408,011	\$ 875,450	\$ -	\$ 2,880,826	\$ 10,164,287

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

FORREST COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds	\$	452,441
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	\$ 130,353	
Depreciation Expense	<u>(708,756)</u>	(578,403)
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 asset sold.		
		(231)
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	557,078	
Accrued interest payable	<u>6,797</u>	563,875
4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recording of pension expense for the current period	(1,678,455)	
Recording of contributions made subsequent to the measurement date	2,088,126	
Amortization of deferred inflow of resources	<u>(99,737)</u>	309,934
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	(10,053)	
Change in inventory reserve	(8,831)	
Amortization of deferred charges, premiums and discounts	<u>(9,025)</u>	(27,909)
Change in net position of governmental activities	\$	<u>719,707</u>

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

FORREST COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 665,357
Total Assets	<u>\$ 665,357</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 664,933
Due to other funds	424
Total Liabilities	<u>\$ 665,357</u>

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

FORREST COUNTY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Forrest County 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 Forrest County School District Foundation, Inc., 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 Foundation 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 Foundation's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

School Food Service Fund – This is a special revenue fund that accounts for the revenue received and expenditures incurred related to the food service program.

Title 1 – A Basic Fund – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title 1 grants to local education agencies program.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

ET Scholarship Fund – This agency fund is used to report resources held by the District for Students at East Travillion Attendance Center.

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.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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.

Ad valorem property taxes are levied by the governing authority of the county 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.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 districts' 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), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 receivables, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to maintain intact, such as a principle 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.

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

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

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

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents 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 districts' 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 the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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 \$9,045,268 and \$665,357 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. As of June 30, 2015, none of the district's bank balance of \$10,872,161 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$423,056. This amount is also shown as restricted assets on Exhibit A.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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	School Food Service Fund	\$ 131,545
	Title I-A Basic Fund	189,862
	Fiduciary Funds	424
	Other Governmental Funds	<u>108,638</u>
Total		<u>\$ 430,469</u>

The primary purpose of the inter-fund loans was to cover federal funds not received prior to year end.

B. Advance To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 567,043</u>
Total		<u>\$ 567,043</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Year Ending June 30	Principal	Interest	Total
2016	\$ 22,610	\$ 22,681	\$ 45,291
2017	23,514	21,777	45,291
2018	24,454	20,837	45,291
2019	25,432	19,859	45,291
2020	26,450	18,841	45,291
2021-2025	148,993	77,465	226,458
2026-2030	181,273	45,185	226,458
2031-2033	114,317	8,767	123,084
	<u>\$ 567,043</u>	<u>\$ 235,412</u>	<u>\$ 802,455</u>

C. Inter-fund Transfers:

Transfer Out	Transfer In	Amount
General Fund	School Food Service Fund	\$ 2,635
	Other Governmental Funds	343,121
School Food Service Fund	General Fund	131,545
Title I-A Basic Fund	General Fund	33,822
Other Governmental Funds	General Fund	<u>150,768</u>
Total		<u>\$ 661,891</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$374,180 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent cash with fiscal agent totaling \$171,656 of the MAEP Limited Obligation Bond/Note Fund and cash with fiscal agent totaling \$251,400 of the QSCB Bond Retirement Fund.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 5 - Capital Assets

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

	Balance 7/1/2014	Additions	Retirements	Completed Construction	Balance 6/30/2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 194,027	\$ -	\$ -	\$ -	\$ 194,027
Construction in progress	49,068	37,487	-	(86,555)	-
Total non-depreciable capital assets	<u>\$ 243,095</u>	<u>\$ 37,487</u>	<u>\$ -</u>	<u>\$ (86,555)</u>	<u>\$ 194,027</u>
<u>Depreciable capital assets:</u>					
Buildings	\$ 25,155,459	\$ -	\$ -	\$ -	\$ 25,155,459
Building improvements	171,700	-	-	86,555	258,255
Improvements other than buildings	217,163	44,417	-	-	261,580
Mobile equipment	2,849,962	48,449	-	-	2,898,411
Furniture and equipment	4,252,656	-	23,084	-	4,229,572
Leased property under capital leases	51,184	-	-	-	51,184
Total depreciable capital assets	<u>\$ 32,698,124</u>	<u>\$ 92,866</u>	<u>\$ 23,084</u>	<u>\$ 86,555</u>	<u>\$ 32,854,461</u>
<u>Less accumulated depreciation:</u>					
Buildings	\$ 7,319,243	\$ 489,155	\$ -	\$ -	\$ 7,808,398
Building improvements	68,680	10,330	-	-	79,010
Improvements other than buildings	103,213	7,568	-	-	110,781
Mobile equipment	1,798,262	152,399	-	-	1,950,661
Furniture and equipment	4,047,582	42,065	22,853	-	4,066,794
Leased property under capital leases	28,955	7,239	-	-	36,194
Total accumulated depreciation	<u>\$ 13,365,935</u>	<u>\$ 708,756</u>	<u>\$ 22,853</u>	<u>\$ -</u>	<u>\$ 14,051,838</u>
Total depreciable capital assets, net	<u>\$ 19,332,189</u>	<u>\$ (615,890)</u>	<u>\$ 231</u>	<u>\$ 86,555</u>	<u>\$ 18,802,623</u>
Governmental activities capital assets, net	<u>\$ 19,575,284</u>	<u>\$ (578,403)</u>	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ 18,996,650</u>

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 407,448
Support Services	170,201
Non-instructional	131,107
	\$ 708,756

The capital assets above include significant amounts of land which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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	Retirements	Balance 6/30/2015	Amount Due Within One Year
A. General obligation refunding bonds payable	\$ 1,470,000	\$ -	\$ 165,000	1,305,000	\$ 170,000
B. Limited obligation bonds payable	1,680,000	-	315,000	1,365,000	325,000
C. Shortfall notes payable	134,708	-	66,558	68,150	68,150
D. Obligations under capital lease	15,853	-	10,520	5,333	5,333
E. Qualified school construction bonds payable	2,360,000	-	-	2,360,000	-
F. Compensated absences payable	113,181	10,053	-	123,234	6,162
Total long-term debt	\$ 5,773,742	\$ 10,053	\$ 557,078	\$ 5,226,717	\$ 574,645

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2012	2.0-3.125%	2/1/2012	2/1/2022	\$ 1,795,000	\$ 1,305,000

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Year Ending June 30	Principal	Interest	Total
2016	170,000	35,956	205,956
2017	175,000	32,556	207,556
2018	180,000	29,056	209,056
2019	190,000	23,656	213,656
2020	190,000	17,956	207,956
2021-2022	400,000	18,662	418,662
	<u>\$ 1,305,000</u>	<u>\$ 157,842</u>	<u>\$ 1,462,842</u>

This debt will be retired from the Debt Service Fund.

The amount of bond indebtedness that can be incurred by the school district is limited by Section 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2013.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 2009	3.0-3.75%	8/1/2009	8/1/2018	<u>\$ 2,865,000</u>	<u>\$ 1,365,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	325,000	39,587	364,587
2017	335,000	29,478	364,478
2018	345,000	18,422	363,422
2019	360,000	6,300	366,300
	<u>\$ 1,365,000</u>	<u>\$ 93,787</u>	<u>\$ 1,458,787</u>

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

This debt will be retired from the MAEP Retirement Fund (4041).

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Shortfall notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall notes payable	2.25%	7/16/2012	7/1/2015	<u>200,000</u>	<u>68,150</u>
Total				<u>\$ 200,000</u>	<u>\$ 68,150</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>68,150</u>	<u>1,554</u>	<u>69,704</u>
	<u>\$ 68,150</u>	<u>\$ 1,554</u>	<u>\$ 69,704</u>

This debt will be retired from the District Maintenance Fund (1120).

D. Obligations under capital leases

The school district has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition of the following:

Eight copy machines at a cost of \$51,184. The district will take possession at the expiration of the lease.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Copiers	1.84%	11/8/2010	1/1/2016	<u>\$ 51,184</u>	<u>\$ 5,333</u>

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

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Year Ending June 30	Principal	Interest	Total
2016	5,333	38	5,371
	<u>\$ 5,333</u>	<u>\$ 38</u>	<u>\$ 5,371</u>

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

This debt will be retired from the District Maintenance Fund (1120).

E. Qualified school construction bond payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond payable	0.00%	12/23/2009	9/15/2024	<u>\$ 2,360,000</u>	<u>\$ 2,360,000</u>

F. Compensated absences payable

As more fully explained in Note 1(F)(7), 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 for 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.

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 \$2,088,126, \$1,964,981 and \$1,754,853 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 \$24,782,985 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 0.2042 percent.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$1,778,192. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 386,607	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,592,476
Changes of assumptions		
Change in proportionate share	277,268	-
District contributions subsequent to the measurement date	2,088,126	-
	2,088,126	-
Total	\$ 2,752,001	\$ 3,592,476

\$2,088,126 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	\$ (659,315)
2017	(659,315)
2018	(711,851)
2019	(898,119)

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

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 n</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:

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 33,786,599	\$ 24,782,985	\$ 17,272,632

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	\$ 137,665
2017	117,811
2018	111,678
2019	92,964
2020	86,727
2021-2025	308,550
2026-2030	241,608
Thereafter	175,719
	\$ 1,272,722

Note 9 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (27,898,375)
Deferred outflows - contributions made during fiscal year 2014	1,964,981
 Total	 \$ (25,933,394)

Note 10 - Risk Management

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

The school 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 member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess 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 11 - Trust Certificates

Trust agreements dated August 1, 1994, and July 26, 1995.

A deed of trust dated August 1, 1994, was executed by and between the Forrest County School District Foundation and Union Planters Bank. Simultaneously, a sale-lease back was executed by and between the Forrest County School District and Forrest County School District Foundation. The deed of trust agreement authorized the issuance of \$1,700,000 in debt to the Foundation secured by several facilities purchased by the Foundation from the Forrest County School District and future sixteenth section lease revenue of the Forrest County School District. The debt was reissued on February 2, 2012, at a lower interest rate.

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$251,400. The amount accumulated in the sinking fund at the end of the seventeen year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal
2016	132,000
2017	134,000
2018	132,000
2019	129,000
2020	132,000
2021-2025	1,307,000
	\$ 1,966,000

Note 13 – Effect of Deferred Amounts on Net Position

The net investment in capital assets amount of \$14,006,432 includes the effects of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$51,756 balance of the deferred outflow of resources at June 30, 2015 will be recognized as an expense and decrease the net investment in capital assets over the coming years.

The unrestricted net position amount of (\$19,406,833) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,088,126 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$663,875 balance of the deferred outflow of resources related to pensions will be recognized in pension expense over the next 3 years and the \$3,592,476 balance of the deferred inflow of resources related to pensions at

**FORREST COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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June 30, 2015 will be recognized in pension expense over the next 4 years.

Note 14 – Fund Reclassification

The Sixteenth Section Interest Fund's beginning balance of \$58,198 was reclassified from Special Revenue Funds to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Forrest County School District evaluated the activity of the district through January 15, 2016, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

FORREST COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FORREST COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Original to Final	Final to Actual
	Original	Final			
REVENUES					
Local sources	\$ 7,056,626	\$ 7,524,546	\$ 7,524,546	\$ 467,920	\$ -
State sources	10,679,470	10,596,603	10,596,603	(82,867)	-
Federal sources	276,000	409,989	409,989	133,989	-
Sixteenth section sources	-	199,030	199,030	199,030	-
Total Revenues	18,012,096	18,730,168	18,730,168	718,072	-
EXPENDITURES					
Instruction	11,144,265	10,658,023	10,658,023	486,242	-
Support services	8,196,529	7,669,485	7,587,581	527,044	81,904
Non-instructional services	88,655	75,873	75,873	12,782	-
Sixteenth section	-	96,299	96,299	(96,299)	-
Facilities acquisition and construction	-	-	81,904	-	(81,904)
Debt Service:					
Principal	32,340	10,520	10,520	21,820	-
Interest	23,771	23,755	23,755	16	-
Total Expenditures	19,485,560	18,533,955	18,533,955	951,605	-
Excess (deficiency) of Revenues over (under) Expenditures	(1,473,464)	196,213	196,213	1,669,677	-
OTHER FINANCING SOURCES (USES)					
Insurance recovery	10,000	-	-	(10,000)	-
Transfers in	1,503,937	1,038,902	316,135	(465,035)	(722,767)
Transfers out	(1,006,108)	(1,068,523)	(345,756)	(62,415)	722,767
Total Other Financing Sources (Uses)	507,829	(29,621)	(29,621)	(537,450)	-
Net change in fund balances	(965,635)	166,592	166,592	1,132,227	-
Fund Balances:					
July 1, 2014, as previously reported	5,193,281	6,241,419	6,183,221	1,048,138	(58,198)
Fund reclassification	-	-	58,198	-	58,198
July 1, 2014, as restated	5,193,281	6,241,419	6,241,419	1,048,138	-
June 30, 2015	\$ 4,227,646	\$ 6,408,011	\$ 6,408,011	\$ 2,180,365	\$ -

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

FORREST COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Original to Final	Final to Actual
	Original	Final			
REVENUES					
Local sources	\$ 336,126	\$ 266,722	\$ 266,722	\$ (69,404)	\$ -
State sources	14,000	14,322	14,322	322	-
Federal sources	<u>1,302,000</u>	<u>1,355,090</u>	<u>1,355,090</u>	<u>53,090</u>	<u>-</u>
Total Revenues	<u>1,652,126</u>	<u>1,636,134</u>	<u>1,636,134</u>	<u>(15,992)</u>	<u>-</u>
EXPENDITURES					
Support services	169,299	192,112	192,112	(22,813)	-
Noninstructional services	<u>1,321,963</u>	<u>1,251,227</u>	<u>1,251,227</u>	<u>70,736</u>	<u>-</u>
Total Expenditures	<u>1,491,262</u>	<u>1,443,339</u>	<u>1,443,339</u>	<u>47,923</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>160,864</u>	<u>192,795</u>	<u>192,795</u>	<u>31,931</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	2,635	2,635	2,635	-
Operating transfers out	<u>(160,864)</u>	<u>(131,545)</u>	<u>(131,545)</u>	<u>29,319</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(160,864)</u>	<u>(128,910)</u>	<u>(128,910)</u>	<u>31,954</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>63,885</u>	<u>63,885</u>	<u>63,885</u>	<u>-</u>
Fund Balances:					
July 1, 2014, as previously reported	450,000	820,396	820,396	370,396	-
Prior period adjustment	-	(8,831)	-	(8,831)	8,831
July 1, 2014, as restated	<u>450,000</u>	<u>811,565</u>	<u>820,396</u>	<u>361,565</u>	<u>8,831</u>
Increase(Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>(8,831)</u>	<u>-</u>	<u>(8,831)</u>
June 30, 2015	<u>\$ 450,000</u>	<u>\$ 875,450</u>	<u>\$ 875,450</u>	<u>\$ 425,450</u>	<u>\$ -</u>

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

FORREST COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Original to Final	Final to Actual
	Original	Final			
REVENUES					
Federal sources	\$1,259,962	\$ 1,055,325	\$ 1,055,325	\$ (204,637)	\$ -
Total Revenues	<u>1,259,962</u>	<u>1,055,325</u>	<u>1,055,325</u>	<u>(204,637)</u>	<u>-</u>
EXPENDITURES					
Instruction	816,550	728,617	728,617	87,933	-
Support services	365,049	280,559	280,559	84,490	-
Noninstructional services	13,460	12,327	12,327	1,133	-
Total Expenditures	<u>1,195,059</u>	<u>1,021,503</u>	<u>1,021,503</u>	<u>173,556</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>64,903</u>	<u>33,822</u>	<u>33,822</u>	<u>(31,081)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	(64,903)	(33,822)	(33,822)	31,081	-
Total Other Financing Sources (Uses)	<u>(64,903)</u>	<u>(33,822)</u>	<u>(33,822)</u>	<u>31,081</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Forrest County School District
Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

		2015
District's proportion of the net pension liability (asset)	\$	24,786,141
District's proportionate share of the net pension liability (asset)		0.2042%
District's covered - employee payroll		12,476,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		198.669464%
Plan fiduciary net position as a percentage of the total pension liability		67.207687%

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

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

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

Forrest County School District
Required Supplementary Information

Schedule of District Contributions

PERS

Last 10 Fiscal Years*

		2015	
Contractually required contribution	\$	2,088,126	
Contributions in relation to the contractually required contribution		2,088,126	
Contribution deficiency (excess)	\$	-	
District's covered - employee payroll		13,257,943	
Contributions as a percentage of covered - employee payroll		15.75%	

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

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

FORREST COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedules

(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 revision

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

None.

(2) Changes in assumptions

None.

FORREST COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

FORREST COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	369,684
National school lunch program	10.555	998,547
Summer food service program for children	10.559	1,088
Total child nutrition cluster		<u>1,369,319</u>
Schools and roads - grants to states	10.665	<u>101,706</u>
Total U.S. Department of Agriculture		<u>1,471,025</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	<u>136,904</u>
Total Federal Communications Commission		<u>136,904</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,055,325
Career and technical education - basic grants to states	84.048	34,031
Improving teacher quality - state grants	84.367	88,084
Total		<u>1,177,440</u>
Special education cluster:		
Special education - grants to states	84.027	679,160
Special education - preschool grants	84.173	30,318
Total		<u>709,478</u>
Total passed-through Mississippi Department of Education		<u>1,886,918</u>
Total U.S. Department of Education		<u>1,886,918</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>94,580</u>
Total U.S. Department of Health and Human Services		<u>94,580</u>
Total for All Federal Awards		<u>\$ 3,589,427</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The expenditure amounts include transfers out.

FORREST COUNTY SCHOOL DISTRICT

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	\$ 18,146,985	\$ 13,285,131 [*]	\$ 1,214,342 [*]	\$ 1,323,449 [*]	\$ 2,324,063 [*]
Other	<u>4,999,562</u>	<u>1,212,889[*]</u>	<u>432,566[*]</u>	<u>47,391[*]</u>	<u>3,306,716[*]</u>
Total	\$ 23,146,547[*]	\$ 14,498,020	\$ 1,646,908	\$ 1,370,840	\$ 5,630,779
Total number of students *	2,221 [*]				
Cost per student	\$ 10,422	\$ 6,528	\$ 742	\$ 617	\$ 2,535

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

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

FORREST COUNTY SCHOOL DISTRICT

OTHER INFORMATION

FORREST COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
Revenues:				
Local sources	\$ 7,524,546	7,117,175	6,736,785	7,016,434
State sources	10,596,603	9,791,946	10,077,001	10,133,211
Federal sources	409,989	241,896	269,746	403,873
Sixteenth section sources	199,030	-	-	-
Total Revenues	<u>18,730,168</u>	<u>17,151,017</u>	<u>17,083,532</u>	<u>17,553,518</u>
Expenditures:				
Instruction	10,658,023	10,183,181	9,781,972	9,960,013
Support services	7,587,581	7,806,505	7,132,629	7,086,981
Noninstructional services	75,873	77,599	79,567	92,784
Sixteenth section	96,299	-	-	-
Facilities acquisition and construction	81,904	49,068	-	-
Debt service:				
Principal	10,520	10,328	10,139	9,955
Interest	23,755	18,945	584	769
Total Expenditures	<u>18,533,955</u>	<u>18,145,626</u>	<u>17,004,891</u>	<u>17,150,502</u>
Excess (Deficiency) of Revenues over Expenditures	<u>196,213</u>	<u>(994,609)</u>	<u>78,641</u>	<u>403,016</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	200,000	-
Insurance recovery	-	16,916	-	-
Sale of transportation equipment	-	-	5,775	9,250
Operating transfers in	316,135	748,493	383,081	424,664
Other financing sources	-	-	-	3,485
Operating transfers out	(345,756)	(963,542)	(1,399,311)	(575,872)
Total Other Financing Sources (Uses)	<u>(29,621)</u>	<u>(198,133)</u>	<u>(810,455)</u>	<u>(138,473)</u>
Net Change in Fund Balances	166,592	(1,192,742)	(731,814)	264,543
Fund Balances:				
Beginning of period	6,183,221	7,375,963	8,107,777	7,843,234
Fund reclassification	<u>58,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Period	<u>\$ 6,408,011</u>	<u>6,183,221</u>	<u>7,375,963</u>	<u>8,107,777</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

FORREST COUNTY SCHOOL DISTRICT

Other Information

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

	2015	2014	2013*	2012*
Revenues:				
Local sources	\$ 8,145,094	7,697,369	7,335,589	7,624,897
State sources	11,493,752	10,679,281	10,974,915	11,046,685
Federal sources	3,682,301	3,628,662	3,643,013	3,932,034
Sixteenth section sources	277,841	313,485	376,120	458,793
Total Revenues	<u>23,598,988</u>	<u>22,318,797</u>	<u>22,329,637</u>	<u>23,062,409</u>
Expenditures:				
Instruction	12,354,029	11,839,030	11,614,998	11,899,220
Support services	8,529,605	8,858,223	8,129,513	8,410,068
Noninstructional services	1,357,066	1,270,465	1,353,091	1,209,699
Sixteenth section	124,143	172,236	73,378	161,917
Facilities acquisition and construction	81,904	678,641	1,641,517	94,306
Debt service:				
Principal	557,078	766,405	742,035	680,994
Interest	137,492	152,654	153,793	186,901
Debt issuance costs		-	-	40,500
Other	5,230	4,724	9,059	6,799
Total Expenditures	<u>23,146,547</u>	<u>23,742,378</u>	<u>23,717,384</u>	<u>22,690,404</u>
Excess (Deficiency) of Revenues over Expenditures	<u>452,441</u>	<u>(1,423,581)</u>	<u>(1,387,747)</u>	<u>372,005</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	200,000	1,795,000
Insurance recovery	-	16,916	-	-
Premium on refunding bonds issued	-	-	-	4,290
Payments to refunded bond escrow agent	-	-	-	(1,757,348)
Payments held by escrow agent	52,976	51,206	49,462	47,747
Payment to QSCB debt escrow agent	(52,976)	(51,206)	(49,462)	(47,747)
Sale of transportation equipment	-	-	5,775	9,250
Sale of other property	-	-	-	1,938
Operating transfers in	661,891	1,731,003	1,783,301	1,013,495
Other financing sources	-	5,203	-	3,485
Operating transfers out	(661,891)	(1,731,003)	(1,783,301)	(1,013,495)
Other financing uses	-	-	(4,697)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>22,119</u>	<u>201,078</u>	<u>56,615</u>
Net Change in Fund Balances	452,441	(1,401,462)	(1,186,669)	428,620
Fund Balances:				
Beginning of period	9,720,677	11,123,490	12,299,733	11,870,678
Increase (Decrease) in reserve for inventory	<u>(8,831)</u>	<u>(1,351)</u>	<u>10,426</u>	<u>435</u>
End of Period	<u>\$ 10,164,287</u>	<u>9,720,677</u>	<u>11,123,490</u>	<u>12,299,733</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

FORREST COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Forrest County School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Forrest County School District's basic financial statements and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations,

during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
January 15, 2016

FORREST COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Forrest County School District

Report on Compliance for Each Major Federal Program

We have audited Forrest County 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 Forrest County School District's major federal programs for the year ended June 30, 2015. Forrest County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Forrest County 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 the school district's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Forrest County 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 Forrest County 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 the 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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
January 15, 2016

FORREST COUNTY SCHOOL DISTRICT

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Forrest County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2015, which collectively comprise Forrest County School District's basic financial statements and have issued our report thereon dated January 15, 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 \$0 of 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 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.

Page 2

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
January 15, 2016

**FORREST COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements: UNMODIFIED
2. Material noncompliance relating to the general purpose financial statements? NO
3. Internal control over financial reporting:
- a. Material weakness (es) identified? NO
- b. Significant Deficiency(ies) identified that are not considered to be material weakness? NONE REPORTED

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: UNMODIFIED
5. Internal control over major programs:
- a. Material weakness (es) identified? NO
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE REPORTED
6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? NO
7. Federal programs identified as major programs:
- | | |
|--|----------------------|
| Child Nutrition Cluster | |
| School Breakfast Program | CFDA # <u>10.553</u> |
| National School Lunch Program | CFDA # <u>10.555</u> |
| Summer Food Service Program for Children | CFDA # <u>10.559</u> |
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? YES

FORREST COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (continued)

10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133?

NO

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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