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CITY OF FOREST, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

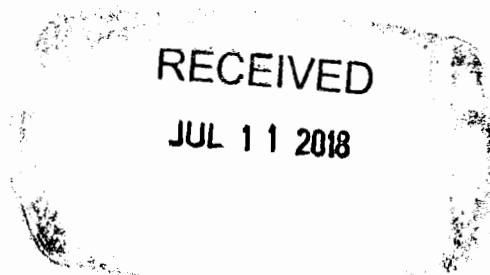
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TONY CHANCE & COMPANY
(A PROFESSIONAL CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS
514-A AIRPORT ROAD
FOREST, MISSISSIPPI 39074

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CITY OF FOREST, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Forest
Forest, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 from 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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, the budgetary comparison information, the schedule of the City's contributions – PERS, and the schedule of the City's proportionate share of the net pension liability – PERS and corresponding notes on pages 6 through 15 and 49 through 52 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 City of Forest, Mississippi's basic financial statements. The

introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

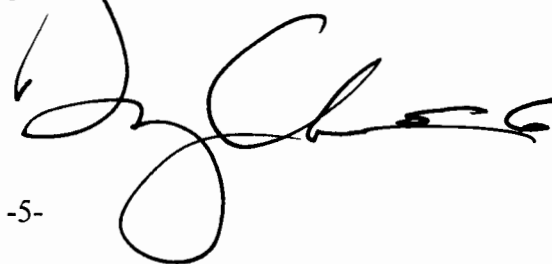
The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections and the schedule of surety bonds for municipal officials of the City have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the City of Forest, Mississippi'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 the City of Forest, Mississippi's internal control over financial reporting and compliance.

Tony Chance & Company
Forest, Mississippi
June 29, 2018

A handwritten signature in black ink, appearing to read 'Tony Chance', is written over the page number.

**CITY OF FOREST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

The Discussion and Analysis of the City of Forest's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the city's performance as a whole. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to the financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the city's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is in a format consistent with the presentation requirements of the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June, 1999.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 were as follows:

- The City's assets exceeded its liabilities by \$26,135,861 (net assets) for the fiscal year reported. This was a decrease in total net position of \$337,855.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$26,203,149 include property and equipment, net of accumulated depreciation.
 - (2) Net position of \$365,741 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$1,315,527) represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City has \$8,593,310 in total revenue. General revenues account for \$3,786,785, or 44% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions account for \$4,806,525 or 56% of total revenues.
- The City had \$9,060,330 in expenses; 47% or \$4,247,599 of these expenses were covered by program specific charges for services, and the balance of \$4,812,731 was covered by general revenues of the City and fund balances at the beginning of the year.
- Among major funds, the General Fund had \$4,555,943 in revenue and \$4,681,779 in expenditures. The General Fund's balance decreased \$125,836 over the prior year.
- The Proprietary fund had \$3,823,938 in revenue and \$3,894,380 in expenditures. The Proprietary fund's balance decreased \$70,442 over the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) and water and sewer charges (proprietary activities). The governmental activities of the City include general government, public safety, streets and sanitation, culture and recreation, and economic development.

The government-wide financial statements can be found on pages 17 and 18 of this report.

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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the city can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on available resources at the end of the fiscal year. Such information may be useful in evaluating the City's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted

to cash. The Governmental Funds Statement provides a detailed short-term view of the City's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

The basic governmental fund financial statements can be found on pages 20 to 23 of this report.

Proprietary funds. The City of Forest maintains one type of proprietary fund, the enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water and Sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

Fiduciary funds. The City's fiduciary funds include payroll clearing, accounts payable, court fines, Forest Municipal School District Taxes, and the Library Expendable Trust. The fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the City programs. Fiduciary fund financial statements are reported similarly to proprietary funds.

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 on pages 28 to 46 of this report.

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

The City adopts an annual operating budget for all governmental funds and proprietary funds. Budgetary comparison statements have been provided for the General Fund and the Enterprise Fund. This required supplementary information can be found on pages 48 to 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

One of the most important questions to ask about the City of Forest's finances is, "Have the City's net assets increased or decreased as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all the City's net assets and liabilities resulting from the use of the accrual basis of accounting and economic resources focus of measurement.

Net position. The City's combined net position, on the accrual basis of accounting and economic resource measurement focus, increased from \$26,473,716 to \$26,135,861 between fiscal years 2016 and 2017.

By far the largest portion of the City's net position reflects its investments in capital assets (e.g. land, infrastructure, buildings, mobile equipment, furniture and equipment). The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

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

The following table reflects condensed information on the City's net position:

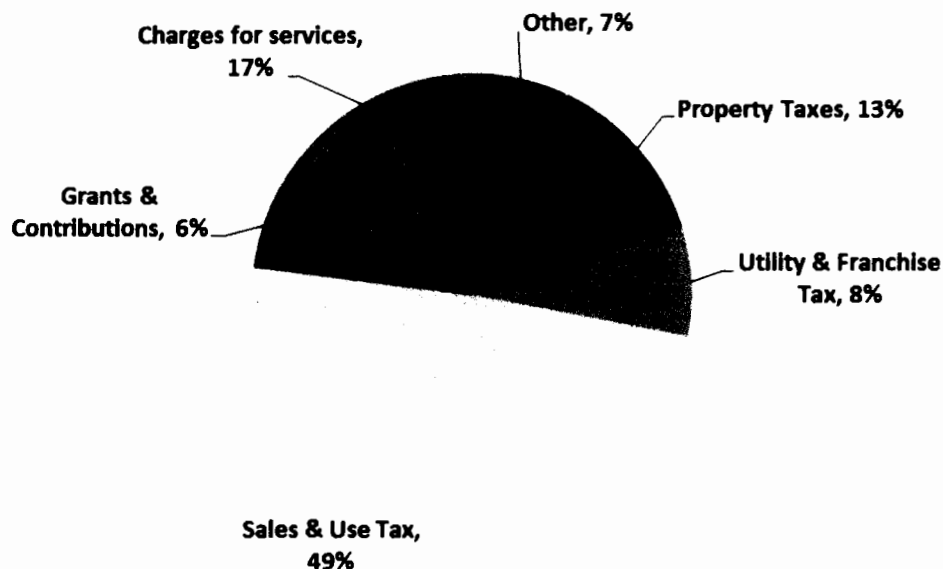
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 4,760,358	\$ 4,474,864	\$ 4,146,207	\$ 3,413,521	\$ 8,906,565	\$ 7,937,481
Capital assets, net	11,563,563	11,297,697	14,639,586	15,308,062	26,203,149	26,605,759
Total Assets	<u>\$16,323,921</u>	<u>\$15,772,561</u>	<u>\$18,785,793</u>	<u>\$18,721,583</u>	<u>\$35,109,714</u>	<u>\$34,543,240</u>
Deferred outflows	<u>\$ 846,659</u>	<u>\$ 1,137,002</u>	<u>\$ 300,541</u>	<u>\$ 405,328</u>	<u>\$ 1,147,200</u>	<u>\$ 1,542,330</u>
Liabilities:						
Current and other liabilities	\$ 278,046	\$ 517,856	\$ 240,986	\$ 142,652	\$ 519,032	\$ 709,604
Long-term liabilities	5,465,221	5,724,805	2,263,537	2,348,619	7,728,758	8,073,424
Total Liabilities	<u>\$ 5,743,267</u>	<u>\$ 6,242,661</u>	<u>\$ 2,504,523</u>	<u>\$ 2,491,271</u>	<u>\$ 8,247,790</u>	<u>\$ 8,783,028</u>
Deferred Inflows:						
Contributions from Industry	<u>\$ 1,043,243</u>	<u>\$ 15,419</u>	<u>\$ 830,020</u>	<u>\$ 813,407</u>	<u>\$ 1,873,263</u>	<u>\$ 828,826</u>
Net Position:						
Nonspendable capital assets	\$11,563,563	\$11,297,697	\$14,639,586	\$15,308,062	\$26,203,149	\$26,605,759
Restricted	136,034	95,705	229,707	303,857	365,741	399,562
Unrestricted	<u>(752,766)</u>	<u>(741,919)</u>	<u>882,498</u>	<u>210,314</u>	<u>(433,029)</u>	<u>(531,605)</u>
Total Net Position	<u>\$11,007,783</u>	<u>\$10,651,483</u>	<u>\$15,751,791</u>	<u>\$15,822,233</u>	<u>\$26,135,861</u>	<u>\$26,473,716</u>

Changes in net position. The City's total revenues and expenses for governmental and business-type activities are reflected in the following table:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program Revenues:						
Charges for services	\$ 834,400	\$ 856,570	\$ 3,642,960	\$ 3,413,175	\$ 4,477,360	\$ 4,269,745
Grants and contributions	306,206	449,177	22,959	193,106	329,165	642,283
General Revenues:						
Sales and use taxes	2,376,816	2,331,321	-	-	2,376,816	2,331,321
Property taxes	639,138	611,764	-	-	639,138	611,764
Other	741,977	712,721	28,854	4,709	770,831	712,721
Total Revenues	\$ 4,898,537	\$ 4,961,553	\$ 3,694,773	\$ 3,610,990	\$ 8,593,310	\$ 8,567,834
Program Expenses:						
General Government	\$ 605,448	\$ 615,574	\$ -	\$ -	\$ 605,448	\$ 645,860
Public Safety	2,303,791	2,236,608	-	-	2,303,791	2,217,160
Streets and Sanitation	1,576,835	1,810,465	-	-	1,576,835	1,530,590
Culture and Recreation	679,876	561,433	-	-	679,876	673,747
Water and Sewer	-	-	3,894,380	3,546,439	3,894,380	3,554,751
Total Expenses	\$ 5,165,950	\$ 5,224,080	\$ 3,894,380	\$ 3,546,439	\$ 9,060,330	\$ 8,622,108
Decrease in deferred inflows- sewer project	\$ -	\$ -	\$ 129,165	\$ 246,719	\$ 129,165	\$ 246,719
Increase (Decrease) in Net Position	\$ (267,413)	\$ (262,527)	\$ (70,442)	\$ 311,270	\$ (337,855)	\$ 48,743

Governmental activities. Revenues for the City's governmental activities for the year ended September 30, 2017, were \$4,898,537 compared to \$4,961,553 in 2016. Revenues decreased \$63,016 mostly due to a decrease in grant revenue.

REVENUES BY SOURCES GOVERNMENTAL ACTIVITIES

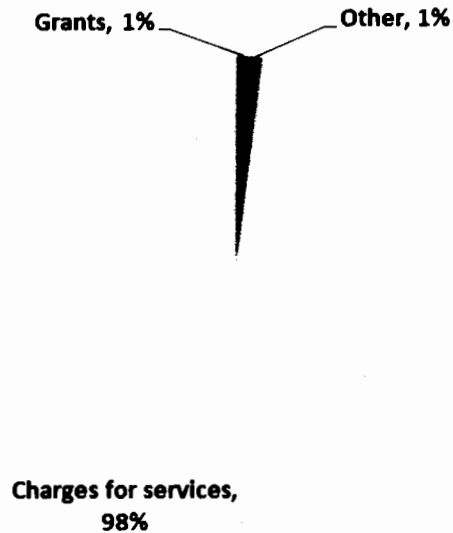


The cost of providing all governmental activities this year was \$5,165,950, an increase of \$58,130 from the prior year. Of this amount, general government expenses decreased \$10,126; public safety expenses increased \$67,183; streets and sanitation expenses decreased \$233,630; culture and recreation expenses increased \$118,443.

The City's largest programs are public safety and streets and sanitation. Expenses exceeding revenues are offset by general revenues generated by taxes, investment income and other general revenues.

Business-type activities: Revenues for business-type activities are, for the most part, comprised of charges for services. During the current year the City received several sewer grants totaling \$22,959. Charges for services for the City's business-type activities were \$3,642,960 for 2017, an increase of \$229,785 from 2016.

Revenues by sources business-type activities



The cost of these business-type activities was \$3,894,380 for 2017, an increase of \$347,941 from 2016 primarily due to increased water and sewer expenses.

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined net position of \$3,858,599, a decrease of \$98,409. \$3,638,413 or 94% of the net position constitutes unassigned fund balance, which is available for spending at the City's discretion. The remaining net position of \$220,186 or 6% is restricted or assigned to indicate that it is not available for spending because it has already been committed.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the City revised the annual operating budget. Schedules showing the final budget amounts compared to the City's actual financial activity for the General Fund and the Enterprise Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of September 30, 2017, the City's total capital assets were \$54,667,397, including land, city buildings, infrastructure, vehicles, and furniture and equipment. This amount represents an increase of \$476,803 from the previous year. The total accumulated depreciation as of September 30, 2017, was \$28,464,237, and total depreciation expense for the year was \$1,454,209, resulting in total net assets of \$26,203,160.

Additional information on the City's capital assets can be found in Note 6 on pages 39 through 40 of this report.

Debt Administration. At September 30, 2017, the City had paid off all bonds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City of Forest's finances and to show the City's accountability for the money it receives. Interested parties may direct questions to or request additional financial information from the Mayor's Office of the City of Forest, 120 South Davis Street, Forest, MS 39074.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CITY OF FOREST
STATEMENT OF NET POSITION
September 30, 2017**

Exhibit A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 321,005	\$ 610,635	\$ 931,640
Investments	3,570,000	2,105,000	5,675,000
Receivables:			
Property taxes	623,713	-	623,713
Tax Lien	22,553	-	22,553
Rent	4,209	-	4,209
Interest	3,299	559	3,858
Trade accounts-billed	-	350,147	350,147
Unbilled trade accounts	-	183,258	183,258
Due from other governments	203,954	-	203,954
Due from other funds	11,625	-	11,625
Restricted assets:			
Cash:			
-Wastewater treatment facilities improvements	-	654,009	654,009
-wastewater treatment fund	-	204,707	204,707
Due from industry:			
-Wastewater treatment fund	-	12,892	12,892
Due from other funds	-	25,000	25,000
Capital assets, net	11,563,563	14,639,586	26,203,149
Total Assets	\$ 16,323,921	\$ 18,785,793	\$ 35,109,714
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources-Pensions	\$ 846,659	\$ 300,541	\$ 1,147,200
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 168,113	\$ 134,591	\$ 302,704
Accounts payable -customers	-	45,903	45,903
Sales tax payable	-	1,017	1,017
Accrued expenses	48,532	16,600	65,132
Due to other funds	61,401	42,875	104,276
Total current liabilities	278,046	240,986	519,032
Non-current liabilities:			
Customer deposits	-	310,236	310,236
Net pension liability	5,465,221	1,953,301	7,418,522
Total Non-current liabilities	5,465,221	2,263,537	7,728,758
Total Liabilities	\$ 5,743,267	\$ 2,504,523	\$ 8,247,790
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources-Pensions	\$ 419,530	151,011	570,541
Deferred inflows of resources-Property taxes receivable-2017	623,713	-	623,713
Restricted assets for sewer projects	-	679,009	679,009
Total Deferred inflows of resources	\$ 1,043,243	\$ 830,020	\$ 1,873,263
<u>NET POSITION</u>			
Net investments in capital assets	\$ 11,563,563	\$ 14,639,586	\$ 26,203,149
Restricted for municipal fire	117,627	-	117,627
Restricted for pretrial intervention	6,011	-	6,011
Restricted for capital assets	12,396	-	12,396
Restricted for wastewater treatment	-	229,707	229,707
Unrestricted	(1,315,527)	882,498	(433,029)
Total Net Position	\$ 10,384,070	\$ 15,751,791	\$ 26,135,861

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 605,448	\$ 130,550	\$ -	\$ 208,722	\$ (266,176)	-	\$ (266,176)
Public safety	2,303,791	224,511	-	72,484	(2,006,796)	-	(2,006,796)
Streets and sanitation	1,576,835	438,559	-	-	(1,138,276)	-	(1,138,276)
Culture and recreation	679,876	40,780	-	25,000	(614,096)	-	(614,096)
Total Governmental Activities	5,165,950	834,400	-	306,206	(4,025,344)	-	(4,025,344)
Business-type activities:							
Water & Sewer	3,894,380	3,413,199	-	252,720	-	(228,461)	(228,461)
Total Primary Government	\$ 9,060,330	\$ 4,247,599	\$ -	\$ 558,926	(4,025,344)	(228,461)	(4,253,805)

General Revenues:

Taxes:			
Sales tax	2,376,816	-	2,376,816
Property tax	639,138	-	639,138
Utility tax	12,377	-	12,377
Franchise taxes	377,201	-	377,201
Unrestricted grants and contributions:			
Intergovernmental	295,093	-	295,093
Public contributions	18,988	-	18,988
Unrestricted investment earnings	12,645	9,690	22,335
Gain (loss) on disposal of land and equipment	21,418	15,865	37,283
Other	4,255	3,299	7,554
Transfers	-	-	-
Total General Revenues	3,757,931	28,854	3,786,785
Decrease in deferred inflows-sewer project	-	129,165	129,165
Change in Net Position	(267,413)	(70,442)	(337,855)
Net Position- Beginning	10,651,483	15,822,233	26,473,716
Net Position - Ending	\$ 10,384,070	\$ 15,751,791	\$ 26,135,861

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

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FUND FINANCIAL STATEMENTS

**CITY OF FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017**

Exhibit C

	<u>General</u>	<u>Grant Management</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 320,986	\$ -	\$ 19	\$ 321,005
Investments	3,500,000	-	70,000	3,570,000
Receivables:				
Property taxes	623,713	-	-	623,713
Tax lien	22,553	-	-	22,553
Rent	4,209	-	-	-
Interest	3,299	-	-	3,299
Due from other funds	36,625	-	48,973	85,598
Due from other governments	203,954	-	-	203,954
Total Assets	<u>\$ 4,715,339</u>	<u>\$ -</u>	<u>\$ 118,992</u>	<u>\$ 4,834,331</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:				
Accounts payable	\$ 166,748	-	1,365	\$ 168,113
Accrued expenses	48,532	-	-	48,532
Due to other funds	135,374	-	-	135,374
Total Liabilities	<u>350,654</u>	<u>-</u>	<u>1,365</u>	<u>352,019</u>
Deferred Inflows of Resources:				
Unavailable revenue-property taxes	623,713	-	-	623,713
Net Position:				
Restricted for municipal fire	-	-	117,627	117,627
Restricted for pretrial intervention	6,011	-	-	6,011
Restricted for capital projects	12,396	-	-	12,396
Assigned for police cars	59,661	-	-	59,661
Assigned for downtown development	24,491	-	-	24,491
Unassigned, reported in:				
General Fund	3,638,413	-	-	3,638,413
Total Fund Balance	<u>3,740,972</u>	<u>-</u>	<u>117,627</u>	<u>3,858,599</u>
Total Liabilities and Fund Balances	<u>\$ 4,715,339</u>	<u>\$ -</u>	<u>\$ 118,992</u>	<u>\$ 4,834,331</u>

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

CITY OF FOREST
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2017

Exhibit C-1

Total Fund Balance - Governmental Funds	\$	3,858,599
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Amounts reported for net position in the statement of net position
are different because:

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

Governmental capital assets	\$	19,957,668	
Less accumulated depreciation		<u>(8,394,105)</u>	11,563,563

Deferred outflows of resources-pension		846,659
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Long-term liabilities not due and payable in the current period,
and, therefore not reported in the funds:

Net pension liability		(5,465,221)
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Deferred inflows of resources-pension		<u>(419,530)</u>
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Total Net Position - Governmental Activities	\$	<u>10,384,070</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FOREST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2017

Exhibit D

	General	Grant Management	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 639,138	\$ -	\$ -	\$ 639,138
Penalties & interest on delinquent taxes	42,512	-	-	42,512
Licenses and permits	48,776	-	-	48,776
Franchise taxes on utilities	377,201	-	-	377,201
Intergovernmental revenue:				
Federal sources - TVA	5,720	-	-	5,720
Federal sources - other	-	269,560	-	269,560
Homestead exemption reimbursement	27,412	-	-	27,412
General municipal aid	8,480	-	-	8,480
Sales tax	2,376,816	-	-	2,376,816
Utility tax	12,377	-	-	12,377
State grants	-	36,646	-	36,646
Fire Protection-State	-	-	31,825	31,825
County contributions	213,406	-	8,250	221,656
Charges for services	518,601	-	-	518,601
Donations	18,988	-	-	18,988
Fines and forfeitures	224,511	-	-	224,511
Interest income	12,437	-	208	12,645
Miscellaneous	4,455	-	-	4,455
Total Revenues	<u>4,530,830</u>	<u>306,206</u>	<u>40,283</u>	<u>4,877,319</u>
Expenditures				
General government	486,937	218,973	-	705,910
Public safety	1,967,320	144,611	12,856	2,124,787
Streets and sanitation	1,580,836	-	-	1,580,836
Culture and recreation	519,328	69,980	-	589,308
Total Expenditures	<u>4,554,421</u>	<u>433,564</u>	<u>12,856</u>	<u>5,000,841</u>
Excess of Revenues Over (Under) Expenditures	<u>(23,591)</u>	<u>(127,358)</u>	<u>27,427</u>	<u>(123,522)</u>
Other Financing Sources				
Sale of land	4,200	-	-	4,200
Sale of equipment	20,913	-	-	20,913
Transfers in	-	127,358	-	127,358
Transfers out	(127,358)	-	-	(127,358)
Total Other Financing Sources	<u>(102,245)</u>	<u>127,358</u>	<u>-</u>	<u>25,113</u>
Net Change in Fund Balances	<u>(125,836)</u>	<u>-</u>	<u>27,427</u>	<u>(98,409)</u>
Fund Balance, October 1, 2016	<u>3,866,808</u>	<u>-</u>	<u>90,200</u>	<u>3,957,008</u>
Fund Balance, September 30, 2017	<u>\$ 3,740,972</u>	<u>\$ -</u>	<u>\$ 117,627</u>	<u>\$ 3,858,599</u>

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

CITY OF FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

Exhibit D-1

Net Change in fund balances - governmental funds \$ (98,409)

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

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is depreciated over their useful lives:

Expenditures for capital assets	\$ 895,704	
Less current year depreciation	<u>(626,143)</u>	
		269,561

When recognizing the sale of capital assets, the governmental
funds report the total proceeds of the sale. Only the gain or
loss on the sale is reported on the Statement of Net Position.

Book value of assets sold	(3,895)
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Under the modified accrual basis of accounting used in Governmental Funds,
expenditures are not recognized for transactions that are not normally paid
with expendable available financial resources. However, in the Statement of Activities
which is presented on the accrual basis, expenses and liabilities are reported
regardless of when financial resources are available. Thus, the change in net position
differs from the change in fund balance by the following:

Pension expense	<u>(434,670)</u>
Change in net position of governmental activities	<u>\$ (267,413)</u>

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

**CITY OF FOREST, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2017**

Exhibit E

ASSETS

Current Assets:

Cash		\$	610,635
Investments			2,105,000
Receivables:			
Trade accounts	\$	350,147	
Unbilled trade accounts		183,258	
Interest		559	533,964
Total Current Assets			3,249,599

Restricted Assets:

Cash:			
Wastewater treatment facilities improvements	\$	654,009	
Wastewater treatment fund		204,707	858,716
Due from industry-wastewater treatment			12,892
Due from other funds			25,000
Total Restricted Assets			896,608

Noncurrent Assets

Capital assets (net)			14,639,586
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Total Assets

18,785,793

Deferred Outflows of Resources

Deferred outflows-pension			300,541
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Total Assets and Deferred Outflows

\$ 19,086,334

Current Liabilities:

Accounts payable	\$	134,591	
Accounts payable - customers		45,903	
Accounts payable-grant projects (payable from restricted assets)		-	\$ 180,494
Sales tax payable			1,017
Accrued expenses			16,600
Due to other funds			42,875
Current Liabilities			240,986

Non-current Liabilities:

Customer deposits (payable from restricted assets)		310,236	
Net pension liability		1,953,301	
Total Non-current Liabilities			2,263,537

Total Liabilities

2,504,523

Deferred Inflows of Resources:

Deferred inflows-pension		151,011	
Restricted assets for sewer project		679,009	830,020

Total Liabilities and Deferred Inflows

\$ 3,334,543

NET POSITION

Net Position

Nonspendable capital assets	\$	14,639,586
Restricted for wastewater treatment		229,707
Unrestricted		882,498

Total Net Position

\$ 15,751,791

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

CITY OF FOREST
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION -PROPRIETARY FUND
Year ended September 30, 2017

Exhibit F

		<u>Proprietary Fund</u>
Operating Revenue:		
Charges for services	\$ 3,413,199	
Wastewater treatment charges-industry	<u>229,761</u>	\$ 3,642,960
Operating Expenses:		
Personal services	1,242,877	
Maintenance, operations, and contractual services	446,150	
Materials and supplies	581,738	
Utilities	795,548	
Depreciation	<u>828,067</u>	<u>3,894,380</u>
Operating Loss		(251,420)
Nonoperating Revenues (Expenses):		
Federal grants	22,959	
State grants	-	
Interest income	9,690	
Gain on disposal of equipment	15,865	
Other	<u>3,299</u>	<u>51,813</u>
Loss before decrease in deferred inflows		(199,607)
Decrease in deferred inflows-sewer project		<u>129,165</u>
Change in net position		(70,442)
Net position, October 1, 2016		<u>15,822,233</u>
Net position, September 30, 2017		<u>\$ 15,751,791</u>

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

**CITY OF FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2017**

Exhibit G

Cash flows from Operating Activities

Receipts from customers	\$ 3,839,923	
Payments to suppliers	(1,764,355)	
Payments to employees	(1,085,459)	
Net Cash Used by Operating Activities		\$ 990,109

Cash Flows from Investing Activities

Interest earned on investments	9,324	
Loan to General Fund	-	
Acquisition and construction of capital assets	(164,101)	
Net Cash Used by Investing Activities		(154,777)

Cash Flows from Capital and Related Financing Activities

Grant revenue - Federal	22,959	
Gain on disposal of equipment	15,865	
Proceeds from Other Governments	50,276	
Other	3,299	
Net Cash Provided by Capital and Related Financing Activities		92,399

Net Increase in Cash and Restricted Cash	927,731
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Cash and Restricted Cash, October 1, 2016	2,646,620
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Cash and Restricted Cash, September 30, 2017	\$ 3,574,351
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The notes to the financial statements are an integral part of this statement.

**CITY OF FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2017**

Exhibit G (cont.)

**Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities**

Operating Income

Adjustments to reconcile operating loss to net cash
provided by operating activities:

Operating Loss	\$ (251,420)
Depreciation and amortization	828,067
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(52,985)
Decrease in "Due from Industry"	21,750
Increase in Accounts Payable	58,487
Increase in Sales Tax Payable	347
Increase in Accrued Expenses	1,131
Increase in "Due to Other Funds"	219,246
Increase in Customer Deposits	8,606
Decrease in Net Pension Liability	(93,688)
Change in deferred inflow	<u>250,568</u>

Net Cash Used by Operating Activities	<u>\$ 990,109</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2017

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Forest, Mississippi ("City") operates under the mayor/board of aldermen form of government and provides services as authorized by law.

The financial statements of the City of Forest are prepared in accordance 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.

A. Financial Reporting Entity

In June, 1999, GASB issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This statement affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities.

Government-wide financial statements – The reporting model includes financial statements prepared using full accrual accounting for all the government’s activities. This approach includes current assets and liabilities as well as capital assets and long-term liabilities. Accrual accounting also reports all the revenues and cost of providing services each year, not just those received or paid that year.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (governmental and business-type activities) and its component units. Governments will report all capital assets, including infrastructure, in the government-wide statement of net assets and will report depreciation expense in the statement of activities.

Statement of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund financial statements – Fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include a reconciliation to the government-wide statement.

Budgetary comparison schedules – Compliance with the adopted budget is an important component of the government's accountability to the public.

The criteria for including organizations as component units within the City's reporting entity, as set forth in Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, have been applied. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose a financial burden on, the primary government. A primary government may also be financially accountable for organizations that are financially dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based on the application of the criteria above, no component units of the City of Forest were identified.

B. Government-wide and Fund Financial Statements

The government-wide financial statement (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The statement of activities demonstrates the degree to which expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from services or privileges provided and grants and contributions that are restricted to meeting certain operational or capital needs of a function. Taxes and other items not included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, propriety funds and fiduciary funds, even though fiduciary funds are excluded from the governmental-wide financial statements. Major individual governmental and propriety funds are reported in separate columns in the fund financial statements.

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

The governmental-wide financial statements, propriety fund financial statements and fiduciary fund financial statements are reported using the economic resources measurement and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

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. Taxpayer assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest payments on general long-term debt, which are recognized when due.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific expenditure purposes.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing water and sewer services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other funds. These include Expendable Trust and Agency Expendable Trust Funds which are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Municipalities* issued by the Office of the State Auditor.

E. Encumbrances

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

F. Cash and Other Deposits (and Cash Equivalents)

The City deposits excess funds in the financial institutions selected by the City Council in accordance with state statutes.

Cash consists of amounts on deposit in demand accounts and savings accounts. Other deposits consist of certificates of deposit. Cash and other deposits are valued at cost.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

For purposes of the statement of cash flows, the City considers all highly liquid investments and certificates of deposit to be cash equivalents if they have a maturity of three months or less when acquired.

G. Investments

The City is allowed by statute to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time certificates of deposit or interest-bearing accounts with any financial institution approved for the deposit of state funds; or in any type of investment permitted by Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972).

For accounting purposes, certificates of deposit and interest-bearing accounts are classified as cash and other deposits.

H. Inventories and Prepaid Items

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets

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

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

straight-line basis for all assets, except land. The following schedule details those thresholds:

	Capitalization <u>Policy</u>	Estimated <u>Useful Life</u>
Land	\$ -	-
Infrastructure – Roads	25,000	20 years
Infrastructure – Concrete bridges	25,000	50 years
Buildings	25,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Heavy equipment	5,000	10 years
Mobile equipment	500	5 years
Furniture and equipment	500	3-7 years
Software	500	3 years

J. Restricted Assets

The use of certain assets may be restricted by specific provisions of bond resolutions and/or agreements with various parties. Assets so designated are identified as restricted assets on the statement of net assets. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available.

K. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund-balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental activities as reported in the government-wide statement of activities.

L. Compensated Absences

Employees of the City accumulate sick leave at a minimum amount as required by state law or at an amount provided by policy of the City. Employees are allowed vacation leave, but vacation time is generally required to be used within one year of accrual. The City does not provide for payment of accumulated sick leave, but up to 10 days of accumulated vacation will be paid if requested by the employee.

No accrual has been made for compensated absences. The City's experience is that individuals who leave the City's employ generally have little or no accrued vacation leave. In the opinion of City management, any accrual would be immaterial to the financial statements.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes become delinquent February 1. The City bills and collects its own property taxes except for the personal auto, large truck and house trailer taxes that are collected and remitted to the City by the county tax collector. The City also acts as tax assessor and collector for the Forest Municipal School District in the same manner as previously mentioned. Collections for the Forest Municipal School District are remitted monthly as collected to the District. City property tax revenues are recognized when levied to the extent that they result in current receivables. The millage rate for the City and School combined for January through December, 2016, was 66.92 mills.

The taxes were distributed to funds in accordance with prescribed tax levies. A tax sale was held for uncollected taxes. Remaining uncollected taxes were not accrued.

Ad valorem tax collections were within the limitations of Section 27-39-320 to 27-39-323 as follows:

\$5,206,318	Base 2015 - 2016	\$5,324,715	Taxes collected 2016 - 2017
<u>521,000</u>	10% Increase	<u>105,256</u>	Homestead Exemption Reimbursements
5,727,318		5,429,971	Total Collections
<u>317,212</u>	Exempt Collections	<u>614,559</u>	Under Limitations
<u>\$6,044,530</u>	Total	<u>\$6,044,530</u>	Total

N. Economic Dependency

Two heavy water users of the Water and Sewer Enterprise Fund accounted for 76% of total consumption. Revenues are based upon consumption. These two users produced 65% of gross revenue.

O. Fair Values of Financial Instruments

The carrying amounts of cash, accounts receivables, other current assets, accounts payable, accrued expenses and current portion and non-current portion of notes payable approximate fair value, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.

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Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

P. Budgetary and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. During September, the budget must be published in a newspaper published in the city (or the county if none is published by the city).
3. Prior to the adoption of the budget, at least one public hearing is held by the Board of Aldermen to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing must be held with advance notice at least one week prior to the adoption of the budget and must be held outside normal working hours.
4. Prior to September 15, the budget is legally enacted through passage of an ordinance.
5. Routine budget revisions may be made by the Board as often as necessary. However, when a department's total budget has been revised up or down by ten percent (10%) or more, public notice must be given of the change. Also, during the first three months of office, while operating under the prior Board's budget, the new Board is limited to one revision if a deficit is evident.
6. It is the City's policy for the Board to approve all budget transfers between departments and/or funds.
7. Formal budgetary integration is employed as a management control device during the year for the various funds. Budgeting data presented is as originally adopted or amended by the Board of Aldermen.
8. Budgets for the various funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) but rather on a modified cash basis as required by State statutes.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

R. Due From Other Funds

Short-term amounts owed between funds are classified as “due to/from other funds” and are considered “available spendable resources”. These amounts are eliminated in the government-wide financial statements.

S. Comparative Data

Comparative total data for the prior year has been presented in the supplementary budgetary comparison schedule in order to provide an understanding of changes in the general fund’s financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make statements unduly complex and difficult to understand.

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The collateral for public entities’ deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity’s funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City’s deposits with financial institutions was \$7,833,579.

Investments

Investments made by the City that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered for which the securities are held by the City or its agent in the City’s name.

Category 2 – Uninsured and unregistered for which the securities are held by the broker or dealer’s trust department or agent in the City’s name.

Category 3 – Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City’s name.

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – Continued

<u>Investment Type</u>	<u>Category</u>				<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>-</u>		
Certificates of Deposit	<u>\$5,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$5,180,000</u>	<u>\$5,180,000</u>

Note 3. INTERFUND ASSETS/LIABILITIES

The following is a summary of due from/to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
<u>General Fund</u>			
Water and Sewer Enterprise Fund	\$ 11,625	\$ -	
Payroll Clearing Fund	-	28,399	
Forest Municipal School District Taxes	-	3,078	
Municipal Fire Fund	-	48,973	
Court Fines Fund	-	29,924	
	<u>11,625</u>	<u>110,374</u>	\$ (98,749)
<u>Municipal Fire Fund</u>			
General Fund	<u>48,973</u>	-	
	<u>48,973</u>	-	48,973
<u>Water and Sewer Enterprise Fund</u>			
General Fund – Garbage	-	11,625	
Payroll Clearing Fund	-	6,250	
	-	<u>17,875</u>	(17,875)
<u>Payroll Clearing Fund</u>			
Water and Sewer Enterprise Fund	6,250	-	
General Fund	<u>28,399</u>	-	
	<u>34,649</u>	-	(34,649)
<u>Forest Municipal School District Taxes</u>			
General Fund	<u>3,078</u>	-	
	<u>3,078</u>	-	3,078
<u>Court Fines Fund</u>			
General Fund	<u>29,924</u>	-	
	<u>29,924</u>	-	<u>29,924</u>
Total	<u>\$ 128,249</u>	<u>\$ 128,249</u>	<u>\$ -</u>

Note 4. Due From/To Other Governments

Due from other Governments at September 30, 2017, consists of the following:

Due From:	Governmental	Water & Sewer	Agency	Total
	Fund	Enterprises Fund	Funds	
State of MS:				
-Sales tax	\$ 185,155	\$ -	\$ -	\$ 185,155
-Airport	11,646	-	-	11,646
	<u>196,801</u>	<u>-</u>	<u>-</u>	<u>196,801</u>
Scott County:				
-Coliseum roof	750	-	-	750
-Ad valorem tax	6,403	-	30,626	37,029
	<u>7,153</u>	<u>-</u>	<u>30,626</u>	<u>37,779</u>
Due From Totals	<u>\$ 203,954</u>	<u>\$ -</u>	<u>\$ 30,626</u>	<u>\$ 234,580</u>

Due To Other Governments at September 30, 2017, consists of the following:

State of MS:				
--Bonds	\$ -	\$ -	\$ 29,924	\$ 29,924
Forest Municipal School District:				
--Ad valorem taxes	-	-	127,248	127,248
Due To Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,172</u>	<u>\$ 157,172</u>

Note 5. COMPONENTS OF RESTRICTED ASSETS

Components of restricted assets are as follows:

Governmental Activities

Municipal Fire Fund	\$ 117,627	
Pretrial Intervention	6,011	
Capital Assets	<u>12,396</u>	\$ 136,034

Business Type Activities

Waste Water Treatment - Heavy users of the wastewater treatment facilities are billed separately for their use with the funds restricted for the purchase of chemicals and operating and maintenance expenses	<u>229,707</u>	
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Total	<u>\$ 365,741</u>	
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Note 6. CAPITAL ASSETS

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

	Balance 9/30/16	Additions	Retirements	Balance 9/30/17
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 1,158,010	\$ -	\$ -	\$ 1,158,010
<u>Depreciable Capital Assets:</u>				
Infrastructure – bridges	50,605	-	-	50,605
Buildings	6,948,881	9,437	-	6,958,318
Improvements	5,842,804	501,458	-	6,344,262
Mobile equipment	2,556,382	115,577	68,218	2,603,741
Furniture and fixtures	305,803	13,309	7,673	311,439
Equipment	2,349,725	255,923	93,607	2,512,041
Software	<u>19,252</u>	<u>-</u>	<u>-</u>	<u>19,252</u>
Total Depreciable Capital Assets	<u>18,073,452</u>	<u>895,704</u>	<u>169,498</u>	<u>18,799,658</u>
<u>Less Accumulated Depreciation:</u>				
Infrastructure – bridges	20,242	1,012	-	21,254
Buildings	4,158,015	321,483	-	4,479,498
Mobile equipment	2,052,385	85,448	68,218	2,069,615
Furniture and fixtures	218,139	21,632	7,673	232,098
Equipment	1,465,732	196,568	89,912	1,572,388
Software	<u>19,252</u>	<u>-</u>	<u>-</u>	<u>19,252</u>
Total Accumulated Depreciation	<u>7,933,765</u>	<u>626,143</u>	<u>165,803</u>	<u>8,394,105</u>
Governmental Activities Capital Assets, Net	<u>\$11,297,697</u>	<u>\$ 269,561</u>	<u>\$ 3,695</u>	<u>\$11,563,563</u>

Note 6. CAPITAL ASSETS – Continued

Depreciation expense was charged to the following governmental functions:

General Government:	
Airport	\$ 70,861
Other	32,800
Public Safety:	
Police	89,943
Fire	75,869
Public Works	110,380
Culture and Recreation:	
Library	69,513
Other	<u>176,777</u>
Total depreciation expense	<u>\$ 626,143</u>

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

	Balance <u>9/30/16</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>9/30/17</u>
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 162,395	\$ -	\$ -	\$ 162,395
<u>Depreciable Capital Assets:</u>				
Machinery and equipment	1,293,299	54,685	332,374	1,015,610
Water plant	6,477,177	105,491	-	6,582,668
Waste treatment plant	<u>27,026,261</u>	<u>-</u>	<u>77,205</u>	<u>26,949,056</u>
Total Depreciable				
Capital Assets	<u>34,796,737</u>	<u>160,176</u>	<u>409,579</u>	<u>34,547,334</u>
<u>Less Accumulated Depreciation:</u>				
Machinery and equipment	1,093,324	66,316	332,305	827,335
Water plant	4,845,166	92,208	-	4,937,374
Waste treatment plant	<u>13,712,570</u>	<u>669,542</u>	<u>76,689</u>	<u>14,305,423</u>
Total Accumulated				
Depreciation	<u>19,651,060</u>	<u>828,066</u>	<u>408,994</u>	<u>20,070,132</u>
Total depreciable				
capital assets, net	<u>15,145,677</u>	<u>(667,890)</u>	<u>585</u>	<u>14,477,202</u>
Proprietary activities				
capital assets, net	<u>\$15,308,072</u>	<u>\$ (667,890)</u>	<u>\$ 585</u>	<u>\$14,639,597</u>

Depreciation expense charged to the enterprise fund totaled \$828,066.

Note 7. GOVERNMENTAL FUND BALANCES

Non-spendable – These are assets that are not expected to be converted to cash; not in spendable form.

Restricted - These amounts are externally constricted by grantors and contributors.

Assigned - These are amounts that are intended by the City to be used for a particular purpose, but are neither restricted or committed.

The Board of Aldermen is officially authorized to assign amounts to a specific purpose.

Unassigned – These are amounts that are not constrained and can be used for any general purpose of the City.

The City considers restricted amounts to have been spent prior to unassigned amounts and assigned amounts to have been spent prior to unassigned amounts.

Note 8. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Plan Description. The City of Forest is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the County. Code Section 25-11-15, Miss. Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided. 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 2.00% of their average compensation for each year of creditable service up to and including 30

Note 8. DEFINED BENEFIT PENSION PLAN – (CONTINUED)

years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et Seq. Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 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 percent compounded for each fiscal year thereafter.

Contributions. PERS Chapter 11 of Title 25, Miss. Code Ann. (1972) contribution of plan members and their employers are established and may be amended only by PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2016, member employees were required to contribute 9.00% of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2017, 2016 and 2015 were \$450,894, \$438,383 and \$434,255, respectively. The contributions for each year met the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City of Forest reported a liability of \$7,418,522 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was .044627%, which was an increase of .00112% from its proportion measured as of June 30, 2016.

Note 8. DEFINED BENEFIT PENSION PLAN – (CONTINUED)

For the year ended September 30, 2017, the City of Forest recognized pension expense of \$1,036,376.

At September 30, 2017, the City of Forest reported as components of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF FOREST	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 173,760	\$ 54,531
Net difference between projected and actual earnings on pension plan investments	672,283	-
Changes in assumptions	168,671	516,210
Changes in proportion and differences between entity contributions and proportionate share of contributions	20,133	-
Entity contributions subsequent to the measurement date	112,353	-
Total	<u>\$1,147,200</u>	<u>\$ 570,741</u>

These amounts will be amortized as follows:

<u>Year ended June/September 30</u>	<u>General Government</u>
2018	\$ 278,317
2019	91,785
2020	<u>94,004</u>
Total	<u>\$ 464,106</u>

\$112,353 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018.

Actuarial assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net pension plan investment expense, including inflation

Note 8. DEFINED BENEFIT PENSION PLAN – (CONTINUED)

Mortality rates were based on the RP-2014 Health Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males.

The actuarial assumption used in the June 30 2017, valuation was based on the results of an actuarial experience study for the pension July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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 rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	<u>1.00</u>	(0.00)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Note 8. DEFINED BENEFIT PENSION PLAN – (CONTINUED)

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Discount</u> <u>Rate (7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
City's net pension liability	\$9,729,887	\$7,418,522	\$5,499,587

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 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

Participation in Public Entity Risk Pool:

The City participates in the Mississippi Municipal Liability Plan (MMLD), an insurance purchasing pool. The City, along with other municipalities as a group, purchased insurance to insure against losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Settled claims resulting from these insured risks have not exceeded the City's insurance coverage since it joined the pool.

The City is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool, frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City'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.

The City's agreement with the two entities provides that the entities will be self-sustaining through premiums and will provide \$500,000 per occurrence coverage for lost liability under automobile and general liability and \$1,000,000 statutory workers' compensation protection.

Note 10. OPERATING LEASES

During the current year, the City was leasing eight (8) pieces of equipment for 36 months. Maturity dates range from May 13, 2017, to July 26, 2020. At the end of the lease terms, the equipment is returned to the lessor or purchased at specified amounts, which approximate fair market value. Historically, the City has returned the equipment after the initial lease term. Monthly payments range from \$731 per month to \$1,847 per month, totaling \$9,017 per month. In the fiscal year ended September 30, 2017, the City paid lease payments of \$85,472.

Minimum loan payments over the next 5 years are as follows:

September 30,	
2018	\$ 88,463
2019	51,256
2020	<u>19,501</u>
	<u>\$ 159,220</u>

Note 11. COMMITMENTS AND CONTINGENCIES

Grant Audit

The City receives Federal grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a request for reimbursement by the Federal Government for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City management, such disallowance, if any, will not be significant.

Note 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2018, the date of which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule 1a

	Budget Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget
				Over (under)
Revenues				
General property taxes	\$ 778,575	\$ 778,575	\$ 639,138	\$ (139,437)
Penalties & interest on delinquent taxes	30,000	30,000	42,512	12,512
School Advalorem collection fee	39,162	39,162	39,162	-
Licenses and permits	71,600	71,600	48,776	(22,824)
Franchise taxes on utilities	440,000	440,000	377,201	(62,799)
Federal and state shared revenues	2,953,100	2,953,100	2,644,211	(308,889)
Charges for services	496,500	496,500	479,439	(17,061)
Fines and forfeitures	257,000	257,000	224,511	(32,489)
Donations	-	-	18,988	18,988
Interest income	30,000	30,000	12,437	(17,563)
Miscellaneous	58,500	58,500	4,455	(54,045)
Total Revenues	5,154,437	5,154,437	4,530,830	(623,607)
Expenditures				
General government	681,875	681,875	486,937	194,938
Public safety	2,124,300	2,124,300	1,967,320	156,980
Streets and sanitation	1,837,538	1,837,538	1,580,836	256,702
Culture and recreation	698,399	698,399	519,328	179,071
Total Expenditures	5,342,112	5,342,112	4,554,421	787,691
Excess of Revenues				
Over (Under) Expenditures	(187,675)	(187,675)	(23,591)	164,084
Other Financing Sources (Uses)				
Sale of equipment	-	-	20,913	20,913
Sale of Land	5,000	5,000	4,200	(800)
Transfers out	-	-	(127,358)	(127,358)
Total Other Financing Sources	5,000	5,000	(102,245)	(107,245)
Net Change in Fund Balances	(182,675)	(182,675)	(125,836)	56,839
Fund Balance, October 1, 2016	3,866,808	3,866,808	3,866,808	-
Fund Balance, September 30, 2017	\$ 3,684,133	\$ 3,684,133	\$ 3,740,972	\$ 56,839

CITY OF FOREST
BUDGETARY COMPARISON SCHEDULE FOR PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Schedule 1b

	Budget Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Over (under)
Operating Revenue:				
Charges for services	3,477,985	3,477,985	3,642,960	164,975
Operating Expenses:				
Personal Services	1,266,450	1,266,450	1,242,877	23,573
Maintenance, operations, and contractual services	366,285	366,285	446,150	(79,865)
Materials and supplies	787,500	787,500	581,738	205,762
Utilities	915,750	915,750	795,548	120,202
Depreciation	-	-	828,067	(828,067)
Total Operating Expenses	3,335,985	3,335,985	3,894,380	(558,395)
Operating Income (Loss)	142,000	142,000	(251,420)	(393,420)
Nonoperating Revenues (Expenses):				
Grant Revenue	-	-	22,959	22,959
Miscellaneous	5,000	5,000	3,299	(1,701)
Interest income	3,000	3,000	9,690	6,690
Gain on sale of equipment	-	-	15,865	15,865
Total Nonoperating Revenues (Expenses)	8,000	8,000	51,813	43,813
Decrease in deferred inflows-sewer project	-	-	129,165	129,165
Net Income	150,000	150,000	(70,442)	(220,442)
Net position, October 1, 2016	15,822,233	15,822,233	15,822,233	-
Net position, September 30, 2017	15,972,233	15,972,233	15,751,791	(220,442)

City of Forest, Mississippi
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 450,894	\$ 438,383	\$ 434,255
Contributions in relation to the contractually required contribution	<u>450,894</u>	<u>438,383</u>	<u>434,255</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City employee-covered payroll	\$ 2,862,819	\$ 2,783,384	\$ 2,757,175
Contributions as a percentage of employee-covered payroll	15.75%	15.75%	15.75%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

City of Forest, Mississippi
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	<u>2017</u>		<u>2016</u>		<u>2015</u>
City's proportion of the net pension liability (asset)	\$ 7,418,522	\$	7,771,794	\$	6,872,639
City's proportionate share of the new pension liability (asset)	0.44627%		0.43509%		0.44460%
City's employee-covered payroll	\$ 2,862,819	\$	2,783,384	\$	2,757,175
City's proportionate share of the net pension liability as a percentage of its employee -covered payroll	259.13300%		279.22305%		249.0831%
Plan fiduciary net position as a percentage of the total pension liability	352.3055%		340.6384%		384.4953%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

The budget is adopted by the Board of Aldermen. Amendments can be made with the approval of the Board. Expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payments of emergency warrants. A budgetary comparison is presented for the general fund and proprietary fund consistent with accounting principles generally accepted in the United States of America.

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF FOREST, MISSISSIPPI
STATEMENT OF FIDUCIARY
NET POSITION-FIDUCIARY FUNDS
September 30, 2017**

	<u>Agency Funds</u>				<u>Total</u>
	<u>Payroll Clearing</u>	<u>Court Fines</u>	<u>Forest Municipal School Distr. Taxes</u>	<u>Library Expendable Trust</u>	
<u>ASSETS</u>					
Cash	\$ (16,273)	\$ 45,337	\$ -	\$ 15,122	\$ 44,186
Investments	-	-	-	325,000	325,000
Accrued interest receivable	-	-	-	86	86
Due from other funds	34,614	29,924	3,078	-	67,616
Taxes receivable	-	-	93,543	-	93,543
Due from other governments	-	-	30,626	-	30,626
Total Assets	<u>\$ 18,341</u>	<u>\$ 75,261</u>	<u>\$ 127,247</u>	<u>\$ 340,208</u>	<u>\$ 561,057</u>
<u>LIABILITIES</u>					
Payroll taxes payable	\$ 18,334	\$ -	\$ -	-	\$ 18,334
Due to State of Mississippi	-	29,924	-	-	29,924
Due to Forest Municipal School District	-	-	127,248	-	127,248
Due to other funds	-	-	-	-	-
Refundable bond fees	-	45,337	-	-	45,337
Total Liabilities	<u>18,334</u>	<u>75,261</u>	<u>127,248</u>	<u>-</u>	<u>220,843</u>
Net position held in trust	<u>\$ 7.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,208</u>	<u>\$ 340,215</u>

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2017

	Payroll Clearing	Court Fines	Forest Municipal School Distr. Taxes	Library Expendable Trust	Total
Additions					
Trust receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	<u>1</u>	<u>-</u>	<u>-</u>	<u>1,578</u>	<u>117</u>
Total additions	1	-	-	1,578	6,674
Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	-	-	-	-	-
Changes in net position	1	-	-	1,578	6,674
Net position held in trust:					
Beginning of year	<u>6</u>	<u>-</u>	<u>-</u>	<u>338,630</u>	<u>24,731</u>
End of year	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,208</u>	<u>\$ 340,215</u>

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

CITY OF FOREST, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Surety</u>	<u>Amount</u>
Nancy Chambers	Mayor	Travelers	\$ 50,000
Will Jones	Chief of Police	CNA Surety	50,000
Employees	(6) Police Dispatchers	CNA Surety	50,000 each
	(8) Office Clerks	CNA Surety	50,000 each
	(1) Fire chief	CNA Surety	40,000
	(12) Police Officers	CNA Surety	25,000 each
	(1) Recreational Director	CNA Surety	10,000
David Chamblee	Code and Zoning Officer	CNA Surety	10,000
Faye Johnston	City Clerk / Tax Collector	Travelers	50,000
Matt Alford	Alderman	FCCI Insurance Group	100,000
Harry Robinson	Alderman	FCCI Insurance Group	100,000
James Clark	Alderman	FCCI Insurance Group	100,000
Cynthia Melton	Alderman	CAN Surety	100,000
Allan Atkinson	Alderman	FCCI Insurance Group	100,000

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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MEMBER
MISSISSIPPI SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of and for the year ended September 30, 2017, and the related note to the financial statements, which collectively comprise the City of Forest, Mississippi's basic financial statements and have issued our report thereon dated June 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Forest, Mississippi'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 City of Forest, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Forest, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, or material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified any deficiencies in internal control that we consider to be material weaknesses, and significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2016-1 and 2016-2.)

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2016-1 and 2016-2.)

Compliance and Other Matters

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


City of Forest, Mississippi's State Response to Findings

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

Purpose of this Report

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

Tony Chance & Company
Forest, Mississippi
June 29, 2018



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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Forest, Mississippi as of and for the year ended September 30, 2017, which collectively comprise the City of Forest, Mississippi's basic financial statements and have issued our report thereon dated June 30, 2018. We have conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Tony Chance & Company
Forest, Mississippi
June 29, 2018

A handwritten signature in black ink, appearing to read 'Tony Chance', with a large loop at the end.

CITY OF FOREST, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

2017-1 As part of the audit, management requested us to calculate depreciation and make certain accrual basis adjusting entries so the financial statements could be prepared in conformity with United States generally accepted accounting principles. We reviewed the adjustments with management and management accepted responsibility for the adjustments. The absence of the ability to perform this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

2017-2 The City is responsible for establishing and maintaining internal controls which include the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U. S. generally accepted accounting principles.

In the current year, as well as the prior year, we note that as part of the audit, the City requested us to prepare the financial statements, including the related notes to financial statements. The Mayor and City Clerk reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, the City did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur.

City's Response

The existence of significant deficiencies or material weaknesses was already made known to management and represents a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. The City is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

FINDINGS AND QUESTIONED COSTS

None