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***FORREST COUNTY AGRICULTURAL HIGH SCHOOL***

***FINANCIAL STATEMENTS***

***JUNE 30, 2017***

# **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

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American Institute of  
Certified Public Accountants

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Mississippi Society of  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Forrest County Agricultural High School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Forrest County Agricultural High School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 6-16, 46-47, 48 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County Agricultural High School's financial statements. The accompanying Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018 on our consideration of the Forrest County Agricultural High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forrest County Agricultural High School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "King CPA, PLLC". The signature is written in a cursive, flowing style.

**KING CPA, PLLC**

Petal, Mississippi

February 15, 2018

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**



**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

The following discussion and analysis of Forrest County Agricultural High School's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2017 decreased \$1,303,233 including a prior period adjustment of \$16,795 resulting from a prior period adjustment in furniture and equipment and accumulated depreciation, which represents a 1973% decrease from fiscal year 2016. Total net position for 2016 decreased \$490,498, which represents a 116% decrease from fiscal year 2015.
- General revenues amounted to \$4,678,629 and \$4,643,571, or 78% and 77% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,333,550, or 22% of total revenues for 2017, and \$1,358,764, or 23% of total revenues for 2016.
- The District had \$7,332,208 and \$6,492,833 in expenses for fiscal years 2017 and 2016; only \$1,333,552 for 2017 and \$1,358,764 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,678,629 for 2017 were not adequate to provide for these programs. General revenues of \$4,643,571 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,946,989 in revenues and \$4,319,385 in expenditures for 2017, and \$4,927,200 in revenues and \$4,238,010 in expenditures in 2016. The General Fund's fund balance increased by \$64,227, including an increase in inventory of \$5,025 from 2016 to 2017, and increased by \$55,019, including an decrease in inventory of \$28,530 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$180,737 for 2017 and decreased by \$157,373 for 2016. The decrease for 2017 was due to current depreciation, and a prior period adjustment for furniture and equipment and accumulated depreciation.
- Long-term debt decreased by \$58,846 for 2017 and decreased by \$51,702 for 2016. The decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,154 for 2017 and increased by \$12,298 for 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

**Supplementary Information**

Additionally, a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,369,285 as of June 30, 2017.

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 1  
Condensed Statement of Net Position**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Percentage Change</b>
Current assets	\$ 1,374,932	\$ 1,328,420	3.50%
Capital assets, net	5,248,485	5,429,222	-3.33%
<b>Total assets</b>	<u>6,623,417</u>	<u>6,757,642</u>	-1.99%
<b>Deferred outflows of resources</b>	<u>1,618,900</u>	<u>1,822,229</u>	-11.16%
Current liabilities	31,118	20,007	55.54%
Long-term debt outstanding	166,037	224,883	-26.17%
Net pension liability	9,244,736	7,739,526	19.45%
<b>Total liabilities</b>	<u>9,441,891</u>	<u>7,984,416</u>	18.25%
<b>Deferred inflows of resources</b>	<u>169,711</u>	<u>661,507</u>	-74.34%
<b>Net position:</b>			
Net investment in capital assets	5,122,702	5,236,439	-2.17%
Restricted	175,266	552,194	-68.26%
Unrestricted	(6,667,253)	(5,854,685)	-13.88%
<b>Total net position</b>	<u>\$ (1,369,285)</u>	<u>\$ (66,052)</u>	-1973.04%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (6,667,253)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>7,795,547</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,128,294</u>

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

- Decrease in net capital assets in the amount of \$180,737.
- The principal retirement of \$67,000 of long-term debt.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$6,012,181 and \$6,002,824, respectively. The total cost of all programs and services was \$7,332,209 for 2017 and \$6,492,833 for 2016.

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

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 341,144	\$ 325,419	4.83%
Operating grants and contributions	992,408	1,033,345	-3.96%
General revenues:			
Property taxes	1,866,939	1,771,955	5.36%
Grants and contributions not restricted	2,726,971	2,731,973	-0.18%
Investment earnings	3,535	2,890	22.32%
Other	81,184	136,753	-40.63%
<b>Total revenues</b>	<u>6,012,181</u>	<u>6,002,335</u>	0.16%
<b>Expenses:</b>			
Instruction	3,521,376	3,505,460	0.45%
Support services	1,728,355	1,842,768	-6.21%
Non-instructional	329,897	404,109	-18.36%
Pension expense	1,750,165	737,517	137.31%
Interest and other expenses on long-term liabilities	2,416	2,979	-18.90%
<b>Total expenses</b>	<u>7,332,209</u>	<u>6,492,833</u>	12.93%
<b>Increase (Decrease) in net position</b>	<u>(1,320,028)</u>	<u>(490,498)</u>	-169.12%
<b>Net Position, July 1, as originally reported</b>	(66,052)	424,446	-115.56%
<b>Prior Period Adjustment</b>	16,795	-	N/A
<b>Net Position, July 1, as restated</b>	<u>(49,257)</u>	<u>424,446</u>	-111.61%
<b>Net Position, June 30</b>	<u>\$ (1,369,285)</u>	<u>\$ (66,052)</u>	-1973.04%

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Governmental activities**

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

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ 3,521,376	\$ 3,505,460	0.45%
Support services	\$ 1,728,355	\$ 1,842,768	-6.21%
Non-instructional	\$ 329,897	\$ 404,109	-18.36%
Pension expense	\$ 1,750,165	\$ 737,517	137.31%
Interest on long-term debt	\$ 2,416	\$ 2,979	-18.90%
<b>Total Expenses</b>	<b>\$ 7,332,209</b>	<b>\$ 6,492,833</b>	<b>12.93%</b>
	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ (2,618,187)	\$ (2,566,611)	-2.01%
Support services	\$ (1,633,340)	(1,762,737)	7.34%
Non-instructional	\$ 5,451	(64,225)	108.49%
Pension expense	\$ (1,750,165)	(737,517)	-137.31%
Interest on long-term debt	\$ (2,416)	(2,979)	18.90%
<b>Total net (expense) revenue</b>	<b>\$ (5,998,657)</b>	<b>\$ (5,134,069)</b>	<b>-16.84%</b>

- Net cost of governmental activities (\$5,998,657 for 2017 and \$5,134,069 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$1,866,939 for 2017 and \$1,771,955 for 2016) and state and federal revenues (\$2,726,971 for 2017 and \$2,731,973 for 2016).
- Investment earnings amounted to \$3,535 for 2017 and \$2,890 for 2016.

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,344,438, an increase of \$35,442, which includes an increase in inventory of \$4,630. \$738,330, or 55%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$606,108, or 45%, is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$64,226, which includes an increase in reserve for inventory of \$5,025. The fund balance of Other Governmental Funds showed a decrease in the amount of \$30,175, which includes a decrease in reserve for inventory of \$395. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major fund</u>	<u>Increase (Decrease)</u>
Vocational Education Fund	no increase or decrease
Capital Improvement Fund	\$ 1,391

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$8,094,342, including land, buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$695,493 from 2016. Total accumulated depreciation as of June 30, 2017 was \$2,845,857, and total depreciation expense for the year was \$210,032, resulting in total net capital assets of \$5,428,485.



**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Percentage Change</b>
Land	\$ 640	\$ 640	0.00%
Buildings	4,033,828	4,141,046	-2.59%
Building improvements	779,902	799,248	-2.42%
Improvements other than buildings	285,595	309,907	-7.84%
Mobile equipment	81,430	82,251	-1.00%
Furniture and equipment	67,090	96,130	-30.21%
<b>Total</b>	<b>\$ 5,248,485</b>	<b>\$ 5,429,222</b>	<b>-3.33%</b>

Additional information on the District's capital assets can be found in Note 4 included in this report.

**Debt Administration.** At June 30, 2017, the District had \$166,037 in outstanding long-term debt, of which \$125,783 is due within one year. The liability for compensated absences increased \$8,154 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Percentage Change</b>
Limited obligation refunding bonds payable	125,783	192,783	-34.75%
Compensated absences payable	40,254	32,100	25.40%
<b>Total</b>	<b>\$ 166,037</b>	<b>\$ 224,883</b>	<b>-26.17%</b>

Additional information on the District's long-term debt can be found in Note 5 in this report.

**CURRENT ISSUES**

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

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report, contact the Superintendent's Office of the Forrest County Agricultural High School District, 215 Old Highway 49 E., Brooklyn, Mississippi 39425.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**BASIC FINANCIAL STATEMENTS**

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Statement of Net Position**

**Exhibit A**

**June 30, 2017**

	Governmental Activities
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 709,484
Investments	435,616
Due from other governments	165,144
Advances to Fiduciary Funds	1,000
Inventories	63,688
Capital assets, non-depreciable:	
Land	640
Capital assets, net of accumulated depreciation:	
Buildings	4,033,828
Building improvements	779,902
Improvements other than buildings	285,595
Mobile equipment	81,430
Furniture and equipment	67,090
Total Assets	<hr/> 6,623,417 <hr/>
<b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	<hr/> 1,618,900
Total Deferred Outflows of Resources	<hr/> 1,618,900 <hr/>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	26,945
Interest payable on long-term liabilities	624
Unearned revenue	3,549
Long-term liabilities:	
Due within one year:	
Capital related liabilities	125,783
Due beyond one year:	
Non-capital related liabilities	40,254
Net pension liability	9,244,736
Total Liabilities	<hr/> 9,441,891 <hr/>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<hr/> 169,711
Total Deferred Inflows of Resources	<hr/> 169,711 <hr/>
<b>Net Position</b>	
Net investment in capital assets	5,122,702
Restricted for:	
Expendable:	
School-based activities	117,827
Capital improvements	42,975
Unemployment benefits	14,464
Unrestricted	<hr/> (6,667,253) <hr/>
Total Net Position	<hr/> \$ (1,369,285) <hr/>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Statement of Activities**

**Exhibit B**

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

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,521,376	\$ 237,860	\$ 665,329	\$ -	\$ (2,618,187)
Support services	1,728,355	5,816	89,199	-	(1,633,340)
Non-instructional services	329,897	97,468	237,880	-	5,451
Pension expense	1,750,165	-	-	-	(1,750,165)
Interest on long-term liabilities	<u>2,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,416)</u>
Total Governmental Activities	<u>\$ 7,332,209</u>	<u>\$ 341,144</u>	<u>\$ 992,408</u>	<u>\$ -</u>	<u>(5,998,657)</u>
General Revenues:					
Taxes:					
General purpose levies					1,866,939
Unrestricted grants and contributions:					
State					2,705,196
Federal					21,775
Unrestricted investment earnings					3,535
Other					<u>81,184</u>
Total General Revenues					<u>4,678,629</u>
Change in Net Position					<u>(1,320,028)</u>
Net Position - Beginning, as previously reported					(66,052)
Prior Period Adjustment					<u>16,795</u>
Net Position -Beginning, as restated					<u>(49,257)</u>
Net Position - Ending					\$ (1,369,285)

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2017**

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Vocational Education Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Fund</u>
<b>Assets</b>					
Cash and cash equivalents	621,096	1,158	-	87,230	709,484
Investments	104,263	-	316,971	14,382	435,616
Due from other governments	68,920	-	-	96,224	165,144
Due from other funds	93,438	-	-	-	93,438
Advances to other funds	239,094	-	-	-	239,094
Inventories	55,475	-	-	8,213	63,688
	<u>1,182,286</u>	<u>1,158</u>	<u>316,971</u>	<u>206,049</u>	<u>1,706,464</u>
<b>Total Assets</b>					
	<u>1,182,286</u>	<u>1,158</u>	<u>316,971</u>	<u>206,049</u>	<u>1,706,464</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	23,000	1,158	-	2,787	26,945
Due to other funds	-	-	-	93,438	93,438
Advances from other funds	-	-	238,094	-	238,094
Unearned revenue	-	-	-	3,549	3,549
	<u>23,000</u>	<u>1,158</u>	<u>238,094</u>	<u>99,774</u>	<u>362,026</u>
<b>Total Liabilities</b>					
	<u>23,000</u>	<u>1,158</u>	<u>238,094</u>	<u>99,774</u>	<u>362,026</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventory	55,475	-	-	8,213	63,688
<b>Restricted:</b>					
Capital projects	42,975	-	-	-	42,975
Unemployment compensation	-	-	-	14,464	14,464
Grant Activities	211	-	-	53,928	54,139
<b>Assigned:</b>					
Student Activities	79,165	-	-	3,285	82,450
Capital projects	245,569	-	78,877	23,946	348,392
<b>Unassigned</b>	<u>735,891</u>	<u>-</u>	<u>-</u>	<u>2,439</u>	<u>738,330</u>
<b>Total Fund Balances</b>					
	<u>1,159,286</u>	<u>-</u>	<u>78,877</u>	<u>106,275</u>	<u>1,344,438</u>
<b>Total Liabilities &amp; Fund Balances</b>					
	<u>1,182,286</u>	<u>1,158</u>	<u>316,971</u>	<u>206,049</u>	<u>1,706,464</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Exhibit C-1**

<b>Total fund balances for governmental funds</b>	\$ 1,344,438
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$ 640	
Buildings	5,748,773	
Building Improvements	1,080,368	
Improvements other than buildings	661,707	
Mobile equipment	333,564	
Furniture and equipment	269,290	
Accumulated Depreciation	<u>(2,845,857)</u>	5,248,485

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

Net pension liability	(9,244,736)
-----------------------	-------------

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

Deferred outflows of resources related to pensions	1,618,900	
Deferred inflows of resources related to pensions	<u>(169,711)</u>	(7,795,547)

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

Limited obligation bonds	(125,783)	
Compensated absences	(40,254)	
Accrued Interest	<u>(624)</u>	<u>(166,661)</u>

<b>Net position of governmental activities</b>	<u><u>\$ (1,369,285)</u></u>
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The notes to the financial statements are an integral part of this statement.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Governmental Funds**

**Statement of Revenues, Expenditures and changes in Fund Balances  
For the Year Ended June 30, 2017**

**Exhibit D**

	General Fund	Vocational Education Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	2,175,263	0	1,391	97,831	2,274,485
State sources	2,749,951	282,140	0	15,230	3,047,321
Federal sources	21,775	12,676	0	637,607	672,058
Total Revenues	<u>4,946,989</u>	<u>294,816</u>	<u>1,391</u>	<u>750,668</u>	<u>5,993,864</u>
<b>Expenditures:</b>					
Instruction	2,576,359	842,260	0	358,291	3,776,910
Support services	1,739,811	0	0	59,104	1,798,915
Non-instructional services	3,215	0	0	332,953	336,168
Debt Service:					
Principal	0	0	0	67,000	67,000
Interest	0	0	0	2,374	2,374
Total Expenditures	<u>4,319,385</u>	<u>842,260</u>	<u>0</u>	<u>819,722</u>	<u>5,981,367</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>627,604</u>	<u>(547,444)</u>	<u>1,391</u>	<u>(69,054)</u>	<u>12,497</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	5,816	-	-	-	5,816
Donation of Fixed Asset	12,500	-	-	-	12,500
Operating transfers in	-	547,444	-	72,296	619,740
Operating transfers out	(586,718)	-	-	(33,022)	(619,740)
Total Other Financing Sources (Uses)	<u>(568,402)</u>	<u>547,444</u>	<u>-</u>	<u>39,274</u>	<u>18,316</u>
Net change in fund balances	59,202	-	1,391	(29,780)	30,813
<b>Fund Balances:</b>					
July 1, 2016	1,095,059	-	77,486	136,450	1,308,995
Increase (Decrease) in reserve for inventory	<u>5,025</u>	<u>-</u>	<u>-</u>	<u>(395)</u>	<u>4,630</u>
June 30, 2017	<u>\$ 1,159,286</u>	<u>\$ -</u>	<u>\$ 78,877</u>	<u>\$ 106,275</u>	<u>\$ 1,344,438</u>

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



**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 30,813

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 12,500	
	Depreciation Expense	<u>(210,032)</u>	(197,532)
2.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities: proceeds.		
	Payments of debt principal	67,000	
	Accrued interest payable	<u>(42)</u>	66,958
3.	Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
	Recording of pension expense for the current period	(1,750,165)	
	Recording of contributions made subsequent to the measurement date	<u>533,422</u>	(1,216,743)
4.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	(8,154)	
	Change in inventory reserve	<u>4,630</u>	(3,524)
<b>Change in net position of governmental activities</b>		<u>\$</u>	<u>(1,320,028)</u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL****Fiduciary Funds****Statement of Fiduciary Net Position  
June 30, 2017****Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 15,124	\$ 22,218
Investments	<u>46,938</u>	<u>-</u>
Total Assets	<u>\$ 62,062</u>	<u>\$ 22,218</u>
<b>LIABILITIES</b>		
Advances from other funds	\$ 1,000	\$ -
Due to student clubs	<u>-</u>	<u>22,218</u>
Total Liabilities	<u>1,000</u>	<u>\$ 22,218</u>
<b>NET POSITION</b>		
Reserved for endowments	<u>61,062</u>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 62,062</u>	

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**  
**June 30, 2017**

**Exhibit F**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Interest on investments	\$ 317
Contributions and donations from private sources	<u>1,200</u>
Total Additions	<u>1,517</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>-</u>
Total Deductions	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>1,517</u>
<b>NET POSITION</b>	
July 1, 2016	<u>59,545</u>
June 30, 2017	<u><u>\$ 61,062</u></u>

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS**

# **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

## **Notes to the Financial Statements**

**For Year Ended June 30, 2017**

### **Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a six member board to which one member is an at large member (elected superintendent of Forrest County School District), two members are appointed by the Forrest County School District Board and three members are appointed by the Forrest County Board of Supervisors.

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

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

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

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

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Vocational Education Fund – This fund is used for tracking all revenues and expenditures for the vocational education program.

Capital Improvement Fund – This is the school’s restricted fund for capital improvements to buildings. Revenue is generated by interest on investments as well as money received from Forrest County earmarked for capital improvements.

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

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

The District’s fiduciary funds include the following:

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

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

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

Private-Purpose Trust Funds – These funds are utilized for existing scholarships awarded each year to graduates. Private donations and contributions are the only source of revenue.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

### FIDUCIARY FUNDS

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

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

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

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

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

## **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

### **Notes to the Financial Statements**

**For Year Ended June 30, 2017**

expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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



# **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

## **Notes to the Financial Statements**

**For Year Ended June 30, 2017**

### **D. Encumbrances**

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

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

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

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

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

##### **Investments**

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

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

Investments for the district are reported at fair market value.

#### **2. Receivables and payables**

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

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

#### **3. Due from Other Governments**

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

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

### 4. Inventories and Prepaid Items

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

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

### 5. Capital Assets

Capital assets, which include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement costs. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details those thresholds:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

# **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

## **Notes to the Financial Statements**

**For Year Ended June 30, 2017**

### **6. Deferred outflows/inflows of resources**

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

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

See Note 10 for further details.

### **7. Compensated Absences.**

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

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

### **8. Long-term Liabilities and Bond Discounts/Premiums**

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

## FORREST COUNTY AGRICULTURAL HIGH SCHOOL

### Notes to the Financial Statements

For Year Ended June 30, 2017

#### 9. Pensions

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

#### 10. Fund Balances

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

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

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred

## **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

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

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

#### **Note 2 – Cash and Cash Equivalents and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

**Investment income on bond funds**

(Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income less than \$100 can be credited to the General Fund.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,145,100 (which includes \$435,616 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$84,280 (which includes \$46,938 of certificates of deposit with original maturities beyond three months and reported on Exhibit E as investments), respectively.

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

**Custodial Credit Risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, \$1,216,723 of the district's bank balance of \$1,570,986 was exposed to custodial credit risk.

### Investments

As of June 30, 2017, the district had the following investments:

Investment Type	Maturities (in Years)	Fair Value
Certificate of Deposit	1 year	\$ 104,264
Certificate of Deposit	1 year	2,747
Certificate of Deposit	1 year	44,191
Certificate of Deposit	1 year	14,382
Certificate of Deposit	1 year	316,972
		<u>\$ 482,556</u>

**Interest Rate Risk.** The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investment to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk-Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the district had the following investments:

Issuer	Fair Value	% of Investments
Magnolia State Bank	\$ 104,264	22%
The First	378,292	78%
	<u>\$ 482,556</u>	

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Notes to the Financial Statements**

**For Year Ended June 30, 2017**

**Note 3 - Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	93,438
	Total	<u>\$ 93,438</u>

The purpose of the inter-fund loans was to cover expenditures in the capital improvement fund.

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	238,094
	Fiduciary Funds	1,000
	Total	<u>\$ 239,094</u>

The purpose of the advance to the Capital Improvement Fund is for capital improvements, and the advance to the Fiduciary Funds is for operating purposes.

**C. Inter-fund Transfers**

Transfer Out	Transfer In	Amount
General Fund	Vocational Education Fund	\$ 547,444
	Other Governmental Funds	39,274
Other Governmental Funds	Other Governmental Funds	33,022
	Total	<u>\$ 619,740</u>

Transfers are made from the District Maintenance Fund to Vocational funds for operations as federal and state funding for those funds is not sufficient to sustain those funds. Transfers are also made to MAEP debt retirement fund from the General fund and the Building and Buses fund as funding is not sufficient to meet the debt obligations.

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

### Note 4 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Prior Period Adjustments*	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 640	\$ -	\$ -	\$ -	\$ 640
Total non-depreciable capital assets	640	-	-	-	640
<u>Depreciable capital assets:</u>					
Buildings	5,748,773	-	-	-	5,748,773
Building improvements	1,080,368	-	-	-	1,080,368
Improvements other than buildings	661,707	-	-	-	661,707
Mobile equipment	321,064	12,500	-	-	333,564
Furniture and equipment	976,643	-	-	(707,353)	269,290
Total depreciable capital assets	8,788,555	12,500	-	(707,353)	8,093,702
<u>Less accumulated depreciation:</u>					
Buildings	1,607,727	107,218	-	-	1,714,945
Building improvements	281,120	43,215	-	(23,869)	300,466
Improvements other than buildings	351,800	24,312	-	-	376,112
Mobile equipment	238,813	13,321	-	-	252,134
Furniture and equipment	880,513	21,966		(700,279)	202,200
Total accumulated depreciation	3,359,973	210,032	-	(724,148)	2,845,857
Total depreciable capital assets, net	5,428,582	(197,532)	-	16,795	5,247,845
Governmental activities capital assets, net	\$ 5,429,222	\$ (197,532)	\$ -	\$ 16,795	\$ 5,248,485

Prior Period Adjustment was for removal of out-dated computer equipment and Accumulated Depreciation corrections.

Depreciation expense was charged to the following governmental functions:

<b>Governmental Activities:</b>	<u>Amount</u>
Instruction	\$ 134,021
Support Services	64,039
Non-instructional	11,972
	<u>\$ 210,032</u>



# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

## Notes to the Financial Statements

For Year Ended June 30, 2017

### Note 5 – Long-term Liabilities

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

	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Amount Due</u> <u>Within One Year</u>
A. Limited obligation refunding bonds payable	\$ 192,783	\$ -	\$ 67,000	\$ 125,783	\$ 125,783
B. Compensated absences payable	32,100	8,154	-	40,254	-
Total	<u>\$ 224,883</u>	<u>\$ 8,154</u>	<u>\$ 67,000</u>	<u>\$ 166,037</u>	<u>\$ 125,783</u>

#### A. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital improvement bond, series 2012	.05-1.6%	5/1/2012	2/1/2018	<u>423,500</u>	<u>125,783</u>
Total				<u><u>\$ 423,500</u></u>	<u><u>\$ 125,783</u></u>

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

Limited Obligation bond issue of 2012:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>125,783</u>	<u>1,498</u>	<u>127,281</u>
	<u><u>\$ 125,783</u></u>	<u><u>\$ 1,498</u></u>	<u><u>\$ 127,281</u></u>

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972).

The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

### B. Compensated absences payable

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

### Note 6 – Defined Benefit Pension Plan

#### General Information about the Pension Plan

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees for the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

## Notes to the Financial Statements

For Year Ended June 30, 2017

determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$533,422, \$521,465, and \$492,657, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$9,244,736 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.051755 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.001687 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,750,165. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 255,254	\$ 145,145
Net difference between projected and actual earnings on pension plan investments	408,563	-
Changes of assumptions	421,661	-
Changes to proportionate share		24,566
District contributions subsequent to the measurement date	<u>533,422</u>	<u>-</u>
Total	\$ <u>1,618,900</u>	\$ <u>169,711</u>

\$533,422 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 280,896
2019	269,617
2020	249,060
2021	116,194

## FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

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

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

# FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 11,853,823	\$ 9,244,736	\$ 7,080,038

*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 7 – Qualified School Construction Bonds

On August 1, 2012, Forrest County, Mississippi (primary government) issued G.O. Bond, Series 2012 (Qualified School Construction Bonds) on behalf of Forrest County Agricultural High School in the amount of \$3,000,000.

Pursuant to the bond documents, these bonds are to be repaid in full on August 1, 2027, from the proceeds of the County's debt sinking fund and are not a liability of Forrest County Agricultural High School and are therefore not reflected in the debt schedule of the District.

### Note 8 – Prior Period Adjustment

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Net effect of removing previously disposed assets not removed from the books, and the correction of accumulated depreciation resulting of using the incorrect useful life for Building Improvements.	\$ 16,795
Total	\$ 16,795

# **FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

## **Notes to the Financial Statements**

**For Year Ended June 30, 2017**

### **Note 9 – Contingencies**

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

### **Note 10 – Risk Management**

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

### **Note 11 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$6,667,253) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$533,422 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The deferred outflows of resources of \$1,085,478 will be recognized as an expense and decrease unrestricted net position over the next four years. The deferred inflows of resources of \$169,711 will be recognized as a revenue and increase unrestricted net position over the next three years.

### **Note 12 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Forrest County Agricultural High School District evaluated the activity of the district through February 15, 2018 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,073,495	\$ 2,175,263	\$ 2,175,263	\$ 101,768	\$ -
State sources	2,771,548	2,749,951	2,749,951	(21,597)	-
Federal sources	10,000	21,775	21,775	11,775	-
Total Revenues	4,855,043	4,946,989	4,946,989	91,946	-
<b>Expenditures:</b>					
Instruction	2,420,649	2,576,359	2,576,359	(155,710)	-
Support services	1,787,415	1,739,811	1,739,811	47,604	-
Non-instructional services	42,500	3,215	3,215	39,285	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	4,250,564	4,319,385	4,319,385	(68,821)	-
Excess (Deficiency) of Revenues over (under) Expenditures	604,479	627,604	627,604	23,125	-
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	-	5,816	-	5,816
Donation of Fixed Asset	-	-	12,500	-	12,500
Operating transfers in	-	-	-	-	-
Operating transfers out	(604,479)	(586,718)	(586,718)	17,761	-
Total Other Financing Sources (Uses)	(604,479)	(586,718)	(568,402)	17,761	18,316
Net Change in Fund Balances	-	40,886	59,202	40,886	18,316
<b>Fund Balances:</b>					
July 1, 2016	1,095,059	1,095,059	1,095,059	-	-
Decrease in reserve inventory	-	-	5,025	-	5,025
June 30, 2017	\$ 1,095,059	1,135,945	1,159,286	40,886	23,341

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



**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
Vocational Education Fund  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 281,300	\$ 289,504	\$ 289,504	\$ 8,204	\$ -
Federal sources	12,026	726	726	(11,300)	-
Total Revenues	293,326	290,230	290,230	(3,096)	-
<b>Expenditures:</b>					
Instruction	859,304	887,040	887,040	(27,736)	-
Total Expenditures	859,304	887,040	887,040	(27,736)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(565,978)	(596,810)	(596,810)	(30,832)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	565,978	596,810	596,810	30,832	-
Total Other Financing Sources (Uses)	565,978	596,810	596,810	30,832	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	-	-	-	-

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

**Forrest County Agricultural High School**

**Required Supplementary Information**

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

PERS

Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 9,244,735	7,739,526	\$ 6,069,085
District's proportionate share of the net pension liability (asset)	0.051755%	0.050068%	0.050%
District's covered payroll	3,310,889	3,127,981	3,067,606
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.222146%	247.428805%	197.844345%
Plan fiduciary net position as a percentage of the total pension liability	57.467727%	61.703983%	67.207687%

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

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

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

**Forrest County Agricultural High School**

**Required Supplementary Information**

**Schedule of the District's Contributions**

**PERS**

**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 533,422	\$ 521,465	\$ 492,657
Contributions in relation to the contractually required contribution	<u>533,422</u>	<u>521,465</u>	<u>492,657</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	3,386,806	3,310,889	3,127,981
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/16, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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

Pension Schedules

(1) Changes in benefit terms

None.

(2) Changes in assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**SUPPLEMENTARY INFORMATION**

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 4,628,957	\$ 3,487,036	\$ 346,316	\$ 247,586	\$ 548,019
Other	<u>1,352,410</u>	<u>522,937</u>	<u>65,646</u>	<u>23,481</u>	<u>740,346</u>
Total	<u>\$ 5,981,367</u>	<u>\$ 4,009,973</u>	<u>\$ 411,962</u>	<u>\$ 271,067</u>	<u>\$ 1,288,365</u>
Total number of students *	506				
Cost per student	<u>\$ 11,821</u>	<u>7,925</u>	<u>814</u>	<u>536</u>	<u>2,546</u>

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

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

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

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

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

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

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

**OTHER INFORMATION**

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

Statement of Revenues, Expenditures, and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	2,175,263	2,156,631	1,956,971	1,924,729
State sources	2,749,951	2,761,308	2,606,034	2,504,435
Federal sources	21,775	9,261	9,881	10,289
Total Revenues	<u>4,946,989</u>	<u>4,927,200</u>	<u>4,572,886</u>	<u>4,439,453</u>
Expenditures:				
Instruction	2,576,359	2,482,393	2,518,248	2,449,600
Support services	1,739,811	1,749,034	1,850,752	1,757,669
Noninstructional services	3,215	6,583	5,256	4,941
Facilities acquisition and construction	-	-	-	6,303
Debt service:				
Principal	-	-	-	-
Total Expenditures	<u>4,319,385</u>	<u>4,238,010</u>	<u>4,374,256</u>	<u>4,218,513</u>
Excess (Deficiency) of Revenues over Expenditures	<u>627,604</u>	<u>689,190</u>	<u>198,630</u>	<u>220,940</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	5,816	283	-	161
Sale of other property	12,500	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(586,718)	(605,924)	(507,048)	(501,576)
Total Other Financing Sources (Uses)	<u>(568,402)</u>	<u>(605,641)</u>	<u>(507,048)</u>	<u>(501,415)</u>
Net Changes in Fund Balances	59,202	83,549	(308,418)	(280,475)
Fund Balances:				
Beginning of period	1,095,059	1,040,040	1,324,328	1,600,478
Increase (Decrease) in reserve for inventory	<u>5,025</u>	<u>(28,530)</u>	<u>24,130</u>	<u>4,325</u>
End of period	<u>1,159,286</u>	<u>1,095,059</u>	<u>1,040,040</u>	<u>1,324,328</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS



FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

Statement of Revenues, Expenditures, and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	2,274,485	2,262,222	2,084,767	2,047,919
State sources	3,047,321	3,070,898	2,887,326	2,722,764
Federal sources	672,058	675,697	715,644	677,549
Total Revenues	<u>5,993,864</u>	<u>6,008,817</u>	<u>5,687,737</u>	<u>5,448,232</u>
Expenditures:				
Instruction	3,776,910	3,738,510	3,590,670	3,410,415
Support services	1,798,915	1,886,814	2,163,044	1,818,602
Noninstructional services	336,168	456,177	397,416	335,788
Facilities acquisition and construction	-	-	804	1,866,307
Debt service:				
Principal	67,000	64,000	64,000	58,217
Interest	2,374	3,112	3,721	4,009
Total Expenditures	<u>5,981,367</u>	<u>6,148,613</u>	<u>6,219,655</u>	<u>7,493,338</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,497</u>	<u>(139,796)</u>	<u>(531,918)</u>	<u>(2,045,106)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	5,816	283	151,465	161
Sale of other property	12,500	-	-	-
Operating transfers in	619,740	663,924	507,048	501,576
Operating transfers out	(619,740)	(663,924)	(507,048)	(501,576)
Total Other Financing Sources (Uses)	<u>18,316</u>	<u>283</u>	<u>151,465</u>	<u>161</u>
Net Changes in Fund Balances	30,813	(139,513)	(380,453)	(2,044,945)
Fund Balances:				
Beginning of period	1,308,995	1,477,903	1,832,459	3,871,948
Increase (Decrease) in reserve for inventory	<u>4,630</u>	<u>(29,395)</u>	<u>25,897</u>	<u>5,456</u>
End of period	<u><u>1,344,438</u></u>	<u><u>1,308,995</u></u>	<u><u>1,477,903</u></u>	<u><u>1,832,459</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

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

American Institute of  
Certified Public Accountants

# ***King CPA, PLLC***

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Mississippi Society of  
Certified Public Accountants

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

Superintendent and School Board  
Forrest County Agricultural High School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated February 15, 2018.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Forrest County Agricultural High School'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 Forrest County Agricultural High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

A handwritten signature in cursive script that reads "King CPA, PLLC".

**KING CPA, PLLC**

Petal, Mississippi

February 15, 2018

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**

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

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Mississippi Society of  
Certified Public Accountants

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

Superintendent and School Board  
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2017, which collectively comprise Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated February 15, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

*Purchasing: Section 31-7-13 (b) and 31-7-13 (d)*

<i>Vendor</i>	<i>Date</i>	<i>Amount</i>	<i>Description</i>
Varsity Spirit Fashion	3/29/2017	\$20,335.76	Cheerleader uniforms

*Finding: Our test of compliance with purchase laws as required by the state legal compliance audit program prescribed by the Office of the State Auditor disclosed one instance where a bid other than the low bid was accepted and not documented on the minutes of the board.*

*Recommendation: We recommend the district review and clarify their procedures for accepting bids other than the low bid in accordance with 31-7-13 (d).*

*Response: Management of the Forrest County Agricultural High School will review its purchasing procedures to insure compliance with state purchasing laws.*

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

The Forrest County Agricultural High School's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

*King CPA, PLLC*

**KING CPA, PLLC**

Petal, Mississippi

February 15, 2018

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

Section 1: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued on the general purpose financial statements: UNMODIFIED
2. Internal control over financial reporting:
  - a. Material weakness (es) identified? NO
  - b. Significant Deficiency(ies) identified NONE REPORTED
3. Noncompliance material to financial statements noted? NO

Section 2: Financial Statement Findings

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