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***FORREST COUNTY SCHOOL DISTRICT***

***FINANCIAL STATEMENTS***

***JUNE 30, 2017***

# FORREST COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Forrest County School District

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

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

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

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

### ***Auditor's Responsibility***

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District, as of June 30, 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 Districts Contributions on pages 6-16, 49, 50, and 51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All

Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 28, 2018, on our consideration of the Forrest County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forrest County School District's internal control over financial reporting and compliance.



**KING CPA, PLLC**  
Petal, Mississippi  
February 28, 2018

**FORREST COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



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

The following discussion and analysis of Forrest County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$1,127,877, which represents a 59% decrease from fiscal year 2016. Total net position for 2016 decreased \$224,343, including a prior period adjustment of \$15,750, which represents a 13% decrease from fiscal year 2015.
- General revenues amounted to \$19,737,860 and \$19,627,349, or 80% and 81% 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 \$4,971,254, or 20% of total revenues for 2017, and \$4,531,060, or 19% of total revenues for 2016.
- The District had \$25,836,991 and \$24,398,502 in expenses for fiscal years 2017 and 2016; only \$4,971,254 for 2017 and \$4,531,060 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,737,860 for 2017 and \$19,627,349 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,273,549 in revenues and \$18,738,567 in expenditures for 2017, and \$19,157,031 in revenues and \$18,127,973 in expenditures in 2016. The General Fund's fund balance increased by \$1,149,438 from 2016 to 2017, and increased by \$1,071,244 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$716,088 for 2017 and decreased by \$455,545 for 2016. The increase for 2017 was due to the completion of building improvements and the addition of various items of mobile equipment and furniture and equipment.
- Total long-term debt increased by \$160,070 for 2017 and decreased by \$575,509 for 2016. The increase for 2017 was due primarily to the issuance of three mill notes during the fiscal year. The liability for compensated absences increased by \$20,070 for 2017 and decreased by \$7,026 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 SCHOOL DISTRICT 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 them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

## **Fund Financial Statements**

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund

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

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.

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a

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

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 \$3,031,183 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.

**Table 1  
Condensed Statement of Net Position**

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Percentage Change</b>
Current assets	\$ 12,022,707	\$ 10,517,525	14.31 %
Restricted assets	1,149,054	970,673	18.38 %
Capital assets, net	19,257,193	18,541,105	3.86 %
<b>Total assets</b>	<b>32,428,954</b>	<b>30,029,303</b>	<b>7.99 %</b>
 <b>Deferred outflows of resources</b>	 <b>7,308,555</b>	 <b>6,568,944</b>	 <b>11.26 %</b>
 Current liabilities	 1,024,060	 266,006	 284.98 %
Long-term debt outstanding	4,815,183	4,656,481	3.41 %
Net pension liability	36,831,576	32,804,100	12.28 %
<b>Total liabilities</b>	<b>42,670,819</b>	<b>37,726,587</b>	<b>13.11 %</b>
 <b>Deferred inflows of resources</b>	 <b>97,873</b>	 <b>774,966</b>	 <b>(87.37) %</b>
 <b>Net position:</b>			
Net investment in capital assets	14,609,259	14,042,196	4.04 %
Restricted	3,519,008	3,365,978	4.55 %
Unrestricted	(21,159,450)	(19,311,480)	(9.57) %
<b>Total net position</b>	<b>\$ (3,031,183)</b>	<b>\$ (1,903,306)</b>	<b>(59.26) %</b>

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

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (21,159,450)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>29,651,865</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 8,492,415</u></u>

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

- Increase in net capital assets in the amount of \$716,088.
- The principal retirement of \$510,000 of long-term debt.
- Issuance of long-term debt of \$650,000.
- Recognition of the net pension liability in the amount of \$36,831,576.

**FORREST COUNTY SCHOOL DISTRICT  
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 \$24,709,114 and \$24,158,409, respectively. The total cost of all programs and services was \$25,836,991 for 2017 and \$24,398,502 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	\$ 590,697	\$ 548,643	7.67 %
Operating grants and contributions	4,380,557	3,982,417	10.00 %
General revenues:			
Property taxes	7,570,971	7,150,443	5.88 %
Grants and contributions not restricted	11,556,666	11,935,839	(3.18) %
Investment earnings	125,401	36,994	238.98 %
Sixteenth section sources	373,006	251,304	48.43 %
Other	111,816	252,769	(55.76) %
<b>Total revenues</b>	<u><b>24,709,114</b></u>	<u><b>24,158,409</b></u>	<b>2.28 %</b>
<b>Expenses:</b>			
Instruction	11,930,118	11,393,660	4.71 %
Support services	7,457,018	7,800,288	(4.40) %
Non-instructional	1,491,995	1,499,810	(0.52) %
Sixteenth section	165,076	70,297	134.83 %
Pension expense	4,668,311	3,505,573	33.17 %
Interest on long-term liabilities	124,473	128,874	(3.41) %
<b>Total expenses</b>	<u><b>25,836,991</b></u>	<u><b>24,398,502</b></u>	<b>5.90 %</b>
<b>Increase (Decrease) in net position</b>	<u><b>(1,127,877)</b></u>	<u><b>(240,093)</b></u>	<b>(369.77) %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>(1,903,306)</b></u>	<u><b>(1,678,963)</b></u>	<b>(13.36) %</b>
<b>Prior Period Adjustment</b>	<u><b>-</b></u>	<u><b>15,750</b></u>	<b>(100.00) %</b>
<b>Net Position, July 1, as restated</b>	<u><b>(1,903,306)</b></u>	<u><b>(1,663,213)</b></u>	<b>(14.44) %</b>
<b>Net Position, June 30</b>	<u><u><b>\$ (3,031,183)</b></u></u>	<u><u><b>\$ (1,903,306)</b></u></u>	<b>(59.26) %</b>

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

**Governmental activities**

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

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 11,930,118	\$ 11,393,660	4.71 %
Support services	7,457,018	7,800,288	(4.40) %
Non-instructional	1,491,995	1,499,810	(0.52) %
Sixteenth section	165,076	70,297	134.83 %
Pension Expense	4,668,311	3,505,573	33.17 %
Interest on long-term liabilities	124,473	128,874	(3.41) %
<b>Total expenses</b>	<b>\$ 25,836,991</b>	<b>\$ 24,398,502</b>	<b>5.90 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (9,691,366)	\$ (9,463,341)	(2.41) %
Support services	(6,463,925)	(6,732,670)	3.99 %
Non-instructional	209,609	29,277	615.95 %
Sixteenth section	(127,271)	(66,261)	(92.08) %
Pension Expense	(4,668,311)	(3,505,573)	(33.17) %
Interest on long-term liabilities	(124,473)	(128,874)	3.41 %
<b>Total net (expense) revenue</b>	<b>\$ (20,865,737)</b>	<b>\$ (19,867,442)</b>	<b>(5.02) %</b>

- Net cost of governmental activities (\$20,865,737 for 2017 and \$19,867,442 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$7,570,971 for 2017 and \$7,150,443 for 2016) and state and federal revenues (\$11,556,666 for 2017 and \$11,935,839 for 2016). In addition, there was \$373,006 and \$251,304 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$125,401 for 2017 and \$36,994 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 SCHOOL DISTRICT  
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 \$11,953,314, an increase of \$703,280, which includes an increase in inventory of \$3,148. \$7,813,529, or 65% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,139,785, or 35% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,149,438. The fund balance of Other Governmental Funds showed an increase in the amount of \$148,049, which includes an increase in inventory of \$3,148. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
SF Building Project Fund	\$	(594,207)

**BUDGETARY HIGHLIGHTS**

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

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



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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$34,458,555, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,240,633 from 2016, due primarily to the completion of building improvements at South Forrest Attendance Center and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$15,201,362, and total depreciation expense for the year was \$846,834, resulting in total net capital assets of \$19,257,193.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 194,027	\$ 194,027	- %
Construction in Progress	-	20,849	(100.00) %
Buildings	16,373,452	16,860,256	(2.89) %
Building improvements	822,542	168,915	386.96 %
Improvements other than buildings	135,665	143,232	(5.28) %
Mobile equipment	1,389,799	804,028	72.85 %
Furniture and equipment	341,708	349,798	(2.31) %
<b>Total</b>	<b><u>\$ 19,257,193</u></b>	<b><u>\$ 18,541,105</u></b>	<b>3.86 %</b>

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

**Debt Administration.** At June 30, 2017, the District had \$4,811,278 in outstanding long-term debt, of which \$651,814 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note in the amount of \$650,000. The District made principal payments totaling \$510,000 on outstanding long-term debt. The liability for compensated absences increased \$20,070 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 960,000	\$ 1,135,000	(15.42) %
Limited obligation bonds payable	705,000	1,040,000	(32.21) %
Three mill notes payable	650,000	-	N/A %
Qualified school construction bonds payable	2,360,000	2,360,000	- %
Compensated absences payable	136,278	116,208	17.27 %
<b>Total</b>	<b><u>\$ 4,811,278</u></b>	<b><u>\$ 4,651,208</u></b>	<b>3.44 %</b>

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

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

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**FORREST COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FORREST COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 10,863,027
Due from other governments	1,124,417
Inventories	35,263
Restricted assets	1,149,054
Capital assets, non-depreciable:	
Land	194,027
Capital assets, net of accumulated depreciation:	
Buildings	16,373,452
Building improvements	822,542
Improvements other than buildings	135,665
Mobile equipment	1,389,799
Furniture and equipment	341,708
Total Assets	<u>32,428,954</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	30,971
Deferred outflow related to pensions	7,277,584
Total Deferred Outflows of Resources	<u>7,308,555</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	988,309
Unearned revenue	12,890
Interest payable on long-term liabilities	22,861
Long-term liabilities, due within one year:	
Capital related liabilities	645,000
Non-capital related liabilities	6,814
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,030,000
Capital related bond premiums	3,905
Non-capital related liabilities	129,464
Net pension liability	36,831,576
Total Liabilities	<u>42,670,819</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	97,873
Total Deferred Inflows of Resources	<u>97,873</u>
<b>Net Position</b>	
Net investment in capital assets	14,609,259
Restricted for:	
Expendable:	
School-based activities	651,389
Debt service	1,632,162
Forestry improvements	214,164
Unemployment benefits	57,946
Non-expendable:	
Sixteenth section	963,347
Unrestricted	(21,159,450)
Total Net Position (deficit)	<u>\$ (3,031,183)</u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,930,118	\$ 317,225	\$ 1,921,527	\$ -	\$ (9,691,366)
Support services	7,457,018	9,803	983,290	-	(6,463,925)
Non-instructional	1,491,995	225,864	1,475,740	-	209,609
Sixteenth section	165,076	37,805	-	-	(127,271)
Pension expense	4,668,311	-	-	-	(4,668,311)
Interest on long-term liabilities	124,473	-	-	-	(124,473)
Total Governmental Activities	\$ 25,836,991	\$ 590,697	\$ 4,380,557	\$ -	\$ (20,865,737)

**General Revenues:**

**Taxes:**

General purpose levies 7,251,285

Debt purpose levies 319,686

**Unrestricted grants and contributions:**

State 11,216,667

Federal 339,999

Unrestricted investment earnings 125,401

Sixteenth section sources 373,006

Other 111,816

**Total General Revenues 19,737,860**

**Change in Net Position (1,127,877)**

**Net Position - Beginning (1,903,306)**

**Net Position (deficit) - Ending \$ (3,031,183)**

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**June 30, 2017**

**Exhibit C**

	Major Funds			
	General Fund	SF Building Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 9,055,206	\$ -	\$ 2,247,981	\$ 11,303,187
Cash with fiscal agents	-	-	708,894	708,894
Due from other governments	406,177	217,248	496,970	1,120,395
Due from other funds	607,717	-	62	607,779
Advance to other funds	-	-	520,919	520,919
Inventories	-	-	35,263	35,263
Total assets	<u>\$ 10,069,100</u>	<u>\$ 217,248</u>	<u>\$ 4,010,089</u>	<u>\$ 14,296,437</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 906,758	\$ 33,176	\$ 48,375	\$ 988,309
Due to other funds	-	184,072	419,685	603,757
Advances from other funds	520,919	-	-	520,919
Deferred revenues	-	-	-	-
Unearned revenue	12,730	-	160	12,890
Total Liabilities	<u>1,440,407</u>	<u>217,248</u>	<u>468,220</u>	<u>2,125,875</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues	-	217,248	-	217,248
	<u>-</u>	<u>217,248</u>	<u>-</u>	<u>217,248</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	35,263	35,263
Permanent fund principal	-	-	442,428	442,428
Advances	-	-	520,919	520,919
<b>Restricted:</b>				
Debt service	-	-	1,655,023	1,655,023
Forestry improvement purposes	-	-	214,164	214,164
Unemployment benefits	-	-	57,946	57,946
Food service	-	-	616,126	616,126
<b>Assigned:</b>				
Activity funds	173,259	-	-	173,259
Building maintenance/technology	382,499	(217,248)	-	165,251
Special education	3,618	-	-	3,618
Alternative school	16,202	-	-	16,202
At Risk programs	8,461	-	-	8,461
Medicaid Admin	231,125	-	-	231,125
<b>Unassigned</b>	<u>7,813,529</u>	<u>-</u>	<u>-</u>	<u>7,813,529</u>
Total Fund Balances	<u>8,628,693</u>	<u>(217,248)</u>	<u>3,541,869</u>	<u>11,953,314</u>
Total Liabilities and Fund Balances	<u>\$ 10,069,100</u>	<u>\$ 217,248</u>	<u>\$ 4,010,089</u>	<u>\$ 14,296,437</u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 11,953,314**

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

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

Land	\$ 194,027	
Buildings	25,155,459	
Building improvements	949,877	
Improvements other than buildings	261,580	
Mobile equipment	3,508,105	
Furniture and equipment	4,389,507	
Accumulated depreciation	<u>(15,201,362)</u>	19,257,193

2. Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

Mississippi Department of Archives and History Historical Renovation Grant	217,248
--	---------

3. 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	(36,831,576)
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4. 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	7,277,584	
Deferred inflows of resources related to pensions	<u>(97,873)</u>	(29,651,865)

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

General obligation refunding bonds	(960,000)	
Limited obligation bonds	(705,000)	
Other bonds payable	(2,360,000)	
Notes payable	(650,000)	
Compensated absences	(136,278)	
Unamortized charges	30,971	
Unamortized premiums	(3,905)	
Accrued interest payable	<u>(22,861)</u>	(4,807,073)

<b>Net Position of governmental activities</b>		<b>\$ <u>(3,031,183)</u></b>
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The notes to the financial statements are an integral part of this statement

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	SF Building Project Fund		
<b>Revenues:</b>				
Local sources	\$ 7,777,497	\$ 1,011	\$ 540,252	\$ 8,318,760
State sources	10,818,519	-	948,444	11,766,963
Federal sources	324,054	-	3,628,958	3,953,012
Sixteenth section sources	353,479	-	89,849	443,328
Total Revenues	<u>19,273,549</u>	<u>1,011</u>	<u>5,207,503</u>	<u>24,482,063</u>
<b>Expenditures:</b>				
Instruction	10,784,019	-	2,047,656	12,831,675
Support services	7,696,110	-	952,767	8,648,877
Noninstructional services	77,442	-	1,418,472	1,495,914
Sixteenth section	149,609	-	15,467	165,076
Facilities acquisition and construction	-	670,773	-	670,773
Debt service:				
Principal	-	-	510,000	510,000
Interest	21,777	-	84,218	105,995
Other	9,610	-	4,824	14,434
Total Expenditures	<u>18,738,567</u>	<u>670,773</u>	<u>5,033,404</u>	<u>24,442,744</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>534,982</u>	<u>(669,762)</u>	<u>174,099</u>	<u>39,319</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	650,000	-	-	650,000
Insurance recovery	9,803	-	-	9,803
Payments held by escrow agent	-	-	139,808	139,808
Payment to QSCB debt escrow agent	-	-	(139,808)	(139,808)
Sale of other property	-	-	1,010	1,010
Operating transfers in	425,217	259,666	296,318	981,201
Operating transfers out	(470,564)	(184,111)	(326,526)	(981,201)
Total Other Financing Sources (Uses)	<u>614,456</u>	<u>75,555</u>	<u>(29,198)</u>	<u>660,813</u>
Net Change in Fund Balances	<u>1,149,438</u>	<u>(594,207)</u>	<u>144,901</u>	<u>700,132</u>
<b>Fund Balances:</b>				
July 1, 2016	<u>7,479,255</u>	<u>376,959</u>	<u>3,393,820</u>	<u>11,250,034</u>
Increase (Decrease) in inventory	<u>-</u>	<u>-</u>	<u>3,148</u>	<u>3,148</u>
June 30, 2017	<u>\$ 8,628,693</u>	<u>\$ (217,248)</u>	<u>\$ 3,541,869</u>	<u>\$ 11,953,314</u>

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



**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 700,132

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

1. Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		
Mississippi Department of Archives and History Historical Renovation Grant		217,248
2. 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	\$ 1,586,996	
Depreciation expense	<u>(846,834)</u>	740,162
3. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(24,074)
4. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of 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:		
Bonds and notes issued	(650,000)	
Payments of debt principal	510,000	
Accrued interest payable	<u>4,981</u>	(135,019)
5. 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	(4,668,311)	
Recording of contributions made subsequent to the measurement date	<u>2,067,932</u>	(2,600,379)
6. 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	(20,070)	
Change in inventory	3,148	
Amortization of deferred charges, premiums and discounts	<u>(9,025)</u>	(25,947)
<b>Change in Net Position of governmental activities</b>		<u><u>\$ (1,127,877)</u></u>

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

FORREST COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2017

Exhibit E

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 662,916
Total Assets	<u>\$ 662,916</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 658,894
Due to other funds	4,022
Total Liabilities	<u>\$ 662,916</u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 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 five member board to which each member was elected by the citizens of each defined county district.

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

**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.

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

The school district reports the following major governmental funds:

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

SF Building Project Fund – This is the school district's building fund for various building projects that school will undertake.

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

The 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.



**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), 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 presents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

**4. Inventories and Prepaid Items**

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

**5. Restricted Assets**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

**6. Capital Assets.**

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

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.

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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 5 for details.

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

In addition to assets, the statement of financial position will sometimes report a separate section of 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section of 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 and so will be recognized as an inflow of resources (revenue) until that time.

**8. Compensated Absences.**

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

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

**9. Long-term Liabilities and Bond Discounts/Premiums**

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

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

**10. Pensions**

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

**11. Fund Balances**

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,303,187 and \$662,916 respectively.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$12,805,951 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$708,894. This amount is also shown as restricted assets on Exhibit A.

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**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	SF Building Project Fund	\$ 184,072
	Fiduciary Funds	4,022
	Other Governmental Funds	419,623
Other Governmental Funds	Other Governmental Funds	<u>62</u>
Total		<u>\$ 607,779</u>

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

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

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	<u>\$ 520,919</u>
Total		<u>\$ 520,919</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2018	24,454	20,837	45,291
2019	25,432	19,859	45,291
2020	26,450	18,841	45,291
2021	27,508	17,783	45,291
2022	28,608	16,683	45,291
2023-2027	161,150	65,306	226,456
2028-2033	<u>227,317</u>	<u>31,643</u>	<u>258,960</u>
	<u>\$ 520,919</u>	<u>\$ 190,952</u>	<u>\$ 711,871</u>

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**C. Inter-fund Transfers:**

Transfer Out	Transfer In	Amount
General Fund	SF Building Project Fund	\$ 259,666
General Fund	Other Governmental Funds	210,898
SF Building Project Fund	General Fund	184,111
Other Governmental Funds	General Fund	241,106
Other Governmental Funds	Other Governmental Funds	<u>85,420</u>
Total		<u>\$ 981,201</u>

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

**Note 4 - Restricted Assets**

The restricted assets represent the cash balance totaling \$440,160 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent cash with fiscal agent totaling \$181,915 of the MAEP Limited Obligation Bond/Note Fund and cash with fiscal agent totaling \$526,979 of the QSCB Bond Retirement Fund.



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**Note 5 - Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u><b>Non-depreciable capital assets:</b></u>					
Land	\$ 194,027	\$	\$	\$	\$ 194,027
Construction in progress	20,849	670,773		(691,622)	-
Total non-depreciable capital assets	214,876	670,773	-	(691,622)	194,027
<u><b>Depreciable capital assets:</b></u>					
Buildings	25,155,459				25,155,459
Building improvements	258,255			691,622	949,877
Improvements other than buildings	261,580				261,580
Mobile equipment	2,877,911	797,707	167,513		3,508,105
Furniture and equipment	4,449,841	118,516	178,850		4,389,507
Total depreciable capital assets	33,003,046	916,223	346,363	691,622	34,264,528
<u><b>Less accumulated depreciation for:</b></u>					
Buildings	8,295,203	486,804			8,782,007
Building improvements	89,340	37,995			127,335
Improvements other than buildings	118,348	7,567			125,915
Mobile equipment	2,073,883	189,650	145,227		2,118,306
Furniture and equipment	4,100,043	124,818	177,062		4,047,799
Total accumulated depreciation	14,676,817	846,834	322,289	-	15,201,362
Total depreciable capital assets, net	18,326,229	69,389	24,074	691,622	19,063,166
Governmental activities capital assets, net	\$ 18,541,105	\$ 740,162	\$ 24,074	\$ -	\$ 19,257,193

Depreciation expense was charged to the following governmental functions:

<b>Governmental Activities:</b>	Amount
Instruction	\$ 433,433
Support Services	257,121
Non-instructional	156,280
	<u>\$ 846,834</u>

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

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**Note 6 - Long-term liabilities**

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

		Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A.	General obligation refunding bonds payable	\$ 1,135,000		175,000	\$ 960,000	\$ 180,000
B.	Limited obligation bonds payable	1,040,000		335,000	705,000	345,000
C.	Three mill notes payable		650,000		650,000	120,000
D.	Qualified school construction bonds payable	2,360,000			2,360,000	-
E.	Compensated absences payable	116,208	20,070		136,278	6,814
	Total	\$ 4,651,208	\$ 670,070	\$ 510,000	\$ 4,811,278	\$ 651,814

**A. General obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2012	2.0-3.125%	2/1/2012	2/1/2022	<u>\$ 1,795,000</u>	<u>\$ 960,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	180,000	29,056	209,056
2019	190,000	23,656	213,656
2020	190,000	17,956	207,956
2021	195,000	12,256	207,256
2022	205,000	6,406	211,406
	<u>\$ 960,000</u>	<u>\$ 89,330</u>	<u>\$ 1,049,330</u>

This debt will be retired from the Debt Service Fund.

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

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**B. Limited obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement, Series 2009	3.0-3.75%	8/1/2009	8/1/2018	<u>\$2,865,000</u>	<u>\$705,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	345,000	18,422	363,422
2019	<u>360,000</u>	<u>6,300</u>	<u>366,300</u>
	<u>\$ 705,000</u>	<u>\$ 24,722</u>	<u>\$ 729,722</u>

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

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

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**C. Three mill note payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited-Tax Promissory Note	1.550%	6/1/17	6/1/25	<u>\$2,865,000</u>	<u>\$650,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	120,000	10,075	130,075
2019	110,000	8,215	118,215
2020	105,000	6,510	111,510
2021	110,000	4,883	114,883
2022	10,000	3,177	13,177
2023-2025	<u>195,000</u>	<u>6,588</u>	<u>201,588</u>
	<u>\$ 650,000</u>	<u>\$ 39,448</u>	<u>\$ 689,448</u>

This debt will be retired from the Three Mill Note Retirement Fund.

**D. Qualified school construction bond payable**

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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

**F. Compensated absences payable**

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

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**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*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.

**FORREST COUNTY SCHOOL DISTRICT  
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*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$2,067,932, \$2,077,547 and \$2,088,126 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 \$36,831,576 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. At June 30, 2016, the school district's proportion was 0.206195 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$4,668,311. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,718,495	\$ -
Net Difference between projected and actual earnings on pension plan investments	\$ 1,704,152	\$ -
Changes of assumptions	\$ 1,787,005	\$ 97,873
Change in proportionate share	\$ -	\$ -
District contributions subsequent to the measurement date	\$ 2,067,932	\$ -
Total	<u>\$ 7,277,584</u>	<u>\$ 97,873</u>

**FORREST COUNTY SCHOOL DISTRICT  
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\$2,067,932 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	1,905,436
2019	1,304,835
2020	1,173,892
2021	727,616
2022	-
Thereafter	-
	<u>\$ 5,111,779</u>

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

Inflation	3 percent
Salary increases	3.75 – 19 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 Combined Mortality Table Projected with Scale BB to 2016, set forward two years for males.

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.

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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:

Asset Class	Target Allocation	Long-Term Expected real Rate of return
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%
	<u>100%</u>	

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 47,226,338	\$ 36,831,576	\$ 28,207,292

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



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**Note 8 - Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property.

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 133,273
2019	113,304
2020	108,062
2021	99,200
2022	59,735
2023-2027	262,395
2028-2032	253,607
2033-2037	117,833
2038-2042	<u>46,050</u>
	<u>\$ 1,193,459</u>

**Note 9 - Risk Management**

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

**Participation in Public Entity Risk Pool**

The school is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and

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severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 10 – Qualified School Construction Bonds**

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

The school district makes annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$526,979. The amount accumulated in the sinking fund at the end of the seventeen year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Principal</u>
2018	132,000
2019	129,000
2020	132,000
2021	131,000
2022	129,000
2023-2025	<u>1,047,000</u>
	<u>\$ 1,700,000</u>

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

The net investment in capital assets amount of \$14,609,259 includes the effects of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$30,971 balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and decrease the net investment in capital assets over the coming years.

The unrestricted net position amount of (\$21,159,450) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,067,932 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 \$5,209,652 balance of the deferred outflow of resources related to pensions will be recognized as an expense and a reduction of net position over the next 4 years. The \$97,873 balance of deferred inflows of resources will be recognized as a revenue and increase net position over the next 3 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 are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Forrest County School District evaluated the activity of the district through February 28, 2018, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**FORREST COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORREST COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,479,601	\$ 7,777,497	\$ 7,777,497	\$ 297,896	\$ -
State sources	10,713,328	10,818,519	10,818,519	105,191	-
Federal sources	302,433	324,054	324,054	21,621	-
Sixteenth section sources	143,325	353,479	353,479	210,154	-
Total Revenues	18,638,687	19,273,549	19,273,549	634,862	-
<b>Expenditures:</b>					
Instruction	11,118,051	10,784,019	10,784,019	334,032	-
Support services	7,813,440	7,696,110	7,696,110	117,330	-
Noninstructional services	95,300	77,442	77,442	17,858	-
Sixteenth section	44,931	149,609	149,609	(104,678)	-
Debt service:					
Interest	21,777	21,777	21,777	-	-
Other	-	9,610	9,610	(9,610)	-
Total Expenditures	19,093,499	18,738,567	18,738,567	354,932	-
Excess (Deficiency) of Revenues over (under) Expenditures	(454,812)	534,982	534,982	989,794	-
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	650,000	650,000	650,000	-
Insurance recovery	-	9,803	9,803	9,803	-
Operating transfers in	849,699	1,483,915	425,217	634,216	(1,058,698)
Operating transfers out	(940,573)	(1,529,262)	(470,564)	(588,689)	1,058,698
Total Other Financing Sources (Uses)	(90,874)	614,456	614,456	705,330	-
Net Change in Fund Balances	(545,686)	1,149,438	1,149,438	1,695,124	-
Fund Balances:					
July 1, 2016	4,593,087	7,479,255	7,479,255	2,886,168	-
June 30, 2017	\$ 4,047,401	\$ 8,628,693	\$ 8,628,693	\$ 4,581,292	\$ -

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

**Forrest County School District**  
**Required Supplementary Information**

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

PERS

Last 10 Fiscal Years\*

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 36,831,576	\$ 32,804,100	\$ 24,782,985
District's proportionate share of the net pension liability (asset)	0.206195%	0.2122%	0.2042%
District's covered payroll	\$ 13,190,775	\$ 13,257,943	\$ 12,476,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

**Forrest County School District**  
**Required Supplementary Information**

Schedule of District Contributions

PERS

Last 10 Fiscal Years\*

	2017	2016	2015
Contractually required contribution	\$ 2,067,932	\$ 2,077,547	\$ 2,088,126
Contributions in relation to the contractually required contribution	2,067,932	2,077,547	2,088,126
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	13,129,727	13,190,775	13,257,943
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes in assumptions

None.



**FORREST COUNTY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

## FORREST COUNTY SCHOOL DISTRICT

## Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Number</u>	Federal <u>Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	375,035
National school lunch program	10.555	900,622
Summer food service program for children	10.559	113,723
Total child nutrition cluster		<u>1,389,380</u>
Schools and roads - grants to states	10.665	<u>118,158</u>
Total U.S. Department of Agriculture		<u>1,507,538</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	<u>121,980</u>
Total Federal Communications Commission		<u>121,980</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,461,869
Career and technical education - basic grants to states	84.048	40,566
Improving teacher quality - state grants	84.367	84,541
Total		<u>1,586,976</u>
Special education cluster:		
Special education - grants to states	84.027	609,038
Special education - preschool grants	84.173	27,619
Total		<u>636,657</u>
Total passed-through Mississippi Department of Education		<u>2,223,633</u>
Total U.S. Department of Education		<u>2,345,613</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>99,861</u>
Total U.S. Department of Health and Human Services		<u>99,861</u>
Total for All Federal Awards		<u>\$ 3,953,012</u>

## FORREST COUNTY SCHOOL DISTRICT

## Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2017

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 17,762,616	\$ 13,170,608	\$ 1,026,364	\$ 1,225,927	\$ 2,339,717
Other	<u>6,680,128</u>	<u>1,696,013</u>	<u>464,126</u>	<u>47,115</u>	<u>4,472,874</u>
Total	<u>\$ 24,442,744</u>	<u>\$ 14,866,621</u>	<u>\$ 1,490,490</u>	<u>\$ 1,273,042</u>	<u>\$ 6,812,591</u>
Total number of students *	2,221				
Cost per student	<u>\$ 11,005</u>	<u>6,694</u>	<u>671</u>	<u>573</u>	<u>3,067</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 SCHOOL DISTRICT**

**OTHER INFORMATION**

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 7,777,497	7,412,071	7,524,546	7,117,175
State sources	10,818,519	10,968,628	10,596,603	9,791,946
Federal sources	324,054	545,699	409,989	241,896
Sixteenth section sources	353,479	230,633	199,030	-
Total Revenues	<u>19,273,549</u>	<u>19,157,031</u>	<u>18,730,168</u>	<u>17,151,017</u>
<b>Expenditures:</b>				
Instruction	10,784,019	10,535,352	10,658,023	10,183,181
Support services	7,696,110	7,417,645	7,587,581	7,806,505
Noninstructional services	77,442	80,194	75,873	77,599
Sixteenth section	149,609	66,739	96,299	-
Facilities acquisition and construction	-	-	81,904	49,068
Debt service:				
Principal	-	5,333	10,520	10,328
Interest	21,777	22,710	23,755	18,945
Other	9,610	-	-	-
Total Expenditures	<u>18,738,567</u>	<u>18,127,973</u>	<u>18,533,955</u>	<u>18,145,626</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>534,982</u>	<u>1,029,058</u>	<u>196,213</u>	<u>(994,609)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	650,000	-	-	-
Insurance recovery	9,803	6,455	-	16,916
Operating transfers in	425,217	260,815	316,135	748,493
Operating transfers out	(470,564)	(225,084)	(345,756)	(963,542)
Total Other Financing Sources (Uses)	<u>614,456</u>	<u>42,186</u>	<u>(29,621)</u>	<u>(198,133)</u>
Net Change in Fund Balances	1,149,438	1,071,244	166,592	(1,192,742)
Fund Balances:				
Beginning Period	7,479,255	6,408,011	6,183,221	7,375,963
Fund reclassification			58,198	
End of Period	<u>\$ 8,628,693</u>	<u>7,479,255</u>	<u>6,408,011</u>	<u>6,183,221</u>

\*Source - Prior Year Audit Reports

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 8,318,760	7,951,611	8,145,094	7,697,369
State sources	11,766,963	11,891,242	11,493,752	10,679,281
Federal sources	3,953,012	4,027,014	3,682,301	3,628,662
Sixteenth section sources	443,328	282,087	277,841	313,485
Total Revenues	<u>24,482,063</u>	<u>24,151,954</u>	<u>23,598,988</u>	<u>22,318,797</u>
<b>Expenditures:</b>				
Instruction	12,831,675	12,305,894	12,354,029	11,839,030
Support services	8,648,877	8,457,063	8,529,605	8,858,223
Noninstructional services	1,495,914	1,544,084	1,357,066	1,270,465
Sixteenth section	165,076	70,297	124,143	172,236
Facilities acquisition and construction	670,773	5,099	81,904	678,641
Debt service:				
Principal	510,000	568,483	557,078	766,405
Interest	105,995	122,022	137,492	152,654
Other	14,434	4,824	5,230	4,724
Total Expenditures	<u>24,442,744</u>	<u>23,077,766</u>	<u>23,146,547</u>	<u>23,742,378</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>39,319</u>	<u>1,074,188</u>	<u>452,441</u>	<u>(1,423,581)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	650,000	-	-	-
Insurance recovery	9,803	6,455	-	16,916
Payments held by escrow agent	139,808	135,771	52,976	51,206
Payment to QSCB debt escrow agent	(139,808)	(135,771)	(52,976)	(51,206)
Sale of other property	1,010	4,761	-	-
Operating transfers in	981,201	953,377	661,891	1,731,003
Other financing sources	-	-	-	5,203
Operating transfers out	(981,201)	(953,377)	(661,891)	(1,731,003)
Total Other Financing Sources (Uses)	<u>660,813</u>	<u>11,216</u>	<u>-</u>	<u>22,119</u>
Net Change in Fund Balances	700,132	1,085,404	452,441	(1,401,462)
<b>Fund Balances:</b>				
Beginning Period	11,250,034	10,164,287	9,720,677	11,123,490
Increase (Decrease) in inventory	<u>3,148</u>	<u>343</u>	<u>(8,831)</u>	<u>(1,351)</u>
Ending Period	\$ <u>11,953,314</u>	\$ <u>11,250,034</u>	\$ <u>10,164,287</u>	\$ <u>9,720,677</u>

\*Source - Prior Year Audit Reports

**FORREST COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

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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 School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Forrest County School District's basic financial statements and have issued our report thereon dated February 28, 2018.

## **Internal Control Over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

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

**KING CPA, PLLC**

Petal, Mississippi

February 28, 2018

**FORREST COUNTY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Superintendent and School Board  
Forrest County School District

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Forrest County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Forrest County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of Forrest County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the school district's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

*King CPA, PLLC*

**KING CPA, PLLC**

Petal, Mississippi

February 28, 2018

**FORREST COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Forrest County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2017, which collectively comprise Forrest County School District's basic financial statements and have issued our report thereon dated February 28, 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

*King CPA, PLLC*

**KING CPA, PLLC**

Petal, Mississippi

February 28, 2018



**FORREST COUNTY SCHOOL DISTRICT  
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. Material noncompliance relating to the general purpose financial statements? NO
3. Internal control over financial reporting:
  - a. Material weakness identified? NO
  - b. Significant Deficiency identified that are not considered to be material weakness? NONE REPORTED

**Federal Awards:**

4. Type of auditor's report issued on compliance for major federal programs: UNMODIFIED
5. Internal control over major programs:
  - a. Material weakness identified? NO
  - b. Significant deficiency identified that are not considered to be material weaknesses? NONE REPORTED
6. Any audit finding(s) reported as required to be Reported in accordance with 2 CFR 200.516(a) NO
7. Federal programs identified as major programs:

Child Nutrition Cluster

School Breakfast Program CFDA # 10.553

National School Lunch Program CFDA # 10.555

Summer Food Service Program for Children CFDA # 10.559

8. The dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? YES

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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