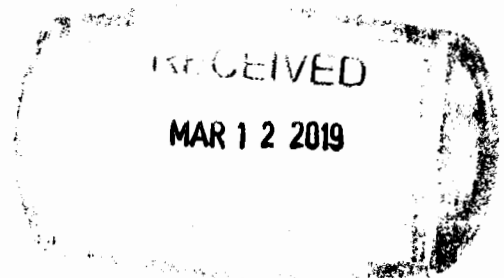




The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF FOREST, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Chance, Gay and Cieglo, PLLC
(A PROFESSIONAL CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS
514-B AIRPORT ROAD
FOREST, MISSISSIPPI 39074



(This page was intentionally left blank.)

**CITY OF FOREST, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
Table of Contents**

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-12
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position (Exhibit 1)	13
Statement of Activities (Exhibit 2)	14
FUND FINANCIAL STATEMENTS:	
<u>Governmental Funds:</u>	
Balance Sheet (Exhibit 3)	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 3-1)	16
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 4)	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit 4-1)	18
<u>Proprietary Funds:</u>	
Statement of Net Position (Exhibit 5)	19
Statement of Revenues, Expenses and Changes in Net Position (Exhibit 6)	20
Statement of Cash Flows (Exhibit 7)	21

<u>Fiduciary Funds:</u>	
Statement of Net Position (Exhibit 8)	22
Statement of Changes in Fiduciary Net Position (Exhibit 9)	23
NOTES TO THE FINANCIAL STATEMENTS	24-45
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (Other than MD&A):	
Budgetary Comparison Schedule	46
Schedule of Pension Contributions	47
Schedule of Proportionate Share of the Net Pension Liability	48
Notes to the Required Supplementary Information	49-51
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Surety Bonds for Municipal Officials	52
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditor's Report on Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	53-54
Independent Auditor's Report on Compliance with State Laws and Regulations	55
Schedule of Findings and Questioned Costs	56

Chance, Gay & Cieglo, PLLC
Certified Public Accountants
514-B Airport Road
Forest, MS 39074

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, the schedule of the City's contributions – PERS, and the schedule of the City's proportionate share of the net pension liability – PERS and corresponding notes, on pages 4 through 12 and 46 through 51, 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 Supplementary Information

The schedule of surety bonds for municipal officials of the City has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the City of Forest, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forest, Mississippi's internal control over financial reporting and compliance.

Chance Jay & Cieglo PLLC

Forest, Mississippi
March 5, 2019

**CITY OF FOREST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

The Discussion and Analysis of the City of Forest's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2018. The intent of this discussion and analysis is to look at the City's performance as a whole. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to the financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 were as follows:

- The City's assets exceeded its liabilities by \$25,257,259 (net assets) for the fiscal year reported. This was a decrease in total net position of \$878,602.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$25,683,454 include property and equipment, net of accumulated depreciation.
 - (2) Net position of \$306,904 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$733,099) represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City has \$8,234,569 in total revenue. General revenues account for \$3,854,325, or 47% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions account for \$4,380,244 or 53% of total revenues.
- The City had \$9,113,171 in expenses; 44% or \$3,983,440 of these expenses were covered by program specific charges for services, and the balance of \$5,129,731 was covered by general revenues of the City and fund balances at the beginning of the year.
- Among major funds, the General Fund had \$4,580,078 in revenue and \$4,662,180 in expenditures. The General Fund's balance decreased \$82,105 over the prior year.
- The Proprietary fund had \$3,407,352 in revenue and \$3,725,858 in expenditures. The Proprietary fund's balance decreased \$318,506 over the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 16 and 18, respectively.

The basic governmental fund financial statements can be found on pages 15 to 17 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary funds. The City's fiduciary funds include payroll clearing, accounts payable, court fines, Forest Municipal School District Taxes, and the Library Expendable Trust. The fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the City programs. Fiduciary fund financial statements are reported similarly to proprietary funds and can be found on pages 22 and 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 to 45 of this report.

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

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on page 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position. The City's combined net position, on the accrual basis of accounting and economic resource measurement focus, decreased from \$26,135,861 to \$25,257,259 between fiscal years 2017 and 2018.

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

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

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

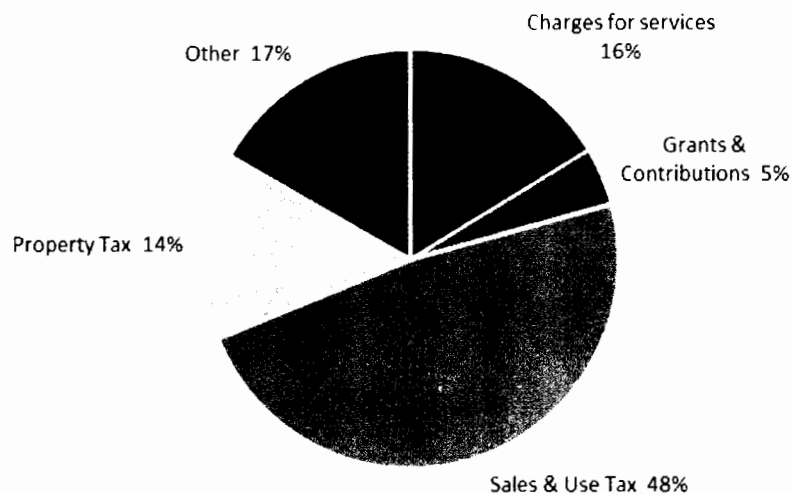
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 4,835,739	\$ 4,760,358	\$ 4,435,255	\$ 4,146,207	\$ 9,270,994	\$ 8,906,565
Capital assets, net	11,432,161	11,563,563	14,251,293	14,639,586	25,683,454	26,203,149
Total Assets	<u>\$16,267,900</u>	<u>\$16,323,921</u>	<u>\$18,686,548</u>	<u>\$18,785,793</u>	<u>\$34,954,448</u>	<u>\$35,109,714</u>
Deferred outflows	<u>\$ 440,172</u>	<u>\$ 846,659</u>	<u>\$ 159,865</u>	<u>\$ 300,541</u>	<u>\$ 600,037</u>	<u>\$ 1,147,200</u>
Liabilities:						
Current and other liabilities	\$ 400,617	\$ 278,046	\$ 308,877	\$ 240,986	\$ 709,494	\$ 519,032
Long-term liabilities	5,515,228	5,465,221	2,302,287	2,263,537	7,817,515	7,728,758
Total Liabilities	<u>\$ 5,915,845</u>	<u>\$ 5,743,267</u>	<u>\$ 2,611,164</u>	<u>\$ 2,504,523</u>	<u>\$ 8,527,009</u>	<u>\$ 8,247,790</u>
Deferred Inflows:						
Deferred inflows of resources	<u>\$ 968,253</u>	<u>\$ 1,043,243</u>	<u>\$ 801,964</u>	<u>\$ 830,020</u>	<u>\$ 1,770,217</u>	<u>\$ 1,873,263</u>
Net Position:						
Nonspendable capital assets	\$11,432,161	\$11,563,563	\$14,251,293	\$14,639,586	\$25,683,454	\$26,203,149
Restricted	123,268	136,034	183,636	229,707	306,904	365,741
Unrestricted	<u>(1,731,455)</u>	<u>(752,766)</u>	<u>998,356</u>	<u>882,498</u>	<u>(733,099)</u>	<u>(433,029)</u>
Total Net Position	<u>\$9,823,974</u>	<u>\$11,007,783</u>	<u>\$15,433,285</u>	<u>\$15,751,791</u>	<u>\$25,257,259</u>	<u>\$26,135,861</u>

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program Revenues:						
Charges for services	\$ 785,960	\$ 834,400	\$ 3,197,480	\$ 3,413,199	\$ 3,983,440	\$ 4,247,599
Grants and contributions	215,392	306,206	181,412	252,720	396,804	558,926
General Revenues:						
Sales and use taxes	2,323,898	2,376,816	-	-	2,323,898	2,376,816
Property taxes	695,277	639,138	-	-	695,277	639,138
Other	806,690	741,977	28,460	28,854	835,150	770,831
Total Revenues	<u>\$ 4,827,217</u>	<u>\$ 4,898,537</u>	<u>\$ 3,407,352</u>	<u>\$ 3,694,773</u>	<u>\$ 8,234,569</u>	<u>\$ 8,593,310</u>
Program Expenses:						
General Government	\$ 804,719	\$ 719,917	\$ -	\$ -	\$ 804,719	\$ 719,917
Public Safety	2,371,592	2,326,602	-	-	2,371,592	2,326,602
Streets and Sanitation	1,559,069	1,536,806	-	-	1,559,069	1,536,806
Culture and Recreation	651,933	582,625	-	-	651,933	582,625
Water and Sewer	-	-	3,725,858	3,894,380	3,725,858	3,894,380
Total Expenses	<u>\$ 5,387,313</u>	<u>\$ 5,165,950</u>	<u>\$ 3,725,858</u>	<u>\$ 3,894,380</u>	<u>\$ 9,113,171</u>	<u>\$ 9,060,330</u>
Decrease in deferred inflows- sewer project	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,165</u>	<u>\$ -</u>	<u>\$ 129,165</u>
Increase (Decrease) in Net Position	<u>\$ (560,096)</u>	<u>\$ (267,413)</u>	<u>\$ (318,506)</u>	<u>\$ (70,442)</u>	<u>\$ (878,602)</u>	<u>\$ (337,855)</u>

Governmental activities. Revenues for the City's governmental activities for the year ended September 30, 2018, were \$4,827,217 compared to \$4,898,537 in 2017. Revenues decreased \$71,320 mostly due to a decrease in grant revenue.

Revenues by Sources: Governmental Activities

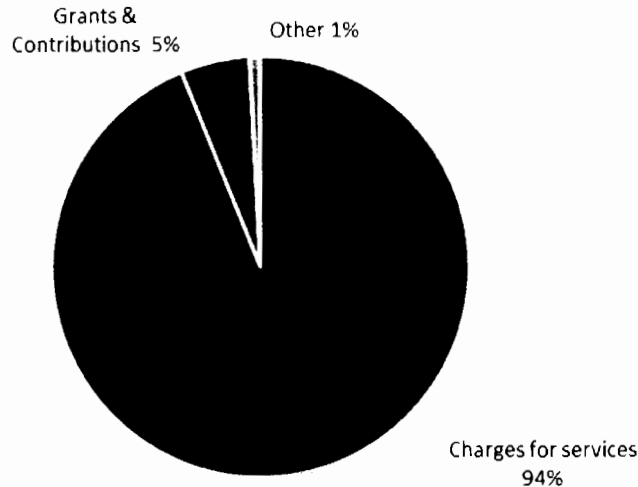


The cost of providing all governmental activities this year was \$5,387,313, an increase of \$221,363 from the prior year. Of this amount, general government expenses increased \$84,802; public safety expenses increased \$44,990; streets and sanitation expenses increased \$22,263; culture and recreation expenses increased \$69,308.

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

Business-type activities: Revenues for business-type activities are, for the most part, comprised of charges for services. Charges for services for the City's business-type activities were \$3,197,480 for 2018, a decrease of \$215,719 from 2017.

Revenues by sources: Business-Type Activities



The cost of these business-type activities was \$3,725,858 for 2018, a decrease of \$1687,522 from 2017 primarily due to decreased water and sewer expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined net position of \$3,805,134, a decrease of \$53,465. Unassigned fund balance equals \$3,632,894 or 95% of net position, which is available for spending at the City's discretion. The remaining net position of \$172,240 or 5% is restricted or assigned to indicate that it is not available for spending because it has already been committed.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of September 30, 2018, the City's total capital assets were \$55,297,682, including land, city buildings, infrastructure, vehicles, and furniture and equipment. This amount represents an increase of \$630,282 from the previous year. The total accumulated depreciation as of September 30, 2018, was \$29,614,228, and total depreciation expense for the year was \$1,515,443, resulting in total net assets of \$26,203,160.

The City is currently in the process of applying for a community block development grant in excess of \$200,000 related to rehabbing a sewer lift station. In addition, the City has again applied for two rural development grants to help fund the purchase of two additional police vehicles.

Additional information on the City's capital assets can be found in Note 6 on pages 36 through 38 of this report.

Debt Administration. At September 30, 2018, the City had paid off all bonds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FOREST
STATEMENT OF NET POSITION
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 367,287	\$ 684,944	\$ 1,052,231
Investments	3,590,000	2,504,000	6,094,000
Receivables:			
Property taxes	629,988	-	629,988
Tax Lien	25,046	-	25,046
Other Receivables	13,385	1,413	14,798
Trade accounts, net	-	493,160	493,160
Due from other governments	199,377	-	199,377
Due from other funds	-	-	-
Restricted assets:			
Cash:			
-Wastewater treatment facilities improvements	-	543,102	543,102
-wastewater treatment fund	-	169,229	169,229
Due from industry:			
-Wastewater treatment fund	-	14,407	14,407
Due from other funds	10,656	25,000	35,656
Capital assets, net	11,432,161	14,251,293	25,683,454
Total Assets	\$ 16,267,900	\$ 18,686,548	\$ 34,954,448
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-Pensions	\$ 440,172	\$ 159,865	\$ 600,037
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 296,145	\$ 204,593	\$ 500,738
Accounts payable -customers	-	46,611	46,611
Sales tax payable	-	977	977
Accrued expenses	50,608	14,596	65,204
Due to other funds	53,864	42,100	95,964
Total current liabilities	400,617	308,877	709,494
Non-current liabilities:			
Customer deposits	-	331,680	331,680
Net pension liability	5,515,228	1,970,607	7,485,835
Total Non-current liabilities	5,515,228	2,302,287	7,817,515
Total Liabilities	\$ 5,915,845	\$ 2,611,164	\$ 8,527,009
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-Pensions	\$ 338,265	122,956	461,221
Deferred inflows of resources-Property taxes receivable-2018	629,988	-	629,988
Restricted assets for sewer projects	-	679,008	679,008
Total Deferred inflows of resources	\$ 968,253	\$ 801,964	\$ 1,770,217
NET POSITION			
Net investments in capital assets	\$ 11,432,161	\$ 14,251,293	\$ 25,683,454
Restricted for:			
Public Safety	104,267	-	104,267
Public Works	-	-	-
Culture & Recreation	19,001	-	19,001
Capital Projects	-	183,636	183,636
Unrestricted	(1,731,455)	998,356	(733,099)
Total Net Position	\$ 9,823,974	\$ 15,433,285	\$ 25,257,259

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 691,493	\$ 142,788	\$ 45,000	\$ 11,292	\$ (492,413)	\$ -	\$ (492,413)
Public safety	1,955,292	152,607	10,960	38,140	(1,753,585)	-	(1,753,585)
Streets and sanitation	1,418,742	436,224	-	100,000	(882,518)	-	(882,518)
Culture and recreation	612,756	54,341	-	10,000	(548,415)	-	(548,415)
Pension expense	709,030	-	-	-	(709,030)	-	(709,030)
Total Governmental Activities	5,387,313	785,960	55,960	159,432	(4,385,961)	-	(4,385,961)
Business-type activities:							
Water & Sewer	3,725,858	3,197,480	-	181,412	-	(346,966)	(346,966)
Total Primary Government	\$ 9,113,171	\$ 3,983,440	\$ 55,960	\$ 340,844	(4,385,961)	(346,966)	(4,732,927)
General Revenues:							
Taxes:							
Sales tax					2,323,898	-	2,323,898
Property tax					695,277	-	695,277
Utility tax					12,158	-	12,158
Franchise taxes					393,067	-	393,067
Unrestricted grants and contributions:							
Intergovernmental					341,014	-	341,014
Public contributions					20,615	-	20,615
Unrestricted investment earnings					14,076	24,490	38,566
Gain (loss) on disposal of land and equipment					23,420	-	23,420
Other					2,340	3,970	6,310
Transfers					-	-	-
Total General Revenues					3,825,865	28,460	3,854,325
Decrease in deferred inflows-sewer project					-	-	-
Change in Net Position					(560,096)	(318,506)	(878,602)
Net Position- Beginning					10,384,070	15,751,791	26,135,861
Net Position - Ending					\$ 9,823,974	\$ 15,433,285	\$ 25,257,259

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

**CITY OF FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

Exhibit 3

	General	Grant Management	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 358,642	\$ -	\$ 8,645	\$ 367,287
Investments	3,500,000	-	90,000	3,590,000
Receivables:				
Property taxes	629,988	-	-	629,988
Tax lien	25,046	-	-	25,046
Other	13,385	-	-	13,385
Due from other funds	10,656	-	48,972	59,628
Due from other governments	199,377	-	-	199,377
Total Assets	<u>\$ 4,737,094</u>	<u>\$ -</u>	<u>\$ 147,617</u>	<u>\$ 4,884,711</u>
<u>LIABILITIES AND NET POSITION</u>				
Liabilities:				
Accounts payable	\$ 294,795	\$ -	\$ 1,350	\$ 296,145
Accrued expenses	50,608	-	-	50,608
Due to other funds	102,836	-	-	102,836
Total Liabilities	<u>448,239</u>	<u>-</u>	<u>1,350</u>	<u>449,589</u>
Deferred Inflows of Resources:				
Unavailable revenue-property taxes	629,988	-	-	629,988
Net Position:				
Restricted for:				
Public Safety	6,972	-	146,267	153,239
Public Works	-	-	-	-
Culture & Recreation	19,001	-	-	19,001
Capital Projects	-	-	-	-
Unassigned, reported in:				
General Fund	3,632,894	-	-	3,632,894
Total Fund Balance	<u>3,658,867</u>	<u>-</u>	<u>146,267</u>	<u>3,805,134</u>
Total Liabilities and Fund Balances	<u>\$ 4,737,094</u>	<u>\$ -</u>	<u>\$ 147,617</u>	<u>\$ 4,884,711</u>

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

CITY OF FOREST
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2018

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$	3,805,134
---	----	-----------

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

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

Governmental capital assets	\$	20,190,735	
Less accumulated depreciation		(8,758,574)	
			11,432,161

Deferred outflows of resources-pension		440,172
--	--	---------

Long-term liabilities not due and payable in the current period,
and, therefore not reported in the funds:

Net pension liability		(5,515,228)
-----------------------	--	-------------

Deferred inflows of resources-pension		(338,265)
---------------------------------------	--	-----------

Total Net Position - Governmental Activities	\$	9,823,974
--	----	-----------

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

RECEIVED
MAR 12 2019

CITY OF FOREST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2018

Exhibit 4

	General	Grant Management	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 695,277	\$ -	\$ -	\$ 695,277
Penalties & interest on delinquent taxes	52,520	-	-	52,520
Licenses and permits	51,056	-	-	51,056
Franchise taxes on utilities	393,067	-	-	393,067
Intergovernmental revenues				
Federal sources - TVA	5,454	-	-	5,454
Federal sources - other	-	138,140	-	138,140
Homestead exemption reimbursement	26,330	-	-	26,330
General municipal aid	8,480	-	-	8,480
Sales tax	2,323,898	-	-	2,323,898
Utility tax	12,158	-	-	12,158
State grants	-	20,960	-	20,960
Fire Protection-State	-	-	32,446	32,446
County contributions	257,720	-	8,250	265,970
Charges for services	532,111	-	-	532,111
Donations	20,615	56,292	-	76,907
Fines and forfeitures	152,607	-	-	152,607
Interest income	13,466	-	610	14,076
Miscellaneous	2,340	-	-	2,340
Total Revenues	4,547,099	215,392	41,306	4,803,797
Expenditures				
General government	636,612	-	-	636,612
Public safety	1,988,164	70,220	12,666	2,071,050
Streets and sanitation	1,487,911	250,188	-	1,738,099
Culture and recreation	388,188	56,292	-	444,480
Total Expenditures	4,500,875	376,700	12,666	4,890,241
Excess of Revenues				
Over (Under) Expenditures	46,224	(161,308)	28,640	(86,444)
Other Financing Sources				
Sale of land	1,800	-	-	1,800
Sale of depreciable property	31,179	-	-	31,179
Transfers in	-	161,308	-	161,308
Transfers out	(161,308)	-	-	(161,308)
Total Other Financing Sources	(128,329)	161,308	-	32,979
Net Change in Fund Balances	(82,105)	-	28,640	(53,465)
Fund Balance - Beginning	3,740,972	-	117,627	3,858,599
Prior period adjustment	-	-	-	-
Fund Balance - Beginning, as restated	3,740,972	-	117,627	3,858,599
Fund Balance - Ending	\$ 3,658,867	\$ -	\$ 146,267	\$ 3,805,134

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

CITY OF FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

Exhibit 4-1

Net Change in fund balances - governmental funds \$ (53,465)

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

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

Expenditures for capital assets	\$ 561,177	
Less current year depreciation	<u>(683,020)</u>	
		(121,843)

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

Book value of assets sold	(9,559)
---------------------------	---------

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

Pension expense	<u>(375,229)</u>
Change in net position of governmental activities	<u>\$ (560,096)</u>

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2018

Exhibit 5

ASSETS

Current Assets:

Cash	\$ 684,944
Investments	2,504,000
Receivables:	
Trade accounts, net	493,160
Other	1,413
Total Current Assets	<u>3,683,517</u>

Restricted Assets:

Cash:	
Wastewater treatment facilities improvements	543,102
Wastewater treatment fund	169,229
Due from other funds	25,000
Due from industry-wastewater treatment	14,407
Total Restricted Assets	<u>751,738</u>

Noncurrent Assets

Capital assets (net)	<u>14,251,293</u>
----------------------	-------------------

Total Assets

18,686,548

Deferred Outflows of Resources

Deferred outflows-pension	<u>159,865</u>
---------------------------	----------------

Total Assets and Deferred Outflows

\$ 18,846,413

LIABILITIES

Current Liabilities:

Accounts payable	\$ 204,593
Accounts payable - customers	46,611
Sales tax payable	977
Accrued expenses	14,596
Due to other funds	42,100
Current Liabilities	<u>308,877</u>

Non-current Liabilities:

Customer deposits (payable from restricted assets)	331,680
Net pension liability	1,970,607
Total Non-current Liabilities	<u>2,302,287</u>

Total Liabilities

2,611,164

Deferred Inflows of Resources:

Deferred inflows-pension	122,956
Restricted assets for sewer project	679,008
Total Deferred inflows of resources	<u>801,964</u>

Total Liabilities and Deferred Inflows

\$ 3,413,128

NET POSITION

Net Position

Nonspendable capital assets	\$ 14,251,293
Restricted for capital projects	183,636
Unrestricted	<u>998,356</u>

Total Net Position

\$ 15,433,285

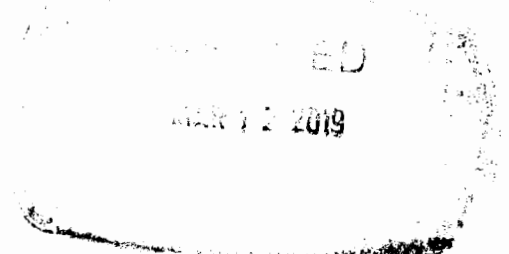
The notes to the financial statements are an integral part of this statement.

CITY OF FOREST
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION -PROPRIETARY FUND
Year ended September 30, 2018

Exhibit 6

Operating Revenue:	
Charges for services	\$ 3,197,480
Wastewater treatment charges-industry	181,412
	<u>3,378,892</u>
Operating Expenses:	
Personal services	1,108,645
Maintenance, operations, and contractual services	280,927
Materials and supplies	662,730
Utilities	841,133
Depreciation	832,423
	<u>3,725,858</u>
Operating Loss	<u>(346,966)</u>
Nonoperating Revenues (Expenses):	
Interest income	24,490
Other	3,970
	<u>28,460</u>
Change in net position	<u>(318,506)</u>
Net position, Beginning	<u>15,751,791</u>
Net position, Ending	<u><u>\$ 15,433,285</u></u>

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



CITY OF FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2018

Exhibit 7

Cash flows from Operating Activities

Receipts from customers	\$ 3,437,396
Payments to suppliers	(1,714,080)
Payments to employees	(980,722)
Net Cash Provided by Operating Activities	<u>742,594</u>

Cash Flows from Investing Activities

Interest earned on certificates of deposit	24,490
Acquisition and construction of capital assets	(444,130)
Net Cash Used by Investing Activities	<u>(419,640)</u>

Cash Flows from Capital and Related Financing Activities

Other	3,970
Net Cash Provided by Capital and Related Financing Activities	<u>3,970</u>

Net Increase in Cash, Cash Equivalents and Restricted Cash 326,924

Cash, Cash Equivalents and Restricted Cash, Beginning 3,574,351

Cash, Cash Equivalents and Restricted Cash, Ending \$ 3,901,275

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

Operating Income

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

Operating Loss	\$ (346,966)
Depreciation and amortization	832,423
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	39,391
Increase in "Due from Industry"	(1,515)
Decrease in Deferred Outflows	140,676
Increase in Accounts Payable	70,710
Decrease in Sales Tax Payable	(40)
Decrease in Accrued Expenses	(2,004)
Decrease in "Due to Other Funds"	(775)
Increase in Customer Deposits	21,444
Increase in Net Pension Liability	17,306
Decrease in Deferred Inflows	(28,056)

Net Cash Provided by Operating Activities \$ 742,594

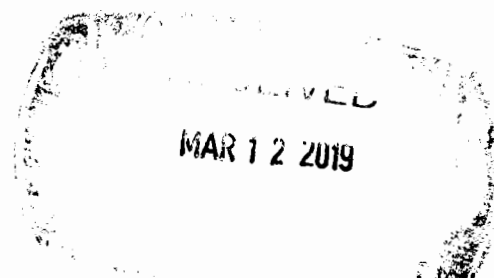
The notes to the financial statements are an integral part of this statement.

**CITY OF FOREST, MISSISSIPPI
STATEMENT OF FIDUCIARY
NET POSITION-FIDUCIARY FUNDS
September 30, 2018**

Exhibit 8

	Agency Funds					
	Payroll Clearing	Court Fines	Forest Municipal School Distr. Taxes	Library Expendable Trust	Total	
<u>ASSETS</u>						
Cash	\$ 9,815	\$ 45,337	\$ 1	\$ 961	\$ 56,114	
Investments	-	-	-	326,000	326,000	
Accrued interest receivable	-	-	-	184	184	
Due from other funds	26,851	30,380	3,078	-	60,309	
Taxes receivable	-	-	94,202	-	94,202	
Due from other governments	-	-	26,070	-	26,070	
Total Assets	<u>\$ 36,666</u>	<u>\$ 75,717</u>	<u>\$ 123,351</u>	<u>\$ 327,145</u>	<u>\$ 562,879</u>	
<u>LIABILITIES</u>						
Payroll taxes payable	\$ 36,656	\$ -	\$ -	\$ -	\$ 36,656	
Due to State of Mississippi	-	30,379	-	-	30,379	
Due to Forest Municipal School District	-	-	123,351	-	123,351	
Due to other funds	-	-	-	-	-	
Refundable bond fees	-	45,338	-	-	45,338	
Total Liabilities	<u>36,656</u>	<u>75,717</u>	<u>123,351</u>	<u>-</u>	<u>235,724</u>	
Net position held in trust	\$ 10	\$ -	\$ -	\$ 327,145	\$ 327,155	

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



CITY OF FOREST, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2018

Exhibit 9

	Payroll Clearing	Court Fines	Forest Municipal School Distr. Taxes	Library Expendable Trust	Total
Additions					
Trust receipts	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	3	-	-	2,893	2,896
Total additions	3	-	-	2,893	2,896
Deductions	-	-	-	15,956	15,956.00
Total deductions	-	-	-	15,956	15,956
Changes in net position	3	-	-	(13,063)	(13,060)
Net position held in trust:					
Beginning of year	7	-	-	340,208	340,215
End of year	\$ 10	\$ -	\$ -	\$ 327,145	\$ 327,155

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City of Forest are prepared in accordance with generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

A. Financial Reporting Entity

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

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

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major governmental funds:

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Cash and Other Deposits (and Cash Equivalents)

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

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

Cash and cash equivalents for cash flows of Proprietary Funds include all cash accounts and certificates of deposit.

G. Investments

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

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

H. Inventories and Prepaid Items

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

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

I. Capital Assets

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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	\$ -	-
Infrastructure – Roads	25,000	20 years
Infrastructure – Concrete bridges	25,000	50 years
Buildings	25,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Heavy equipment	5,000	10 years
Mobile equipment	500	5 years
Furniture and equipment	500	3-7 years
Software	500	3 years

J. Restricted Assets

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

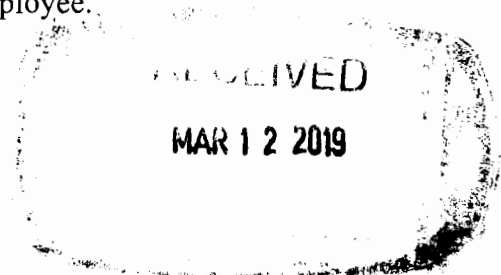
K. Reconciliation of Government-wide and Fund Financial Statements

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

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

L. Compensated Absences

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



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

M. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes become delinquent February 1. The City bills and collects its own property taxes except for the personal auto, large truck and house trailer taxes that are collected and remitted to the City by the county tax collector. The City also acts as tax assessor and collector for the Forest Municipal School District in the same manner as previously mentioned. Collections for the Forest Municipal School District are remitted monthly as collected to the District. City property tax revenues are recognized when levied to the extent that they result in current receivables. The millage rate for the City and School combined for January through December, 2017, was 66.92 mills.

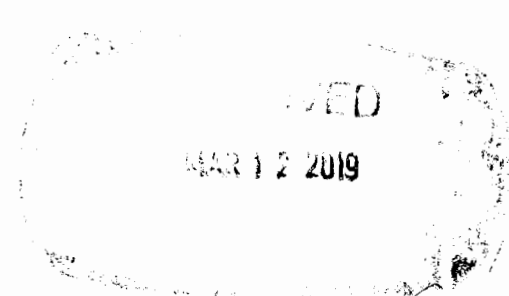
The taxes were distributed to funds in accordance with prescribed tax levies. A tax sale was held for uncollected taxes. Remaining uncollected taxes were not accrued.

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

\$5,324,715	Base 2016 - 2017	\$5,444,559	Taxes collected 2017 - 2018
<u>533,000</u>	10% Increase	<u>102,755</u>	Homestead Exemption Reimbursements
5,857,715		5,547,314	Total Collections
<u>315,517</u>	Exempt Collections	<u>625,918</u>	Under Limitations
<u>\$6,173,232</u>	Total	<u>\$6,173,232</u>	Total

N. Economic Dependency

Two heavy water users of the Water and Sewer Enterprise Fund accounted for 71% of total consumption. Revenues are based upon consumption. These two users produced 63% of gross revenue.



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

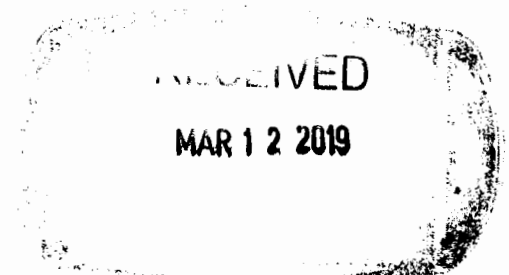
O. Fair Values of Financial Instruments

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

P. Budgetary and Budgetary Accounting

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

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. During September, the budget must be published in a newspaper published in the City (or the county if none is published by the City).
3. Prior to the adoption of the budget, at least one public hearing is held by the Board of Aldermen to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing must be held with advance notice at least one week prior to the adoption of the budget and must be held outside normal working hours.
4. Prior to September 15, the budget is legally enacted through passage of an ordinance.
5. Routine budget revisions may be made by the Board as often as necessary. However, when a department's total budget has been revised up or down by ten percent (10%) or more, public notice must be given of the change. Also, during the first three months of office, while operating under the prior Board's budget, the new Board is limited to one revision if a deficit is evident.
6. It is the City's policy for the Board to approve all budget transfers between departments and/or funds.
7. Formal budgetary integration is employed as a management control device during the year for the various funds. Budgeting data presented is as originally adopted or amended by the Board of Aldermen.



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8. Budgets for the various funds are not adopted on a basis consistent with generally accepted accounting principles but rather on a modified cash basis as required by State statutes.

Q. Use of Estimates

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

R. Due From Other Funds

Short-term amounts owed between funds are classified as “due to/from other funds” and are considered “available spendable resources”.

S. Comparative Data

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

The carrying amount of the City's deposits with financial institutions was \$8,240,676.

Investments

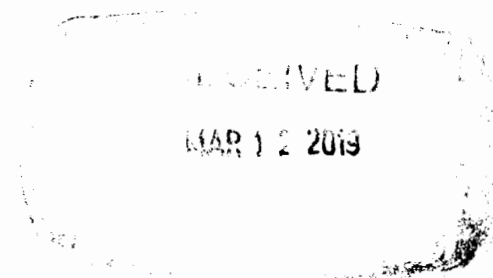
Investments made by the City that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

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

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

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

<u>Investment Type</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	<u>\$6,420,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,420,000</u>	<u>\$6,420,000</u>



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 3. INTERFUND ASSETS/LIABILITIES

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

	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
<u>General Fund</u>			
Water and Sewer Enterprise Fund	\$ 10,656	\$ -	
Payroll Clearing Fund	-	20,407	
Forest Municipal School District Taxes	-	3,078	
Municipal Fire Fund	-	48,972	
Court Fines Fund	-	30,379	
	<u>10,656</u>	<u>102,836</u>	\$ (92,180)
<u>Municipal Fire Fund</u>			
General Fund	48,972	-	
	<u>48,972</u>	-	48,972
<u>Water and Sewer Enterprise Fund</u>			
General Fund – Garbage	-	10,656	
Payroll Clearing Fund	-	6,444	
	-	<u>17,100</u>	(17,100)
<u>Payroll Clearing Fund</u>			
Water and Sewer Enterprise Fund	6,444	-	
General Fund	20,407	-	
	<u>26,851</u>	-	26,851
<u>Forest Municipal School District Taxes</u>			
General Fund	3,078	-	
	<u>3,078</u>	-	3,078
<u>Court Fines Fund</u>			
General Fund	30,379	-	
	<u>30,379</u>	-	<u>30,379</u>
 Total	 <u>\$ 119,936</u>	 <u>\$ 119,937</u>	 <u>\$ -</u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

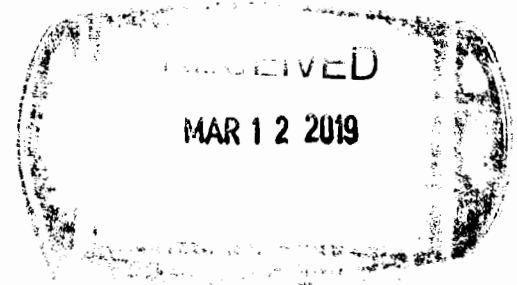
Note 4. DUE FROM/TO OTHER GOVERNMENTS

Due from other Governments at September 30, 2018, consists of the following:

Due From:	Governmental Fund	Water & Sewer Enterprises Fund	Agency Funds	Total
Federal Government:				
-Department of Justice	\$ 456	\$ -	\$ -	\$ 456
State of MS:				
-Sales tax	\$ 193,278	\$ -	\$ -	\$ 193,278
-Airport	-	-	-	-
	<u>\$ 193,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,734</u>
Scott County:				
-Coliseum roof	\$ -	\$ -	\$ -	-
-Ad valorem tax	5,643	-	26,070	31,713
	<u>\$ 5,643</u>	<u>\$ -</u>	<u>\$ 26,070</u>	<u>\$ 31,713</u>
Due From Totals	<u><u>\$ 199,377</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,070</u></u>	<u><u>\$ 225,447</u></u>

Due To Other Governments at September 30, 2018, consists of the following:

State of MS:				
--Bonds	\$ -	\$ -	\$ 30,379	\$ 30,379
FMSD:				
--Ad valorem taxes	\$ -	\$ -	\$ 123,352	\$ 123,352
Due To Totals	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,731</u></u>	<u><u>\$ 153,731</u></u>



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 5. COMPONENTS OF RESTRICTED ASSETS

Components of restricted assets are as follows:

Governmental Activities

Public Safety	\$ 104,267
Culture & Recreation	<u>19,001</u>
	\$ 123,268

Business Type Activities

Waste Water Treatment - Heavy users of the wastewater treatment facilities are billed separately for their use with the funds restricted for the purchase of chemicals and operating and maintenance expenses	<u>183,636</u>
---	----------------

Total	<u>\$ 306,904</u>
-------	-------------------

Note 6. CAPITAL ASSETS

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

	9/30/2017	Additions	Retirements	9/30/2018
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 1,158,010	\$ -	\$ -	\$ 1,158,010
<u>Depreciable Capital Assets:</u>				
Infrastructure - bridges	50,605	-	-	50,605
Buildings	6,958,318	-	-	6,958,318
Improvements	6,344,262	102,927		6,447,189
Mobile equipment	2,603,741	312,622	281,372	2,634,991
Furniture and fixtures	311,439	9,510	2,158	318,791
Equipment	2,512,041	136,118	44,580	2,603,579
Software	19,252	-	-	19,252
Total Depreciable Capital Assets	\$ 18,799,658	\$ 561,177	\$ 328,110	\$ 19,032,725

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 6. CAPITAL ASSETS – Continued

<u>Less Accumulated Depreciation:</u>	<u>9/30/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2018</u>
Infrastructure - bridges	\$ 21,254	\$ 1,012	\$ -	\$ 22,266
Buildings	4,479,498	341,305	-	4,820,803
Mobile equipment	2,069,615	100,353	281,115	1,888,853
Furniture and fixtures	232,098	18,952	2,015	249,035
Equipment	1,572,388	221,398	35,421	1,758,365
Software	19,252	-	-	19,252
Total Accumulated Depreciation	<u>\$ 8,394,105</u>	<u>\$ 683,020</u>	<u>\$ 318,551</u>	<u>\$ 8,758,574</u>
 Capital Assets, Net	 <u>\$ 11,563,563</u>	 <u>\$ (121,843)</u>	 <u>\$ 9,559</u>	 <u>\$ 11,432,161</u>

Depreciation expense was charged to the following governmental functions:

General Government:	
Airport	\$ 82,402
Other	38,249
Public Safety:	
Police	102,323
Fire	90,630
Public Works	105,211
Culture and Recreation:	
Library	66,232
Other	<u>197,973</u>
Total depreciation expense	<u>\$ 683,020</u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 6. CAPITAL ASSETS – Continued

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

	9/30/2017	Additions	Retirements	9/30/2018
Non-depreciable Capital Assets:				
Land	\$ 162,395	\$ -	\$ -	\$ 162,395
Depreciable Capital Assets:				
Machinery and equipment	1,015,610	434,919	46,901	1,403,628
Water plant	6,582,668	9,200	-	6,591,868
Waste treatment plant	26,949,056	-	-	26,949,056
Total Depreciable Capital Assets	\$ 34,547,334	\$ 444,130	\$ 46,901	\$ 34,944,552
	9/30/2017	Additions	Retirements	9/30/2018
Less Accumulated Depreciation:				
Machinery and equipment	\$ 827,335	\$ 115,044	\$ 46,901	\$ 895,478
Water plant	4,937,374	48,449	-	4,985,823
Waste treatment plant	14,305,423	668,930	-	14,974,353
Total Accumulated Depreciation	\$ 20,070,132	\$ 832,423	\$ 46,901	\$ 20,855,654
Capital Assets, Net	\$ 14,639,597	\$ (388,293)	\$ -	\$ 14,251,293

Depreciation expense charged to the enterprise fund totaled \$832,423.

Note 7. GOVERNMENTAL FUND BALANCES

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

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 7. GOVERNMENTAL FUND BALANCES – Continued

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

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

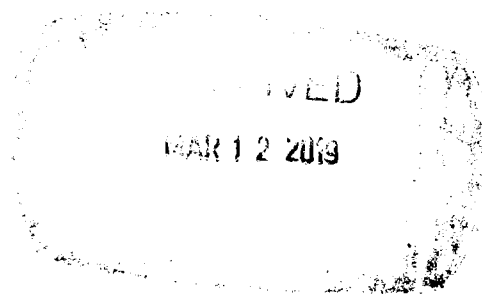
Note 8. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

Benefits Provided. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years.



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 8. DEFINED BENEFIT PENSION PLAN – Continued

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et Seq. Miss. Code Ann. (1972), and may be amended only by the State Legislature.

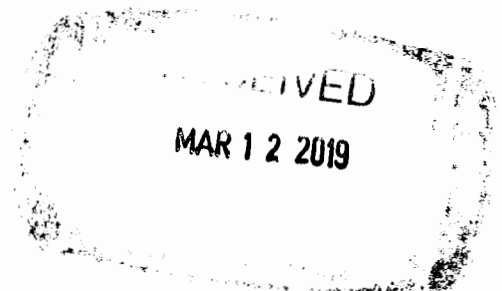
A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions. PERS Chapter 11 of Title 25, Miss. Code Ann. (1972) contribution of plan members and their employers are established and may be amended only by PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2018, member employees were required to contribute 9.00% of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2018, 2017 and 2016 were \$450,012, \$450,894 and \$438,383, respectively. The contributions for each year met the required contributions.

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

At September 30, 2018, the City reported a liability of \$7,485,835 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion was .0450%, which was an increase of .0379% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$955,369.



CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 8. DEFINED BENEFIT PENSION PLAN – Continued

At September 30, 2018, the City reported as components of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

CITY OF FOREST	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,815	\$ 31,291
Net difference between projected and actual earnings on pension plan investments	423,529	134,657
Changes in assumptions	11,529	295,273
Changes in proportion and differences between entity contributions and proportionate share of contributions	29,820	-
Entity contributions subsequent to the measurement date	<u>110,344</u>	<u>-</u>
Total	<u>\$ 600,037</u>	<u>\$ 461,221</u>

These amounts will be amortized as follows:

<u>Year ended September 30:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 321,364	\$ 273,111
2020	166,110	120,782
2021	2,219	33,664
2022	<u>-</u>	<u>33,664</u>
Total	<u>\$ 489,693</u>	<u>\$ 461,221</u>

\$110,344 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019.

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 8. DEFINED BENEFIT PENSION PLAN – Continued

Actuarial assumptions. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumption used in the June 30 2018, valuation was based on the results of an actuarial experience study for the pension July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 8. DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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 entity's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
City's net pension liability	\$9,856,697	\$7,485,835	\$5,515,336

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

Note 9. RISK MANAGEMENT

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

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

Participation in Public Entity Risk Pool:

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 9. RISK MANAGEMENT - Continued

The City is a member of the Mississippi Municipal Workers Compensation Group (MMWCG). The group is a risk-sharing pool, frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member.

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

Note 10. OPERATING LEASES

As of September 30, 2018, the City is leasing eight (8) pieces of equipment for terms of 36 months. Maturity dates range from November 2019, to June 2021. At the end of the lease terms, the equipment is returned to the lessor or purchased at specified amounts, which approximate fair market value. Historically, the City has returned the equipment after the initial lease term. Monthly payments range from \$731 per month to \$2,581 per month. In the fiscal year ended September 30, 2018, the City paid lease payments of \$110,008.

Required minimum lease payments over the next 5 years are as follows:

September 30,	
2019	\$ 108,646
2020	76,892
2021	<u>35,846</u>
	<u>\$ 221,384</u>

Note 11. COMMITMENTS AND CONTINGENCIES

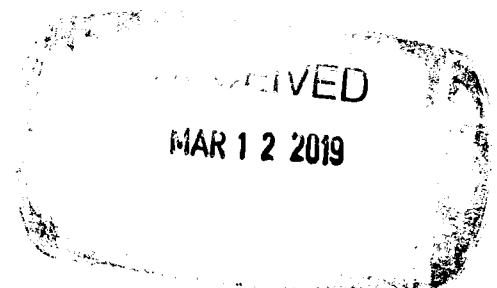
Grant Audit

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2018

Note 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2019, the date of which the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary	Final Budget
			Basis)	Over
				(Under)
Revenues				
General property taxes	\$ 798,500	\$ 798,500	\$ 722,229	\$ (76,271)
School advalorem collection fee	39,162	39,162	39,162	-
Licenses and permits	62,600	62,600	44,483	(18,117)
Franchise taxes on utilities	450,000	450,000	409,860	(40,140)
Federal and state shared revenues	3,215,000	3,215,000	2,582,605	(632,395)
Charges for services	499,137	499,137	439,280	(59,857)
Fines and forfeitures	267,150	267,150	155,612	(111,538)
Donations	244,120	244,120	212,615	(31,505)
Interest income	20,000	20,000	8,470	(11,530)
Miscellaneous	98,500	98,500	88,557	(9,943)
Total Revenues	5,694,169	5,694,169	4,702,873	(991,296)
Expenditures				
General government	936,095	936,095	653,424	(282,671)
Public safety	2,186,400	2,186,400	2,107,142	(79,258)
Streets and sanitation	2,044,450	2,044,450	1,640,333	(404,117)
Culture and recreation	532,224	532,224	458,374	(73,850)
Total Expenditures	5,699,169	5,699,169	4,859,273	(839,896)
Excess of Revenues				
Over (Under) Expenditures	(5,000)	(5,000)	(156,400)	(151,400)
Other Financing Sources (Uses)				
Sale of equipment	5,000	5,000	31,179	26,179
Sale of land	-	-	1,800	1,800
Transfers out	-	-	-	-
Total Other Financing Sources	5,000	5,000	32,979	27,979
Net Change in Fund Balances	-	-	(123,421)	(123,421)
Fund Balance, Beginning	3,740,972	3,740,972	3,740,972	-
Fund Balance, Ending	\$ 3,740,972	\$ 3,740,972	\$ 3,617,551	\$ (123,421)

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

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

	2018	2017	2016	2015
Contractually required contribution	\$ 450,012	\$ 450,894	\$ 438,383	\$ 434,255
Contributions in relation to the contractually required contribution	450,012	450,894	438,383	434,255
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City employee covered payroll	\$ 2,857,216	\$ 2,862,819	\$ 2,783,384	\$ 2,757,175
Contributions as a percentage of covered employee payroll	15.75%	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 for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

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

	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	\$ 7,485,835	\$ 7,418,522	\$ 7,771,794	\$ 6,872,639
City's proportionate share of the new pension liability (asset)	0.0450%	0.0446%	0.0435%	0.0445%
City's employee-covered payroll	\$ 2,857,216	\$ 2,862,819	\$ 2,783,384	\$ 2,757,172
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	261.9975%	259.1330%	279.2231%	249.0831%
Plan fiduciary net position as a percentage of the total pension liability pension liability	62.54%	61.49%	57.47%	61.70%

The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

MAR 12 2019

CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis), and variances between the final budgets and actual data. The schedule is presented for the General Fund.

(2) Budget amendments and revisions.

The budget is adopted by the Board of Aldermen. Amendments can be made with the approval of the Board. Expenditures shall not exceed budget estimates, measured at the lowest level adopted in the budget, except for capital outlay, election expenses and payments of emergency warrants.

(3) The major differences between the budgetary basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as apposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the respective Fund:

	<u>General Fund</u>
Net change in fund balance – Budget (Non-GAAP Basis)	\$ (123,421)
Increase (decrease) in fund balance:	
Net adjustments for revenue accruals	59,620
Net adjustments for expenditure accruals	<u>(18,304)</u>
Net change in fund balance – GAAP Basis	\$ <u><u>(82,105)</u></u>

CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

B. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

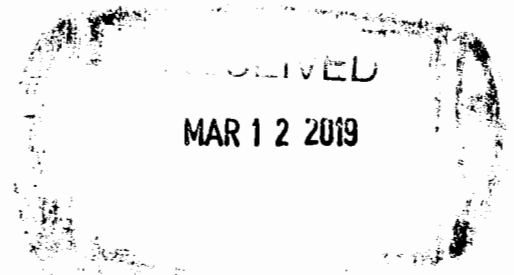
2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.



CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

RECEIVED
MAR 12 2019

OTHER SUPPLEMENTARY INFORMATION

CITY OF FOREST, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2018

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

RECEIVED
MAR 12 2013

Chance, Gay & Cieglo, PLLC
Certified Public Accountants
514-B Airport Road
Forest, MS 39074

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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi (the "City"), as of and for the year ended September 30, 2018, and the related note to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2018-1 and 2018-2.)

Compliance and Other Matters

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

City of Forest, Mississippi's State Response to Findings

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

Purpose of this Report

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

Chance Jay & Cieglo PLLC

Forest, Mississippi
March 5, 2019

Chance, Gay & Cieglo, PLLC
Certified Public Accountants
514-B Airport Road
Forest, MS 39074

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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Forest, Mississippi (the "City") as of and for the year ended September 30, 2018, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2019. We have conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

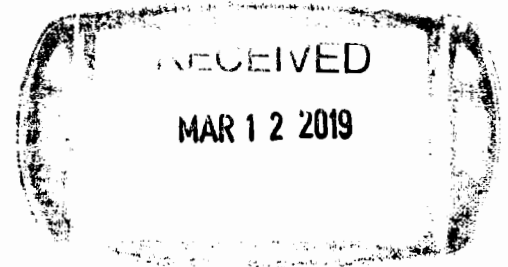
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our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

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

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

Chance Gay & Cieglo PLLC

Forest, Mississippi
March 5, 2019



CITY OF FOREST, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2018

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

- 2018-1 As part of the audit, management requested us to calculate depreciation and make certain accrual basis adjusting entries so the financial statements could be prepared in conformity with United States generally accepted accounting principles. We reviewed the adjustments with management and management accepted responsibility for the adjustments. The absence of the ability to perform this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.
- 2018-2 The City is responsible for establishing and maintaining internal controls which include the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U. S. generally accepted accounting principles.

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

City's Response

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

FINDINGS AND QUESTIONED COSTS

None

MAR 12 2019