



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.



**FORREST COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# FORREST COUNTY SCHOOL DISTRICT

## Table of Contents

<b>INDEPENDENT AUDITOR’S REPORT</b>	3
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	6
<b>BASIC FINANCIAL STATEMENTS</b>	
<u>Government-wide Financial Statements</u>	
EXHIBIT A: Statement of Net Position	16
EXHIBIT B: Statement of Activities	17
<u>Governmental Funds Financial Statements</u>	
EXHIBIT C: Balance Sheet	18
EXHIBIT C-1: Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
EXHIBIT D: Statement of Revenues, Expenditures and Changes in Fund Balances	20
EXHIBIT D-1: Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21
<u>Fiduciary Funds Financial Statements</u>	
EXHIBIT E: Statement of Fiduciary Assets and Liabilities	22
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	45
Budgetary Comparison Schedule – Title I	46
Schedule of District’s Proportionate Share of the Net Pension Liability (PERS)	47
Schedule of District Contributions (PERS)	48
Schedule of District’s Proportionate Share of the Net Pension Liability (OPEB)	49
Schedule of District Contributions (OPEB)	50
Notes to the Required Supplementary Information	51
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	54
Notes to the Supplementary Information	55
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	56
<b>OTHER INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Last Four Years	58
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Last Four Years	59
<b>REPORTS ON COMPLIANCE AND INTERNAL CONTROL</b>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	60
Independent Auditors’ Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	63
Independent Auditors’ Report on Compliance with State Laws and Regulations	66
Schedule of Findings and Questioned Costs	68

American Institute of  
Certified Public Accountants

# ***King CPA, PLLC***

206 E Central Ave P.O. Box 1182  
Petal, MS 39465  
Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

---

## **INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Forrest County School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Forrest County School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-15, 45-46, 47, 48, 49, 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2019, on our consideration of the Forrest County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Forrest County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forrest County School District's internal control over financial reporting and compliance.

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

**KING CPA, PLLC**  
Petal, Mississippi  
February 28, 2019

# **FORREST COUNTY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of Forrest County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2018 decreased \$2,720,413, including a prior period adjustment of (\$2,186,387) due to the recording of the net OPEB liability and the related deferred inflows and outflows, which represents a 89% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,127,877, which represents a 59% decrease from fiscal year 2016.
- General revenues amounted to \$19,740,104 and \$19,737,860, or 78% and 80% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,434,308, or 22% of total revenues for 2018, and \$4,971,254, or 20% of total revenues for 2017.
- The District had \$25,708,438 and \$25,836,991 in expenses for fiscal years 2018 and 2017; only \$5,434,308 for 2018 and \$4,971,254 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,740,104 for 2018 and \$19,737,860 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,180,576 in revenues and \$18,579,857 in expenditures for 2018, and \$19,273,549 in revenues and \$18,738,567 in expenditures in 2017. The General Fund's fund balance increased by \$622,615 from 2017 to 2018, and increased by \$1,149,438 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$832,929 for 2018 and increased by \$716,088 for 2017. The decrease for 2018 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Total long-term debt decreased by \$645,000 for 2018 and increased by \$160,070 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$12,913 for 2018 and increased by \$20,070 for 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

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

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

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,751,596 as of June 30, 2018.

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

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

**Table 1  
Condensed Statement of Net Position**

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 11,858,064	\$ 12,022,707	-1.37%
Restricted assets	1,543,487	1,149,054	34.33%
Capital assets, net	18,424,264	19,257,193	-4.33%
<b>Total assets</b>	<b>31,825,815</b>	<b>32,428,954</b>	<b>-1.86%</b>
 <b>Deferred outflows of resources</b>	 <b>4,172,712</b>	 <b>7,308,555</b>	 <b>-42.91%</b>
 Current liabilities	359,168	1,024,060	-64.93%
Long-term debt outstanding	4,181,728	4,815,183	-13.16%
Net OPEB liability	2,164,490	-	N/A
Net pension liability	34,023,100	36,831,576	-7.63%
<b>Total liabilities</b>	<b>40,728,486</b>	<b>42,670,819</b>	<b>-4.55%</b>
 <b>Deferred inflows of resources</b>	 <b>1,021,637</b>	 <b>97,873</b>	 <b>943.84%</b>
 <b>Net position:</b>			
Net investment in capital assets	14,412,305	14,609,259	-1.35%
Restricted	3,791,075	3,519,008	7.73%
Unrestricted	(23,954,976)	(21,159,450)	-13.21%
<b>Total net position</b>	<b>\$ (5,751,596)</b>	<b>\$ (3,031,183)</b>	<b>-89.75%</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (23,954,976)
Add unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	33,057,093
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,102,117</u>

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

- Decrease in net capital assets in the amount of \$832,929.
- The principal retirement of \$645,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$34,023,100.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,164,490.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$25,174,412 and \$24,709,114, respectively. The total cost of all programs and services was \$25,708,438 for 2018 and \$25,836,991 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 601,005	\$ 590,697	1.75%
Operating grants and contributions	4,833,303	4,380,557	10.34%
General revenues:			
Property taxes	7,949,006	7,570,971	4.99%
Grants and contributions not restricted	11,300,701	11,556,666	-2.21%
Investment earnings	129,760	125,401	3.48%
Sixteenth section sources	276,600	373,006	-25.85%
Other	84,037	111,816	-24.84%
<b>Total revenues</b>	<b>25,174,412</b>	<b>24,709,114</b>	<b>1.88%</b>
<b>Expenses:</b>			
Instruction	12,106,458	11,930,118	1.48%
Support services	8,429,672	7,457,018	13.04%
Non-instructional	1,471,263	1,491,995	-1.39%
Sixteenth section	95,278	165,076	-42.28%
Pension expense	3,395,905	4,668,311	-27.26%
OPEB expense	104,581	-	N/A
Interest on long-term liabilities	105,281	124,473	-15.42%
<b>Total expenses</b>	<b>25,708,438</b>	<b>25,836,991</b>	<b>-0.50%</b>
<b>Increase (Decrease) in net position</b>	<b>(534,026)</b>	<b>(1,127,877)</b>	<b>52.65%</b>
<b>Net Position, July 1, as previously reported</b>	<b>(3,031,183)</b>	<b>(1,903,306)</b>	<b>-59.26%</b>
<b>Prior Period Adjustment</b>	<b>(2,186,387)</b>	<b>-</b>	<b>N/A</b>
<b>Net Position, July 1, as restated</b>	<b>(5,217,570)</b>	<b>(1,903,306)</b>	<b>-174.13%</b>
<b>Net Position, June 30</b>	<b>\$ (5,751,596)</b>	<b>\$ (3,031,183)</b>	<b>-89.75%</b>

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Governmental activities**

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

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 12,106,458	\$ 11,930,118	1.48%
Support services	8,429,672	7,457,018	13.04%
Non-instructional	1,471,263	1,491,995	-1.39%
Sixteenth section	95,278	165,076	-42.28%
Pension Expense	3,395,905	4,668,311	-27.26%
OPEB Expense	104,581	-	N/A
Interest on long-term liabilities	105,281	124,473	-15.42%
<b>Total expenses</b>	<b>\$ 25,708,438</b>	<b>\$ 25,836,991</b>	<b>-0.50%</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (9,661,070)	\$ (9,691,366)	0.31%
Support services	(7,059,476)	(6,463,925)	-9.21%
Non-instructional	130,487	209,609	-37.75%
Sixteenth section	(78,304)	(127,271)	38.47%
Pension Expense	(3,395,905)	(4,668,311)	27.26%
OPEB Expense	(104,581)	-	N/A
Interest on long-term liabilities	(105,281)	(124,473)	15.42%
<b>Total net (expense) revenue</b>	<b>\$ (20,274,130)</b>	<b>\$ (20,865,737)</b>	<b>2.84%</b>

- Net cost of governmental activities (\$20,274,130 for 2018 and \$20,865,737 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$7,949,006 for 2018 and \$7,570,971 for 2017) and state and federal revenues (\$11,300,701 for 2018 and \$11,556,666 for 2017). In addition, there was \$276,600 and \$373,006 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$129,760 for 2018 and \$125,401 for 2017.

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$13,058,042, an increase of \$1,104,728, which includes a decrease in inventory of \$9,991. \$8,558,535, or 66% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,499,507, or 34% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$622,615. The fund balance of Other Governmental Funds showed an increase in the amount of \$482,113, which includes a decrease in inventory of \$9,991. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$34,019,638, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$438,917 from 2017 due primarily to the disposal of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$15,595,374, and total depreciation expense for the year was \$812,667, resulting in total net capital assets of \$18,424,264.

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

	June 30, 2018	June 30, 2017	Percentage Change
Land	\$ 194,027	\$ 194,027	0.00%
Construction in Progress	10,829	-	N/A
Buildings	15,894,007	16,373,452	-2.93%
Building improvements	784,547	822,542	-4.62%
Improvements other than buildings	128,098	135,665	-5.58%
Mobile equipment	1,184,730	1,389,799	-14.76%
Furniture and equipment	228,026	341,708	-33.27%
<b>Total</b>	<b>\$ 18,424,264</b>	<b>\$ 19,257,193</b>	<b>-4.33%</b>

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

**Debt Administration.** At June 30, 2018, the District had \$4,179,191 in outstanding long-term debt, of which \$667,460 is due within one year. During the fiscal year, the District made principal payments totaling \$645,000 on outstanding long-term debt. The liability for compensated absences increased \$12,913 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	June 30, 2018	June 30, 2017	Percentage Change
General obligation refunding bonds payable	\$ 780,000	\$ 960,000	(18.75) %
Limited obligation bonds payable	360,000	705,000	(48.94) %
Three mill notes payable	530,000	650,000	(18.46) %
Qualified school construction bonds payable	2,360,000	2,360,000	0.00 %
Compensated absences payable	149,191	136,278	9.48 %
<b>Total</b>	<b>\$ 4,179,191</b>	<b>\$ 4,811,278</b>	<b>(13.14) %</b>

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



**FORREST COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**FORREST COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2018**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 10,946,350
Due from other governments	886,442
Inventories	25,272
Restricted assets	1,543,487
Capital assets, non-depreciable:	
Land	194,027
Construction in progress	10,829
Capital assets, net of accumulated depreciation:	
Buildings	15,894,007
Building improvements	784,547
Improvements other than buildings	128,098
Mobile equipment	1,184,730
Furniture and equipment	228,026
Total Assets	<u>31,825,815</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	20,578
Deferred outflows - pensions	4,059,859
Deferred outflows - OPEB	92,275
Total Deferred Outflows of Resources	<u>4,172,712</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	331,449
Unearned revenue	12,060
Interest payable on long-term liabilities	15,659
Long-term liabilities, due within one year:	
Capital related liabilities	660,000
Non-capital related liabilities	7,460
Net OPEB liability	89,074
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,370,000
Capital related bond premiums	2,537
Non-capital related liabilities	141,731
Net pension liability	34,023,100
Net OPEB liability	2,075,416
Total Liabilities	<u>40,728,486</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	895,159
Deferred inflows - OPEB	126,478
Total Deferred Inflows of Resources	<u>1,021,637</u>
 <b>Net Position</b>	
Net investment in capital assets	14,412,305
Restricted for:	
Expendable:	
School-based activities	756,778
Debt service	1,795,255
Forestry improvements	214,341
Unemployment benefits	52,274
Non-expendable:	
Sixteenth section	972,427
Unrestricted	(23,954,976)
Total Net Position (deficit)	<u>\$ (5,751,596)</u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 12,106,458	\$ 329,826	\$ 2,115,562	\$ -	\$ (9,661,070)
Support services	8,429,672	1,472	1,368,724	-	(7,059,476)
Non-instructional	1,471,263	252,733	1,349,017	-	130,487
Sixteenth section	95,278	16,974	-	-	(78,304)
Pension expense	3,395,905	-	-	-	(3,395,905)
OPEB expense	104,581	-	-	-	(104,581)
Interest on long-term liabilities	105,281	-	-	-	(105,281)
Total Governmental Activities	\$ 25,708,438	\$ 601,005	\$ 4,833,303	\$ -	\$ (20,274,130)

**General Revenues:**

**Taxes:**

General purpose levies 7,544,280

Debt purpose levies 404,726

**Unrestricted grants and contributions:**

State 11,038,412

Federal 262,289

Unrestricted investment earnings 129,760

Sixteenth section sources 276,600

Other 84,037

**Total General Revenues 19,740,104**

**Change in Net Position (534,026)**

**Net Position - Beginning, as previously reported (3,031,183)**

**Prior Period Adjustments (2,186,387)**

**Net Position - Beginning, as restated (5,217,570)**

**Net Position (deficit) - Ending \$ (5,751,596)**

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2018**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund		
<b>Assets</b>				
Cash and cash equivalents	\$ 9,057,736	\$ -	\$ 2,364,423	\$ 11,422,159
Cash with fiscal agents	-	-	1,067,678	1,067,678
Due from other governments	289,247	324,317	268,784	882,348
Due from other funds	662,099	-	88	662,187
Advance to other funds	-	-	496,465	496,465
Inventories	-	-	25,272	25,272
Total assets	\$ 10,009,082	\$ 324,317	\$ 4,222,710	\$ 14,556,109
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 249,249	\$ 32,397	\$ 49,803	\$ 331,449
Due to other funds	-	291,920	366,173	658,093
Advances from other funds	496,465	-	-	496,465
Unearned revenue	12,060	-	-	12,060
Total Liabilities	757,774	324,317	415,976	1,498,067
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	25,272	25,272
Permanent fund principal	-	-	475,962	475,962
Advances	-	-	496,465	496,465
<b>Restricted:</b>				
Debt service	-	-	1,810,914	1,810,914
Forestry improvement purposes	-	-	214,341	214,341
Unemployment benefits	-	-	52,274	52,274
Food service	-	-	731,506	731,506
<b>Assigned:</b>				
Activity funds	151,710	-	-	151,710
Building maintenance/technology	238,612	-	-	238,612
Special education	3,466	-	-	3,466
Alternative school	24,306	-	-	24,306
At Risk programs	13,308	-	-	13,308
Medicaid Admin	261,371	-	-	261,371
<b>Unassigned</b>	8,558,535	-	-	8,558,535
Total Fund Balances	9,251,308	-	3,806,734	13,058,042
Total Liabilities and Fund Balances	\$ 10,009,082	\$ 324,317	\$ 4,222,710	\$ 14,556,109

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 13,058,042

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

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

Land	\$ 194,027	
Construction in progress	10,829	
Buildings	25,155,459	
Building improvements	949,877	
Improvements other than buildings	261,580	
Mobile equipment	3,139,810	
Furniture and equipment	4,308,056	
Accumulated depreciation	<u>(15,595,374)</u>	18,424,264

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

Net pension liability	(34,023,100)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	4,059,859	
Deferred inflows of resources related to pensions	<u>(895,159)</u>	(30,858,400)

3. Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net OPEB liability	(2,164,490)	
--------------------	-------------	--

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

Deferred outflows of resources related to OPEB	92,275	
Deferred inflows of resources related to OPEB	<u>(126,478)</u>	(2,198,693)

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

General obligation refunding bonds	(780,000)	
Limited obligation bonds	(360,000)	
Other bonds payable	(2,360,000)	
Notes payable	(530,000)	
Compensated absences	(149,191)	
Unamortized charges	20,578	
Unamortized premiums	(2,537)	
Accrued interest payable	<u>(15,659)</u>	(4,176,809)

**Net Position of governmental activities**

**\$ (5,751,596)**

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2018**

	<u>Major Funds</u>		Other	Total
	General	Title I-A Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 8,063,353	\$ -	\$ 651,442	\$ 8,714,795
State sources	10,595,342	-	1,440,522	12,035,864
Federal sources	263,817	1,226,983	2,824,590	4,315,390
Sixteenth section sources	258,064	-	66,075	324,139
Total Revenues	<u>19,180,576</u>	<u>1,226,983</u>	<u>4,982,629</u>	<u>25,390,188</u>
<b>Expenditures:</b>				
Instruction	11,028,874	831,967	1,417,733	13,278,574
Support services	7,396,112	346,475	980,848	8,723,435
Noninstructional services	74,272	22,032	1,322,123	1,418,427
Sixteenth section	59,762	-	35,516	95,278
Facilities acquisition and construction	-	-	10,829	10,829
Debt service:				
Principal	-	-	645,000	645,000
Interest	20,837	-	79,737	100,574
Other	-	-	2,884	2,884
Total Expenditures	<u>18,579,857</u>	<u>1,200,474</u>	<u>4,494,670</u>	<u>24,275,001</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>600,719</u>	<u>26,509</u>	<u>487,959</u>	<u>1,115,187</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,472	-	-	1,472
Payments held by escrow agent	-	-	139,905	139,905
Payment to QSCB debt escrow agent	-	-	(139,905)	(139,905)
Operating transfers in	213,272	-	278,267	491,539
Operating transfers out	(192,848)	(26,509)	(272,182)	(491,539)
Other financing uses	-	-	(1,940)	(1,940)
Total Other Financing Sources (Uses)	<u>21,896</u>	<u>(26,509)</u>	<u>4,145</u>	<u>(468)</u>
Net Change in Fund Balances	<u>622,615</u>	<u>-</u>	<u>492,104</u>	<u>1,114,719</u>
<b>Fund Balances:</b>				
July 1, 2017	<u>8,628,693</u>	<u>-</u>	<u>3,324,621</u>	<u>11,953,314</u>
Increase (Decrease) in inventory	<u>-</u>	<u>-</u>	<u>(9,991)</u>	<u>(9,991)</u>
June 30, 2018	<u><u>\$ 9,251,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,806,734</u></u>	<u><u>\$ 13,058,042</u></u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 1,114,719

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

1.	Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		
	Mississippi Department of Archives and History Historical Renovation Grant		(217,248)
2.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 17,448	
	Depreciation expense	<u>(812,667)</u>	(795,219)
3.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(37,710)
4.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	645,000	
	Accrued interest payable	<u>7,202</u>	652,202
5.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	Pension expense	(3,395,905)	
	Contributions subsequent to the measurement date	<u>2,189,370</u>	(1,206,535)
6.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
	OPEB expense	(104,581)	
	Contributions subsequent to the measurement date	<u>92,275</u>	(12,306)
7.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	(12,913)	
	Change in inventory	(9,991)	
	Amortization of deferred charges, premiums and discounts	<u>(9,025)</u>	(31,929)
<b>Change in Net Position of governmental activities</b>			<u>\$ (534,026)</u>

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

**FORREST COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 680,021
Total Assets	<u>\$ 680,021</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 675,927
Due to other funds	4,094
Total Liabilities	<u>\$ 680,021</u>

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



**FORREST COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

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

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

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

The school district reports the following major governmental funds:

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

**Title I Fund** – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program..

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

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

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

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

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

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows regarding the advanced refunding of long-term debt, the cost sharing pension plan, and the cost-sharing OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows regarding the cost sharing pension and the cost-sharing OPEB plan.

**8. Compensated Absences.**

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

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

**10. Pensions**

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

**11. Postemployment Benefits Other than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**12. Fund Balances**

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$11,422,159 and \$680,021, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State



**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Treasurer on behalf of the district As of June 30, 2018, none of the district's bank balance of \$12,974,962 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,067,678. This amount is also shown as restricted assets on Exhibit A.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I	\$ 291,920
	Other governmental funds	366,173
	Fiduciary funds	4,006
Other governmental funds	Fiduciary funds	88
Total		<u>\$ 662,187</u>

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

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

Receivable Fund	Payable Fund	Amount
Other Governmental funds	General Fund	\$ 496,465
Total		<u>\$ 496,465</u>

Sixteenth section principal loans payable

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

The revenues and expenditures associated with these transactions were reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 25,433	\$ 19,859	\$ 45,292
2020	26,450	18,841	45,291
2021	27,508	17,783	45,291
2022	28,608	16,683	45,291
2023	29,753	15,539	45,292
2024 - 2028	167,597	58,862	226,459
2029 - 2033	191,116	22,551	213,667
Total	<u>\$ 496,465</u>	<u>\$ 170,118</u>	<u>\$ 666,583</u>

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 192,848
Title I	General Fund	26,509
Other governmental funds	General Fund	186,763
Other governmental funds	Other governmental funds	85,419
Total		<u>\$ 491,539</u>

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

**Note 4 - Restricted Assets**

The restricted assets represent the cash balance totaling \$475,809 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent cash with fiscal agent totaling \$400,746 of the MAEP Limited Obligation Bond/Note Fund and cash with fiscal agent totaling \$666,932 of the QSCB Bond Retirement Fund.

**Note 5 - Capital Assets**

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

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 194,027	\$	\$	\$ 194,027
Construction in progress		10,829		10,829
Total non-depreciable capital assets	194,027	10,829	-	204,856
<u>Depreciable capital assets:</u>				
Buildings	25,155,459			25,155,459
Building improvements	949,877			949,877
Improvements other than buildings	261,580			261,580
Mobile equipment	3,508,105		368,295	3,139,810
Furniture and equipment	4,389,507	6,619	88,070	4,308,056
Total depreciable capital assets	34,264,528	6,619	456,365	33,814,782
<u>Less accumulated depreciation for:</u>				
Buildings	8,782,007	479,445		9,261,452
Building improvements	127,335	37,995		165,330
Improvements other than buildings	125,915	7,567		133,482
Mobile equipment	2,118,306	168,240	331,466	1,955,080
Furniture and equipment	4,047,799	119,420	87,189	4,080,030
Total accumulated depreciation	15,201,362	812,667	418,655	15,595,374
Total depreciable capital assets, net	19,063,166	(806,048)	37,710	18,219,408
Governmental activities capital assets, net	\$ 19,257,193	\$ (795,219)	\$ 37,710	\$ 18,424,264

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 420,675
Support services	235,711
Non-instructional	156,281
Total depreciation expense - Governmental activities	<u>\$ 812,667</u>

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

**Note 6 - Long-term liabilities**

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General Obligation Refunding Bonds Payable	\$ 960,000	\$ -	\$ 180,000	\$ 780,000	\$ 190,000
B. Limited Obligation Bonds Payable	705,000	-	345,000	\$ 360,000	360,000
C. Three Mill Notes Payable	650,000	-	120,000	\$ 530,000	110,000
D. Qualified School Construction Bonds Payable	2,360,000	-	-	\$ 2,360,000	-
E. Compensated Absences payable	136,278	12,913	-	\$ 149,191	7,460
F. Bond Premiums	3,905	-	1,368	\$ 2,537	1,367
	<u>\$4,815,183</u>	<u>\$ 12,913</u>	<u>\$ 646,368</u>	<u>\$4,181,728</u>	<u>\$ 668,827</u>

**A. General obligation refunding bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds Series 2012	2.0-3.125%	2/1/2012	2/1/2022	\$ 1,795,000	\$ 780,000

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

Year Ending June 30	Principal	Interest	Total
2019	190,000	23,656	213,656
2020	190,000	17,956	207,956
2021	195,000	12,256	207,256
2022	205,000	6,406	211,406
	<u>\$ 780,000</u>	<u>\$ 60,274</u>	<u>\$ 840,274</u>

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

The amount of bond indebtedness that can be incurred by the school district is limited by Section 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2017.

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Series 2009	3.0-3.75%	8/1/2009	8/1/2018	\$ 2,865,000	\$ 360,000

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

Year Ending June 30	Principal	Interest	Total
2019	360,000	6,300	366,300
	<u>\$ 360,000</u>	<u>\$ 6,300</u>	<u>\$ 366,300</u>

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

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

**C. Three mill note payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax promissory Notes	1.55%	6/1/2017	6/1/2025	\$ 650,000	\$ 530,000

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

Year Ending June 30	Principal	Interest	Total
2019	110,000	8,215	118,215
2020	105,000	6,510	111,510
2021	110,000	4,883	114,883
2022	10,000	3,177	13,177
2023	55,000	3,023	58,023
2024-2025	140,000	3,565	143,565
	<u>\$ 530,000</u>	<u>\$ 29,373</u>	<u>\$ 559,373</u>

This debt will be retired from the Three Mill Note Retirement Fund (4022).

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**D. Qualified school construction bond payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond Payable	0.00%	12/23/2009	9/15/2024	\$ 2,360,000	\$ 2,360,000

**F. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$2,189,370, \$2,067,932 and \$2,077,547, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, the school district reported a liability of \$34,023,100 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 0.204670 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.001525 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,395,905. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 496,236	\$ 248,257
Net difference between projected and actual earnings on pension plan investments	-	384,383
Changes of assumptions	782,798	58,408
Changes in proportion and differences between District contributions and proportionate share of contributions	591,455	204,111
District contributions subsequent to the measurement date	2,189,370	
Total	<u>4,059,859</u>	<u>895,159</u>

\$2,189,370 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$ 1,022,377
2020	604,938
2021	5,217
2022	(657,202)
2023	-
Thereafter	<u>975,330</u>

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period 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 real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	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 Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</u>		

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

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

	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
District's Proportionate share of the net pension liability	\$ 44,623,568	\$ 34,023,100	\$ 25,222,409

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 8 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan.**

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

*Benefits provided.*

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$92,275 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2018, the District reported a liability of \$2,164,490 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.27586867 percent. This was a decrease of 0.00234129 percent from the proportionate share as of the measurement date of June 30, 2016.



**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized OPEB expense of \$104,581. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	110,215
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	16,263
District contributions subsequent to the measurement date	92,275	-
Total \$	<u>92,275</u>	<u>126,478</u>

\$92,275 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (22,189)
2020	(22,189)
2021	(22,189)
2022	(22,189)
2023	(22,189)
Thereafter	(15,533)
	<u>(126,478)</u>

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

Inflation	3.00 percent
Salary Increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease 2.56%	Discount Rate 3.56%	1% Increase 4.56%
Net OPEB Liability	\$ 2,221,653	\$ 2,164,490	\$ 2,121,921

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 1,999,052	\$ 2,164,490	\$ 2,353,356

*OPEB plan fiduciary net position.* The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 9 - Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2019	\$ 121,265
2020	114,757
2021	73,574
2022	66,047
2023	62,977
2024 – 2028	289,573
2029 – 2033	218,354
2034 – 2038	85,867
2039 – 2043	33,029
Total	<u>\$ 1,065,443</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. GASB 57 OPEB Liability	<u>\$ (2,186,387)</u>
Total	<u>\$ (2,186,387)</u>

**Note 11 – Contingencies**

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

**Note 12 - Risk Management**

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

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 13 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$666,932. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2019	\$ 129,000
2020	132,000
2021	131,000
2022	129,000
2023	349,000
2024 – 2028	698,000
Total	<u>\$ 1,568,000</u>

**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$5,751,596) includes the effect of deferring the recognition of expenditures resulting from the advanced refunding of debt, the cost-sharing pension plan, and OPEB plan deferred outflows and deferred inflows. The \$20,578 balance of the deferred inflow of resources regarding the advanced refunding of debt at June 30, 2018 will be recognized as expenditure and decrease unrestricted net position over the next eleven years. The \$4,059,859 balance of the deferred outflow of resources regarding the District's cost-sharing pension plan at June 30, 2018 will be recognized as an expenditure and decrease unrestricted net position over the next three years. The \$92,257 balance of deferred outflows of resources regarding the District's OPEB will be reclassified as a liability and decrease unrestricted net position next year.

The \$895,159 balance of deferred inflows of resources regarding the District's cost-sharing pension will be recognized as a revenue and decrease of unrestricted net position over the next four years. The \$126,478 balance of deferred inflows of resources regarding the District's OPEB will be recognized as a revenue and increase the unrestricted net position over the next six years.

**Note 15 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Forrest County School District evaluated the activity of the district through February 28, 2019, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**FORREST COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORREST COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,995,597	\$ 8,063,353	\$ 8,063,353	\$ 67,756	\$ -
State sources	10,282,599	10,595,342	10,595,342	312,743	-
Federal sources	309,578	263,817	263,817	(45,761)	-
Sixteenth section sources	145,305	258,064	258,064	112,759	-
Total Revenues	18,733,079	19,180,576	19,180,576	447,497	-
<b>Expenditures:</b>					
Instruction	11,611,950	11,028,874	11,028,874	583,076	-
Support services	7,507,964	7,396,112	7,396,112	111,852	-
Noninstructional services	95,150	74,272	74,272	20,878	-
Sixteenth section	53,872	59,762	59,762	(5,890)	-
Debt service:					
Interest	20,837	20,837	20,837	-	-
Total Expenditures	19,289,773	18,579,857	18,579,857	709,916	-
Excess (Deficiency) of Revenues over (under) Expenditures	(556,694)	600,719	600,719	1,157,413	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	1,472	1,472	1,472	-
Operating transfers in	1,334,366	1,287,882	213,272	(46,484)	(1,074,610)
Operating transfers out	(1,365,527)	(1,267,458)	(192,848)	98,069	1,074,610
Total Other Financing Sources (Uses)	(31,161)	21,896	21,896	53,057	-
Net Change in Fund Balances	(587,855)	622,615	622,615	1,210,470	-
<b>Fund Balances:</b>					
July 1, 2017	8,628,693	8,628,693	8,628,693	-	-
June 30, 2018	\$ 8,040,838	\$ 9,251,308	\$ 9,251,308	\$ 1,210,470	\$ -

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

**FORREST COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I-A Basic Fund**  
**For the Year Ended June 30, 2018**

			Variances		
			Positive (Negative)		
Budgeted Amounts		Actual (GAAP Basis)	Original to Final	Final to Actual	
Original	Final				
<b>Revenues:</b>					
Federal sources	\$ 1,015,850	\$ 1,226,983	\$ 1,226,983	\$ 211,133	\$ -
Total Revenues	1,015,850	1,226,983	1,226,983	211,133	-
<b>Expenditures:</b>					
Instruction	737,587	831,967	831,967	(94,380)	-
Support services	267,160	346,475	346,475	(79,315)	-
Noninstructional services	11,103	22,032	22,032	(10,929)	-
Total Expenditures	1,015,850	1,200,474	1,200,474	(184,624)	-
Excess (Deficiency) of Revenues					
over (under) Expenditures	-	26,509	26,509	26,509	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(26,509)	(26,509)	(26,509)	-
Total Other Financing Sources (Uses)	-	(26,509)	(26,509)	(26,509)	-
Net Change in Fund Balances					
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	-

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



**FORREST COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.204670%	0.206195%	0.212214%	0.204174%
District's proportionate share of the net pension liability	\$ 34,023,100	36,831,576	32,804,100	24,782,985
District's covered payroll	13,129,727	13,190,775	13,257,943	12,476,070
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to 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 in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**FORREST COUNTY SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****PERS****Last 10 Fiscal Years**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 2,189,370	2,067,932	2,077,547	2,088,126
Contributions in relation to the contractually required contribution	2,189,370	2,067,932	2,077,547	2,088,126
Contribution deficiency (excess)	\$ 0	0	0	0
District's covered payroll	13,900,762	13,129,727	13,190,775	13,257,943
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**FORREST COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

	<b>2018</b>
District's proportion of the net OPEB liability	<u>0.27586867%</u>
District's proportionate share of the net OPEB liability	\$ 2,164,490
District's covered-employee payroll	13,129,727
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.49%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

FORREST COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2018
Contractually required contribution	\$ 92,275
Contributions in relation to the contractually required contribution	92,275
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	13,900,762
Contributions as a percentage of covered-employee payroll	0.66%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

## FORREST COUNTY SCHOOL DISTRICT

### Budgetary Comparison Schedule

#### (1) Basis of Presentation

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

#### (2) Budget Amendments and Revisions

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

### Pension Schedules

#### (1) *Changes of 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 RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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%.

#### (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.

#### (3) *Method and assumptions used in calculations of actuarially determined contributions.*

## FORREST COUNTY SCHOOL DISTRICT

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

### OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3.00 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

**FORREST COUNTY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

**FORREST COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Conservation Reserve Program	10.069	N/A	19,135
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 393,837
National school lunch program	10.555	185MS326N1099	1,121,100
Total child nutrition cluster			<u>1,514,937</u>
Total passed-through Mississippi Department of Education			<u>1,534,072</u>
Schools and roads - grants to states	10.665	N/A	<u>36,445</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,570,517</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	<u>121,697</u>
<b>Total Federal Communications Commission</b>			<u>121,697</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	1,358,887
Career and technical education - basic grants to states	84.048	V048A170024	40,348
Improving Teacher Quality State Grants	84.367	ES365A160024	142,023
School Improvement Grants	84.377	ES377A150025	299,475
Subtotal			<u>1,840,733</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	676,968
Special education - preschool grants	84.173	H173A170113	27,691
Total special education cluster			<u>704,659</u>
Total passed-through Mississippi Department of Education			<u>2,545,392</u>
<b>Total U.S. Department of Education</b>			<u>2,545,392</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical Assistance Program	93.778	105MS5ADM	77,784
Total pass-through Mississippi Department of Health and Human Services			<u>77,784</u>
<b>Total for All Federal Awards</b>			<u>\$ 4,315,390</u>

The notes to the Supplementary Information are an integral part of this schedule.



**FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018**

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Forrest County School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Forrest County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Forrest County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Forrest County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**FORREST COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2018**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,773,063	13,616,995	1,366,616	1,380,499	2,408,953
Other	5,501,938	1,711,262	509,640	53,045	3,227,991
Total	<u>\$ 24,275,001</u>	<u>15,328,257</u>	<u>1,876,256</u>	<u>1,433,544</u>	<u>5,636,944</u>
Total number of students *	<u>2,290</u>				
Cost per student	<u>\$ 10,600</u>	<u>6,694</u>	<u>819</u>	<u>626</u>	<u>2,461</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

**FORREST COUNTY SCHOOL DISTRICT**

**OTHER INFORMATION**

**FORREST COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 8,063,353	\$ 7,777,497	\$ 7,412,071	\$ 7,524,546
State sources	10,595,342	10,818,519	10,968,628	10,596,603
Federal sources	263,817	324,054	545,699	409,989
Sixteenth section sources	258,064	353,479	230,633	199,030
Total Revenues	<u>19,180,576</u>	<u>19,273,549</u>	<u>19,157,031</u>	<u>18,730,168</u>
<b>Expenditures:</b>				
Instruction	11,028,874	10,784,019	10,535,352	10,658,023
Support services	7,396,112	7,696,110	7,417,645	7,587,581
Noninstructional services	74,272	77,442	80,194	75,873
Sixteenth section	59,762	149,609	66,739	96,299
Facilities acquisition and construction	-	-	-	81,904
Debt service:				
Principal	-	-	5,333	10,520
Interest	20,837	21,777	22,710	23,755
Other	-	9,610	-	-
Total Expenditures	<u>18,579,857</u>	<u>18,738,567</u>	<u>18,127,973</u>	<u>18,533,955</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>600,719</u>	<u>534,982</u>	<u>1,029,058</u>	<u>196,213</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,472	-	-	-
Bonds and notes issued	-	650,000	-	-
Insurance recovery	-	9,803	6,455	-
Operating transfers in	213,272	425,217	260,815	316,135
Operating transfers out	(192,848)	(470,564)	(225,084)	(345,756)
Total Other Financing Sources (Uses)	<u>21,896</u>	<u>614,456</u>	<u>42,186</u>	<u>(29,621)</u>
Net Change in Fund Balances	<u>622,615</u>	<u>1,149,438</u>	<u>1,071,244</u>	<u>166,592</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,628,693	7,479,255	6,408,011	6,183,221
Fund Reclassification	-	-	-	58,198
Beginning of period, as restated	<u>8,628,693</u>	<u>7,479,255</u>	<u>6,408,011</u>	<u>6,241,419</u>
End of Period	<u><u>\$ 9,251,308</u></u>	<u><u>\$ 8,628,693</u></u>	<u><u>\$ 7,479,255</u></u>	<u><u>\$ 6,408,011</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**FORREST COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 8,714,795	\$ 8,318,760	\$ 7,951,611	\$ 8,145,094
State sources	12,035,864	11,766,963	11,891,242	11,493,752
Federal sources	4,315,390	3,953,012	4,027,014	3,682,301
Sixteenth section sources	324,139	443,328	282,087	277,841
Total Revenues	25,390,188	24,482,063	24,151,954	23,598,988
<b>Expenditures:</b>				
Instruction	13,278,574	12,831,675	12,305,894	12,354,029
Support services	8,723,435	8,648,877	8,457,063	8,529,605
Noninstructional services	1,418,427	1,495,914	1,544,084	1,357,066
Sixteenth section	95,278	165,076	70,297	124,143
Facilities acquisition and construction	10,829	670,773	5,099	81,904
Debt service:				
Principal	645,000	510,000	568,483	557,078
Interest	100,574	105,995	122,022	137,492
Other	2,884	14,434	4,824	5,230
Total Expenditures	24,275,001	24,442,744	23,077,766	23,146,547
Excess (Deficiency) of Revenues over (under) Expenditures	1,115,187	39,319	1,074,188	452,441
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	650,000	-	-
Insurance recovery	1,472	9,803	6,455	-
Refunding bonds issued	139,905	139,808	135,771	52,976
Payment to escrow agent	(139,905)	(139,808)	(135,771)	(52,976)
Sale of other property	-	1,010	4,761	-
Operating transfers in	491,539	981,201	953,377	661,891
Operating transfers out	(491,539)	(981,201)	(953,377)	(661,891)
Other financing uses	(1,940)	-	-	-
Total Other Financing Sources (Uses)	(468)	660,813	11,216	-
Net Change in Fund Balances	1,114,719	700,132	1,085,404	452,441
Fund Balances:				
Beginning of period, as previously reported	11,953,314	11,250,034	10,164,287	9,720,677
Increase (Decrease) in reserve for inventory	(9,991)	3,148	343	(8,831)
End of Period	\$ 13,058,042	\$ 11,953,314	\$ 11,250,034	\$ 10,164,287

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**FORREST COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# ***King CPA, PLLC***

206 E Central Ave P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

---

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

Superintendent and Board of Education  
Forrest County School District

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 in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Forrest County School District's basic financial statements and have issued our report thereon dated February 28, 2019.

## **Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

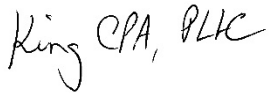
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



**KING CPA, PLLC**  
Petal, Mississippi  
February 28, 2019



**FORREST COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# ***King CPA, PLLC***

206 E Central Ave P.O. Box 1182  
Petal, MS 39465  
Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

---

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

Superintendent and Board of Education  
Forrest County School District

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

We have audited the Forrest County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Forrest County School District's major federal programs for the year ended June 30, 2018. Forrest County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

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

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

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

In our opinion, the Forrest County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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



**KING CPA, PLLC**  
Petal, Mississippi  
February 28, 2019

**FORREST COUNTY SCHOOL DISTRICT**

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

American Institute of  
Certified Public Accountants

# King CPA, PLLC

206 E Central Ave P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of  
Certified Public Accountants

---

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

Superintendent and School Board  
Forrest County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2018, which collectively comprise Forrest County School District's basic financial statements and have issued our report thereon dated February 28, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
February 28, 2019

**FORREST COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

FORREST COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiency identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness identified? No
  - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027	Special Education Cluster
84.173	Special Education Cluster
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

**FORREST COUNTY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the year Ended June 30, 2018**

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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