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**FORREST COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

# FORREST COUNTY SCHOOL DISTRICT

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Mississippi Society of  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Forrest County School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County School District as of and for the year ended June 30, 2019, 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, 2019, 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 6-14, 46-47, 48, 49, 50, 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forrest County School District's 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, 2020, 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, 2020

FORREST COUNTY SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 decreased \$602,752, which represents a 10% decrease from fiscal year 2018. Total net position for 2018 decreased \$2,720,413, including a prior period adjustment of (\$2,186,387), which represents a 90% decrease from fiscal year 2017.
- General revenues amounted to \$21,410,370 and \$19,740,104, or 78% and 78% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,085,947, or 22% of total revenues for 2019, and \$5,434,308, or 22% of total revenues for 2018.
- The District had \$28,099,069 and \$25,708,438 in expenses for fiscal years 2019 and 2018; only \$6,085,947 for 2019 and \$5,434,308 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,410,370 for 2019 and \$19,740,104 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,276,364 in revenues and \$19,649,553 in expenditures for 2019, and \$19,180,576 in revenues and \$18,579,857 in expenditures in 2018. The General Fund's fund balance increased by \$281,287 from 2018 to 2019, and increased by \$622,615 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, increased by \$665,961 for 2019 and decreased by \$832,929 for 2018. The increase for 2019 was due primarily to the completion of buildings and improvements other than buildings and the addition of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences and bond premiums, decreased by \$660,000 for 2019 and decreased by \$645,000 for 2018. The decrease for 2019 was due to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$13,128 for 2019 and increased by \$12,913 for 2018.

**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.



**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, 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, 2019**

**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, 2019

**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 \$6,354,348 as of June 30, 2019.

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, 2019 and June 30, 2018.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 12,227,282	\$ 11,858,064	3.11 %
Restricted assets	1,332,668	1,543,487	(13.66) %
Capital assets, net	19,090,225	18,424,264	3.61 %
<b>Total assets</b>	<b>32,650,175</b>	<b>31,825,815</b>	<b>2.59 %</b>
 <b>Deferred outflows of resources</b>	 <b>4,462,388</b>	 <b>4,172,712</b>	 <b>6.94 %</b>
 Current liabilities	376,166	359,168	4.73 %
Long-term debt outstanding	3,533,489	4,181,728	(15.50) %
Net OPEB liability	2,211,843	2,164,490	2.19 %
Net pension liability	36,206,152	34,023,100	6.42 %
<b>Total liabilities</b>	<b>42,327,650</b>	<b>40,728,486</b>	<b>3.93 %</b>
 <b>Deferred inflows of resources</b>	 <b>1,139,261</b>	 <b>1,021,637</b>	 <b>11.51 %</b>
 <b>Net position:</b>			
Net investment in capital assets	15,729,242	14,412,305	9.14 %
Restricted	3,651,189	3,791,075	(3.69) %
Unrestricted	(25,734,779)	(23,954,976)	(7.43) %
<b>Total net position</b>	<b>\$ (6,354,348)</b>	<b>\$ (5,751,596)</b>	<b>(10.48) %</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)	\$ (25,734,779)
Less 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	35,105,055
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,370,276</u>

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

- Increase in net capital assets in the amount of \$665,961.
- The principal retirement of \$660,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$27,496,317 and \$25,174,412, respectively. The total cost of all programs and services was \$28,099,069 for 2019 and \$25,708,438 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 556,135	\$ 601,005	(7.47) %
Operating grants and contributions	5,529,812	4,833,303	14.41 %
General revenues:			
Property taxes	8,029,202	7,949,006	1.01 %
Grants and contributions not restricted	11,894,988	11,300,701	5.26 %
Investment earnings	149,913	129,760	15.53 %
Sixteenth section sources	240,172	276,600	(13.17) %
Other	1,096,095	84,037	1,204.30 %
<b>Total revenues</b>	<b>27,496,317</b>	<b>25,174,412</b>	<b>9.22 %</b>
<b>Expenses:</b>			
Instruction	13,175,776	12,106,458	8.83 %
Support services	8,753,348	8,429,672	3.84 %
Non-instructional	1,475,773	1,471,263	0.31 %
Sixteenth section	74,316	95,278	(22.00) %
Pension expense	4,423,745	3,395,905	30.27 %
OPEB expense	109,628	104,581	4.83 %
Interest on long-term liabilities	86,483	105,281	(17.86) %
<b>Total expenses</b>	<b>28,099,069</b>	<b>25,708,438</b>	<b>9.30 %</b>
<b>Increase (Decrease) in net position</b>	<b>(602,752)</b>	<b>(534,026)</b>	<b>(12.87) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(5,751,596)</b>	<b>(3,031,183)</b>	<b>(89.75) %</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(2,186,387)</b>	<b>100.00 %</b>
<b>Net Position, July 1, as restated</b>	<b>(5,751,596)</b>	<b>(5,217,570)</b>	<b>(10.24) %</b>
<b>Net Position, June 30</b>	<b>\$ (6,354,348)</b>	<b>\$ (5,751,596)</b>	<b>(10.48) %</b>

**FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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>2019</b>	<b>2018</b>	
Instruction	\$ 13,175,776	\$ 12,106,458	8.83 %
Support services	8,753,348	8,429,672	3.84 %
Non-instructional	1,475,773	1,471,263	0.31 %
Sixteenth section	74,316	95,278	(22.00) %
Pension Expense	4,423,745	3,395,905	30.27 %
OPEB Expense	109,628	104,581	4.83 %
Interest on long-term liabilities	86,483	105,281	(17.86) %
<b>Total expenses</b>	<b>\$ 28,099,069</b>	<b>\$ 25,708,438</b>	<b>9.30 %</b>
	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Instruction	\$ (10,385,844)	\$ (9,661,070)	(7.50) %
Support services	(7,037,816)	(7,059,476)	0.31 %
Non-instructional	100,719	130,487	(22.81) %
Sixteenth section	(70,325)	(78,304)	10.19 %
Pension Expense	(4,423,745)	(3,395,905)	(30.27) %
OPEB Expense	(109,628)	(104,581)	(4.83) %
Interest on long-term liabilities	(86,483)	(105,281)	17.86 %
<b>Total net (expense) revenue</b>	<b>\$ (22,013,122)</b>	<b>\$ (20,274,130)</b>	<b>(8.58) %</b>

- Net cost of governmental activities (\$22,013,122 for 2019 and \$20,274,130 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$8,029,202 for 2019 and \$7,949,006 for 2018) and state and federal revenues (\$11,894,988 for 2019 and \$11,300,701 for 2018). In addition, there was \$240,172 and \$276,600 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$149,913 for 2019 and \$129,760 for 2018.

FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

**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 \$13,191,733, an increase of \$133,691, which includes a decrease in inventory of \$2,059. \$8,881,690, or 67% 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 \$4,310,043, or 33% 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 \$281,287. The fund balance of Other Governmental Funds showed a decrease in the amount of \$147,596, which includes a decrease in inventory of \$2,059. 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 each major special revenue fund is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$35,037,728, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,018,090 from 2018 due primarily to the completion of buildings and improvements other than buildings and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2019, was \$15,947,503, and total depreciation expense for the year was \$785,604, resulting in total net capital assets of \$19,090,225.

FORREST COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 194,027	\$ 194,027	0.00 %
Construction in Progress	-	10,829	(100.00) %
Buildings	16,448,480	15,894,007	3.49 %
Building improvements	746,552	784,547	(4.84) %
Improvements other than buildings	373,272	128,098	191.40 %
Mobile equipment	1,154,571	1,184,730	(2.55) %
Furniture and equipment	173,323	228,026	(23.99) %
<b>Total</b>	<b><u>\$ 19,090,225</u></b>	<b><u>\$ 18,424,264</u></b>	<b>3.61 %</b>

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

**Debt Administration.** At June 30, 2019, the District had \$3,532,319 in outstanding long-term debt, of which \$303,116 is due within one year. During the fiscal year, the District made principal payments totaling \$660,000 on outstanding long-term debt. The liability for compensated absences increased \$13,128 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 590,000	\$ 780,000	(24.36) %
Limited obligation bonds payable	-	360,000	(100.00) %
Three mill notes payable	420,000	530,000	(20.75) %
Qualified school construction bonds payable	2,360,000	2,360,000	0.00 %
Compensated absences payable	162,319	149,191	8.80 %
<b>Total</b>	<b><u>\$ 3,532,319</u></b>	<b><u>\$ 4,179,191</u></b>	<b>(15.48) %</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.

## **BASIC FINANCIAL STATEMENTS**



**FORREST COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2019**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 8,008,305
Investments	3,019,808
Due from other governments	1,175,956
Inventories	23,213
Restricted assets	1,332,668
Capital assets, non-depreciable:	
Land	194,027
Capital assets, net of accumulated depreciation:	
Buildings	16,448,480
Building improvements	746,552
Improvements other than buildings	373,272
Mobile equipment	1,154,571
Furniture and equipment	173,323
Total Assets	<u>32,650,175</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflows - advance refunding of debt	10,187
Deferred outflows - pensions	4,278,981
Deferred outflows - OPEB	173,220
Total Deferred Outflows of Resources	<u>4,462,388</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	356,827
Unearned revenue	11,390
Interest payable on long-term liabilities	7,949
Long-term liabilities, due within one year:	
Capital related liabilities	295,000
Non-capital related liabilities	8,116
Net OPEB liability	93,166
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,075,000
Capital related bond premiums	1,170
Non-capital related liabilities	154,203
Net pension liability	36,206,152
Net OPEB liability	2,118,677
Total Liabilities	<u>42,327,650</u>
 <b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	968,252
Deferred inflows - OPEB	171,009
Total Deferred Inflows of Resources	<u>1,139,261</u>
 <b>Net Position</b>	
Net investment in capital assets	15,729,242
Restricted for:	
Expendable:	
School-based activities	860,022
Debt service	1,530,042
Forestry improvements	203,622
Unemployment benefits	56,690
Non-expendable:	
Sixteenth section	1,000,813
Unrestricted	(25,734,779)
Total Net Position (deficit)	<u>\$ (6,354,348)</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, 2019**

**Exhibit B**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 13,175,776	\$ 292,180	\$ 2,497,752	\$ -	\$ (10,385,844)
Support services	8,753,348	2,595	1,712,937	-	(7,037,816)
Non-instructional	1,475,773	257,369	1,319,123	-	100,719
Sixteenth section	74,316	3,991	-	-	(70,325)
Pension expense	4,423,745	-	-	-	(4,423,745)
OPEB expense	109,628	-	-	-	(109,628)
Interest on long-term liabilities	86,483	-	-	-	(86,483)
Total Governmental Activities	\$ 28,099,069	\$ 556,135	\$ 5,529,812	\$ -	\$ (22,013,122)

**General Revenues:**

**Taxes:**

General purpose levies	7,635,137
Debt purpose levies	394,065

**Unrestricted grants and contributions:**

State	11,610,212
Federal	284,776
Unrestricted investment earnings	149,913
Sixteenth section sources	240,172
Other	1,096,095
<b>Total General Revenues</b>	<b>21,410,370</b>

Change in Net Position (602,752)

Net Position (deficit) - Beginning (5,751,596)

Net Position (deficit) - Ending \$ (6,354,348)

*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, 2019

	Major Funds		Other	Total
	General	Title I-A Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,951,094	\$ -	\$ 2,583,820	\$ 8,534,914
Cash with fiscal agents	-	-	806,059	806,059
Investments	3,019,808	-	-	3,019,808
Due from other governments	310,442	446,875	414,331	1,171,648
Due from other funds	938,463	-	-	938,463
Advance to other funds	-	-	471,032	471,032
Inventories	-	-	23,213	23,213
Total assets	<u>\$ 10,219,807</u>	<u>\$ 446,875</u>	<u>\$ 4,298,455</u>	<u>\$ 14,965,137</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 204,790	\$ 432	\$ 151,605	\$ 356,827
Due to other funds	-	446,443	487,712	934,155
Advances from other funds	471,032	-	-	471,032
Unearned revenue	11,390	-	-	11,390
Total Liabilities	<u>687,212</u>	<u>446,875</u>	<u>639,317</u>	<u>1,773,404</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	23,213	23,213
Permanent fund principal	-	-	529,781	529,781
Advances	-	-	471,032	471,032
<b>Restricted:</b>				
Debt service	-	-	1,537,991	1,537,991
Forestry improvement purposes	-	-	203,622	203,622
Unemployment benefits	-	-	56,690	56,690
Food service	-	-	836,809	836,809
<b>Assigned:</b>				
Activity funds	200,067	-	-	200,067
Building maintenance/technology	197,637	-	-	197,637
Special education	2,628	-	-	2,628
Medicaid Admin	250,573	-	-	250,573
<b>Unassigned</b>	<u>8,881,690</u>	<u>-</u>	<u>-</u>	<u>8,881,690</u>
Total Fund Balances	<u>9,532,595</u>	<u>-</u>	<u>3,659,138</u>	<u>13,191,733</u>
Total Liabilities and Fund Balances	<u>\$ 10,219,807</u>	<u>\$ 446,875</u>	<u>\$ 4,298,455</u>	<u>\$ 14,965,137</u>

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

## FORREST COUNTY SCHOOL DISTRICT

## Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019

Exhibit C-1

<b>Total fund balances for governmental funds</b>	\$	13,191,733
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Amounts reported for governmental activities in the statement of Net Position are different because:

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

Land	\$	194,027	
Buildings		26,195,507	
Building improvements		949,877	
Improvements other than buildings		524,852	
Mobile equipment		3,285,560	
Furniture and equipment		3,887,905	
Accumulated depreciation		<u>(15,947,503)</u>	19,090,225

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	(36,206,152)	
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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	4,278,981	
Deferred inflows of resources related to pensions	<u>(968,252)</u>	(32,895,423)

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	(2,211,843)	
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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	173,220	
Deferred inflows of resources related to OPEB	<u>(171,009)</u>	(2,209,632)

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 bonds	(590,000)	
Other bonds payable	(2,360,000)	
Notes payable	(420,000)	
Compensated absences	(162,319)	
Unamortized charges	10,187	
Unamortized premiums	(1,170)	
Accrued interest payable	<u>(7,949)</u>	(3,531,251)

<b>Net Position of governmental activities</b>	\$	<u>(6,354,348)</u>
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The notes to the financial statements are an integral part of this statement.

## FORREST COUNTY SCHOOL DISTRICT

## Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019

Exhibit D

	Major Funds		Other	Total
	General	Title I-A Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 8,223,359	\$ -	\$ 1,569,126	\$ 9,792,485
State sources	11,561,629	-	852,933	12,414,562
Federal sources	282,282	1,594,930	3,133,025	5,010,237
Sixteenth section sources	209,094	-	67,344	276,438
Total Revenues	20,276,364	1,594,930	5,622,428	27,493,722
<b>Expenditures:</b>				
Instruction	11,874,985	979,468	1,641,954	14,496,407
Support services	7,632,436	573,353	1,136,784	9,342,573
Noninstructional services	81,098	13,109	1,349,018	1,443,225
Sixteenth section	41,175	-	33,141	74,316
Facilities acquisition and construction	-	-	1,262,491	1,262,491
Debt service:				
Principal	-	-	660,000	660,000
Interest	19,859	-	60,377	80,236
Other	-	-	4,933	4,933
Total Expenditures	19,649,553	1,565,930	6,148,698	27,364,181
Excess (Deficiency) of Revenues over (under) Expenditures	626,811	29,000	(526,270)	129,541
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	2,595	-	-	2,595
Payments held by escrow agent	-	-	138,955	138,955
Payment to QSCB debt escrow agent	-	-	(138,955)	(138,955)
Sale of other property	959	-	2,655	3,614
Operating transfers in	222,805	-	657,303	880,108
Operating transfers out	(571,883)	(29,000)	(279,225)	(880,108)
Total Other Financing Sources (Uses)	(345,524)	(29,000)	380,733	6,209
Net Change in Fund Balances	281,287	-	(145,537)	135,750
<b>Fund Balances:</b>				
July 1, 2018	9,251,308	-	3,806,734	13,058,042
Increase (Decrease) in inventory	-	-	(2,059)	(2,059)
June 30, 2019	\$ 9,532,595	\$ -	\$ 3,659,138	\$ 13,191,733

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, 2019**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 135,750

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,455,944	
Depreciation expense	<u>(785,604)</u>	670,340

2. 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. (4,379)

3. 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	660,000	
Accrued interest payable	<u>7,710</u>	667,710

4. 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	(4,423,745)	
Contributions subsequent to the measurement date	<u>2,386,722</u>	(2,037,023)

5. 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	(109,628)	
Contributions subsequent to the measurement date	<u>98,689</u>	(10,939)

6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(13,128)	
Change in inventory	(2,059)	
Amortization of deferred charges, premiums and discounts	<u>(9,024)</u>	(24,211)

<b>Change in Net Position of governmental activities</b>	<b>\$</b>	<b><u>(602,752)</u></b>
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*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, 2019

Exhibit E

	Agency Funds
	<hr/>
<b>Assets</b>	
Cash and cash equivalents	\$ 708,525
Total Assets	<u>\$ 708,525</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 704,217
Due to other funds	<u>4,308</u>
Total Liabilities	<u>\$ 708,525</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, 2019**

**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, 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, 2019

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-A Basic 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**

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

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**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 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.

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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 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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

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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.

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. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

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.

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*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.

*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, Cash with Fiscal Agents, and Investments**

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

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

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

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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 \$8,534,914 and \$708,525, 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 Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$10,104,755 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 \$806,059. This amount is also shown as restricted assets on Exhibit A.

**Investments**

As of June 30, 2019 the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Regions Financial Corporation		
U S Treasury Bill Zero 26 Dec 2019	Six months	\$ 999,609
U S Treasury Bill Zero 26 Sep 2019	Six months	1,005,818
U S Treasury Note 1% 30 Nov 2019	Six months	999,306
Fidelity Treasury Only Portfolio	NA	<u>15,075</u>
		<u>\$ 3,019,808</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2019:

U S Government securities type of investments of \$3,019,808 are valued using quoted market prices. (Level 1 inputs)

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

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



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Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counter party, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy for custodial credit risk. The investments held by Regions Financial Corporation are backed by the full faith and credit of the federal government.

**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:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I	\$ 446,443
	Other Governmental Funds	487,712
	Fiduciary Funds	<u>4,308</u>
		<u>\$ 938,463</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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 471,032</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:

16th Section Loan				
Year Ending June 30	Principal	Interest		Total
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	30,943	14,349	✓	45,292
2025-2029	174,301	52,158		226,459
2030-2033	<u>153,469</u>	<u>14,906</u>		<u>168,375</u>
	<u>\$ 471,032</u>	<u>\$ 150,259</u>		<u>\$ 621,291</u>

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**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 571,883
Title I	General Fund	29,000
Other governmental funds	General Fund	193,805
Other governmental funds	Other governmental funds	85,420
Total		<u>\$ 880,108</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 \$526,609 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 \$806,059 of the QSCB Bond Retirement Fund.

**Note 5 - Capital Assets**

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

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 194,027	\$	\$	\$ 194,027
Construction in progress	10,829	222,443	233,272	-
Total non-depreciable capital assets	<u>204,856</u>	<u>222,443</u>	<u>233,272</u>	<u>194,027</u>
<u>Depreciable capital assets:</u>				
Buildings	25,155,459	1,040,048		26,195,507
Building improvements	949,877			949,877
Improvements other than buildings	261,580	263,272		524,852
Mobile equipment	3,139,810	145,750	-	3,285,560
Furniture and equipment	4,308,056	17,703	437,854	3,887,905
Total depreciable capital assets	<u>33,814,782</u>	<u>1,466,773</u>	<u>437,854</u>	<u>34,843,701</u>
<u>Less accumulated depreciation for:</u>				
Buildings	9,261,452	485,575		9,747,027
Building improvements	165,330	37,995		203,325
Improvements other than buildings	133,482	18,098		151,580
Mobile equipment	1,955,080	175,909	-	2,130,989
Furniture and equipment	4,080,030	68,027	433,475	3,714,582
Total accumulated depreciation	<u>15,595,374</u>	<u>785,604</u>	<u>433,475</u>	<u>15,947,503</u>
Total depreciable capital assets, net	<u>18,219,408</u>	<u>681,169</u>	<u>4,379</u>	<u>18,896,198</u>
Governmental activities capital assets, net	<u>\$ 18,424,264</u>	<u>\$ 903,612</u>	<u>\$ 237,651</u>	<u>\$ 19,090,225</u>

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Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 416,587
Support services	214,913
Non-instructional	154,104
Total depreciation expense - Governmental activities	<u>\$ 785,604</u>

The capital assets above include significant amounts of buildings 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 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. General Obligation Refunding Bonds Payable	\$ 780,000	\$ -	\$ 190,000	\$ 590,000	\$ 190,000
B. Limited Obligation Bonds Payable	360,000	-	360,000	-	-
C. Three Mill Notes Payable	530,000	-	110,000	\$ 420,000	105,000
D. Qualified School Construction Bonds Payable	2,360,000	-	-	\$ 2,360,000	-
E. Compensated Absences payable	149,191	13,128	-	\$ 162,319	8,116
	<u>\$4,179,191</u>	<u>\$ 13,128</u>	<u>\$ 660,000</u>	<u>\$ 3,532,319</u>	<u>\$ 303,116</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	\$ 590,000

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

Year Ending June 30	Principal	Interest	Total
2020	190,000	17,956	207,956
2021	195,000	12,256	207,256
2022	205,000	6,406	211,406
	<u>\$ 590,000</u>	<u>\$ 36,618</u>	<u>\$ 626,618</u>

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

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, 2019, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2018.

**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	\$ 420,000

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

Year Ending June 30	Principal	Interest	Total
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	90,000	2,170	92,170
2025	50,000	1,395	51,395
	<u>\$ 420,000</u>	<u>\$ 21,158</u>	<u>\$ 441,158</u>

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

**D. Qualified school construction bond payable**

As more fully explained in Note 12, 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

**E. Compensated absences payable**

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

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**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*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.

*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, 2019 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, 2019, 2018 and 2017 were \$2,386,722, \$2,189,370 and \$2,067,932, 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, 2019, the school district reported a liability of \$36,206,152 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 net pension liability was 0.2176770 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.013007 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

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For the year ended June 30, 2019, the District recognized pension expense of \$4,423,745. At June 30, 2019 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	\$ 152,175	\$ 143,506
Net difference between projected and actual earnings on pension plan investments	-	687,815
Changes of assumptions	20,088	18,943
Changes in proportion and differences between District contributions and proportionate share of contributions	1,719,996	117,988
District contributions subsequent to the measurement date	<u>2,386,722</u>	
Total	<u>\$ 4,278,981</u>	<u>\$ 968,252</u>

\$2,386,722 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, 2020. 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:	
2020	\$ 1,001,544
2021	401,823
2022	(316,539)
2023	(162,821)
2024	-
Thereafter	<u>\$ 924,007</u>

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

Inflation	3.00 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 for males with adjustments.

The actuarial assumptions used in the June 30, 2018 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.

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

<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	100	%		

*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 (9%) and that Employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the 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	\$ 47,673,113	\$ 36,206,152	\$ 26,675,594

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

## **Note 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

*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 \$98,689 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$2,211,843 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.28593408 percent. This was an increase of 0.01006541 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$109,628. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from following sources:



**FORREST COUNTY SCHOOL DISTRICT**  
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,503	\$ -
Changes of assumptions	-	157,598
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	70,028	13,411
District contributions subsequent to the measurement date	98,689	-
Total	<u>\$ 173,220</u>	<u>\$ 171,009</u>

\$98,689 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, 2020. 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:	
2020	\$ (20,835)
2021	(20,835)
2022	(20,835)
2023	(20,835)
2024	(13,967)
Thereafter	829
	<u>\$ (96,478)</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2018 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	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.75 percent for 2018 decreasing to an ultimate rate of 4.75% by 2028

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2018 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.5%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an 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	Discount Rate	1% Increase
	2.89%	3.89%	4.89%
Net OPEB Liability	\$ 2,451,773	\$ 2,211,843	\$ 2,005,496

*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:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB Liability	\$ 2,048,898	\$ 2,211,843	\$ 2,396,902

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**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
2020	\$ 142,337
2021	101,455
2022	89,926
2023	62,889
2024	67,117
2025-2029	294,800
2030-2034	210,781
2035-2039	85,124
2040-2045	40,369
2046-2047	1,600
Total	<u>\$ 1,096,398</u>

**Note 10 – 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 11 - Risk Management**

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

**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 58 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.

**FORREST COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 12 – 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, 2019 was \$806,059. 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
2020	\$ 132,000
2021	131,000
2022	129,000
2023	349,000
2024	349,000
2025	349,000
Total	<u>\$ 1,439,000</u>

**Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$25,734,779) includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advanced refunding of debt, pensions, and OPEB and the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions and OPEB.

A portion of the deferred outflow of resources related to pension and OPEB in the amount of \$2,386,722 and \$98,689, respectively, resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability and the net OPEB liability in the year ended June 30, 2020. The \$1,892,259 balance of the deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expenditure and decrease unrestricted net position over the next four years. The \$74,531 balance of the deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expenditure and decrease unrestricted net position over the next six years.

The \$968,252 balance of deferred inflows of resources regarding the District's pension will be recognized as a revenue and increase of unrestricted net position over the next four years. The \$171,009 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.

FORREST COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Note 14 – 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, 2020, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

The District borrowed \$500,000 at an interest rate of 2.85% for term of three years to fund the advalorem tax shortfall of the 2018-2019 budget year. The debt was issued July 15, 2019.

**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, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 9,128,923	\$ 8,223,359	\$ 8,223,359	\$ (905,564)	\$ -
State sources	11,254,325	11,561,629	11,561,629	307,304	-
Federal sources	259,387	282,282	282,282	22,895	-
Sixteenth section sources	164,550	209,094	209,094	44,544	-
Total Revenues	20,807,185	20,276,364	20,276,364	(530,821)	-
<b>Expenditures:</b>					
Instruction	12,512,474	11,874,985	11,874,985	637,489	-
Support services	8,104,573	7,632,436	7,632,436	472,137	-
Noninstructional services	91,150	81,098	81,098	10,052	-
Sixteenth section	54,100	41,175	41,175	12,925	-
Debt service:					
Interest	19,859	19,859	19,859	-	-
Total Expenditures	20,782,156	19,649,553	19,649,553	1,132,603	-
Excess (Deficiency) of Revenues over (under) Expenditures	25,029	626,811	626,811	601,782	-
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	500,000	-	500,000	(500,000)
Insurance recovery	-	2,595	2,595	2,595	-
Sale of other property	-	959	959	959	-
Operating transfers in	1,424,217	1,659,825	222,805	235,608	(1,437,020)
Operating transfers out	(1,859,325)	(2,008,903)	(571,883)	(149,578)	1,437,020
Total Other Financing Sources (Uses)	(435,108)	154,476	(345,524)	589,584	(500,000)
Net Change in Fund Balances	(410,079)	781,287	281,287	1,191,366	(500,000)
<b>Fund Balances:</b>					
July 1, 2018	6,403,000	9,251,308	9,251,308	2,848,308	-
June 30, 2019	\$ 5,992,921	\$ 10,032,595	\$ 9,532,595	\$ 4,039,674	\$ (500,000)

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, 2019**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,185,445	\$ 1,594,930	\$ 1,594,930	\$ 409,485	\$ -
Total Revenues	1,185,445	1,594,930	1,594,930	409,485	-
<b>Expenditures:</b>					
Instruction	785,805	979,468	979,468	(193,663)	-
Support services	367,782	573,353	573,353	(205,571)	-
Noninstructional services	11,858	13,109	13,109	(1,251)	-
Total Expenditures	1,165,445	1,565,930	1,565,930	(400,485)	-
Excess (Deficiency) of Revenues					
over (under) Expenditures	20,000	29,000	29,000	9,000	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(20,000)	(29,000)	(29,000)	(9,000)	-
Total Other Financing Sources (Uses)	(20,000)	(29,000)	(29,000)	(9,000)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.217677%	0.204670%	0.206195%	0.212214%	0.204174%
District's proportionate share of the net pension liability	\$ 36,206,152	\$ 34,023,100	36,831,576	32,804,100	24,782,985
District's covered payroll	13,900,762	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	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	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>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 2,386,722	2,189,370	2,067,932	2,077,547	2,088,126
Contributions in relation to the contractually required contribution	2,386,722	2,189,370	2,067,932	2,077,547	2,088,126
Contribution deficiency (excess)	\$ 0	0	0	0	0
District's covered payroll	15,153,790	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%	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>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability	0.28593408%	0.27586867%
District's proportionate share of the net OPEB liability	\$ 2,211,843	\$ 2,164,490
District's covered-employee payroll	\$ 13,900,762	\$ 13,129,727
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.91%	16.49%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	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**

	<b>2019</b>	<b>2018</b>
Actuarially required contribution	\$ 98,689	\$ 92,275
Contributions in relation to the actuarially required contribution	\$ 98,689	\$ 92,275
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 15,153,790	\$ 13,900,762
Contributions as a percentage of covered-employee payroll	0.65%	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

## Notes to Required Supplementary Information

### 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%.

# FORREST COUNTY SCHOOL DISTRICT

## Notes to Required Supplementary Information

### (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.*

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, 2016 valuation for the June 30, 2018 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	36.6 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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

### (2) *Changes in benefit provisions*

2017: None

2018: None

## FORREST COUNTY SCHOOL DISTRICT

### Notes to Required Supplementary Information

- (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, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

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%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates Medicare Supplement Claims	7.75%
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00%
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

**FORREST COUNTY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**



# FORREST COUNTY SCHOOL DISTRICT

## Supplementary Information

### Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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>			
Emergency Forest Restoration Program	10.102	N/A	39,823
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	561,945
National school lunch program	10.555	185MS326N1099	875,106
Summer food service program for children	10.559	185MS326N1099	26,023
Total child nutrition cluster			1,463,074
Child Nutrition Discretionary Grant	10.579		11,107
Total passed-through Mississippi Department of Education			1,514,004
Passed-through the Forrest County:			
Schools and Roads - Grants to States	10.665	N/A	105,840
Total passed-through the Forrest County			105,840
<b>Total U.S. Department of Agriculture</b>			<b>1,619,843</b>
<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	74,898
<b>Total Federal Communications Commission</b>			<b>74,898</b>
<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	1,629,771
Career and Technical Education - Basic Grants to States	84.048	V048A170024	54,446
Supporting Effective Instruction State Grants	84.367	ES365A160024	183,476
School Improvement Grant	84.377	ES377A150025	628,056
Subtotal			2,495,749
Student Support and Academic Enrichment	84.424		55,698
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A170108	676,443
Special Education - Preschool Grants	84.173	H173A170113	31,241
Total Special Education Cluster			707,684
Total passed-through Mississippi Department of Education			3,259,131
<b>Total U.S. Department of Education</b>			<b>3,259,131</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education:			
Medical Assistance Program	93.778	105MS5ADM	56,366
Total pass-through Mississippi Department of Health and Human Services			56,366
<b>Total for All Federal Awards</b>			<b>\$ 5,010,239</b>

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, 2019**

**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, 2019. 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, 2019

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,383,784	14,995,906	1,420,057	1,415,110	2,552,711
Other	6,980,397	1,748,494	457,428	42,458	4,732,017
Total	<u>\$ 27,364,181</u>	<u>16,744,400</u>	<u>1,877,485</u>	<u>1,457,568</u>	<u>7,284,728</u>
Total number of students *	<u>2,189</u>				
Cost per student	<u>\$ 12,501</u>	<u>7,649</u>	<u>858</u>	<u>666</u>	<u>3,328</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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**  
**FORREST COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 8,223,359	\$ 8,063,353	\$ 7,777,497	\$ 7,412,071
State sources	11,561,629	10,595,342	10,818,519	10,968,628
Federal sources	282,282	263,817	324,054	545,699
Sixteenth section sources	209,094	258,064	353,479	230,633
Total Revenues	20,276,364	19,180,576	19,273,549	19,157,031
<b>Expenditures:</b>				
Instruction	11,874,985	11,028,874	10,784,019	10,535,352
Support services	7,632,436	7,396,112	7,696,110	7,417,645
Noninstructional services	81,098	74,272	77,442	80,194
Sixteenth section	41,175	59,762	149,609	66,739
Facilities acquisition and construction	-	-	-	-
Debt service:				
Principal	-	-	-	5,333
Interest	19,859	20,837	21,777	22,710
Other	-	-	9,610	-
Total Expenditures	19,649,553	18,579,857	18,738,567	18,127,973
Excess (Deficiency) of Revenues over (under) Expenditures	626,811	600,719	534,982	1,029,058
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	2,595	1,472	-	-
Bonds and notes issued	-	-	650,000	-
Sale of other property	959	-	9,803	6,455
Operating transfers in	222,805	213,272	425,217	260,815
Operating transfers out	(571,883)	(192,848)	(470,564)	(225,084)
Total Other Financing Sources (Uses)	(345,524)	21,896	614,456	42,186
Net Change in Fund Balances	281,287	622,615	1,149,438	1,071,244
<b>Fund Balances:</b>				
Beginning of period	9,251,308	8,628,693	7,479,255	6,408,011
End of Period	\$ 9,532,595	\$ 9,251,308	\$ 8,628,693	\$ 7,479,255

\*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**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 9,792,485	\$ 8,714,795	\$ 8,318,760	\$ 7,951,611
State sources	12,414,562	12,035,864	11,766,963	11,891,242
Federal sources	5,010,237	4,315,390	3,953,012	4,027,014
Sixteenth section sources	276,438	324,139	443,328	282,087
Total Revenues	27,493,722	25,390,188	24,482,063	24,151,954
<b>Expenditures:</b>				
Instruction	14,496,407	13,278,574	12,831,675	12,305,894
Support services	9,342,573	8,723,435	8,648,877	8,457,063
Noninstructional services	1,443,225	1,418,427	1,495,914	1,544,084
Sixteenth section	74,316	95,278	165,076	70,297
Facilities acquisition and construction	1,262,491	10,829	670,773	5,099
Debt service:				
Principal	660,000	645,000	510,000	568,483
Interest	80,236	100,574	105,995	122,022
Other	4,933	2,884	14,434	4,824
Total Expenditures	27,364,181	24,275,001	24,442,744	23,077,766
Excess (Deficiency) of Revenues over (under) Expenditures	129,541	1,115,187	39,319	1,074,188
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	650,000	-
Insurance recovery	2,595	1,472	9,803	6,455
Payment held by escrow agent	138,955	139,905	139,808	135,771
Payment to escrow agent	(138,955)	(139,905)	(139,808)	(135,771)
Sale of other property	3,614	-	1,010	4,761
Operating transfers in	880,108	491,539	981,201	953,377
Operating transfers out	(880,108)	(491,539)	(981,201)	(953,377)
Other financing uses	-	(1,940)	-	-
Total Other Financing Sources (Uses)	6,209	(468)	660,813	11,216
Net Change in Fund Balances	135,750	1,114,719	700,132	1,085,404
<b>Fund Balances:</b>				
Beginning of period	13,058,042	11,953,314	11,250,034	10,164,287
Increase (Decrease) in reserve for inventory	(2,059)	(9,991)	3,148	343
End of Period	\$ 13,191,733	\$ 13,058,042	\$ 11,953,314	\$ 11,250,034

\*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**

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Mississippi Society of  
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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, 2019, 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, 2020.

## **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.

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, 2020

**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**

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## 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, 2019. 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, 2019.

### **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, 2020

**FORREST COUNTY SCHOOL DISTRICT**

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

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## 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, 2019, which collectively comprise Forrest County School District's basic financial statements and have issued our report thereon dated February 28, 2020. 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 material 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding # 1 – Section 37-61-33(3)(a)(iii)

Our test found one instance where a procurement card was issued to a federally funded teacher.

Recommendation: We believe this was an isolated instance and therefore make no recommendation.

Management Response: The teacher was originally assigned to first grade at the beginning of the year when procurement cards for 18-19 were issued. She was subsequently moved to a federal program in October 2018. At the time of her reassignment, we neglected to request that she return her procurement card. For any future reassignments, the district will implement procedures to insure that EEF cards are returned in a timely manner.

Finding # 2 – Section 25-11-127

Our test found one instance where a reemployed retiree was paid more than allowed by law.

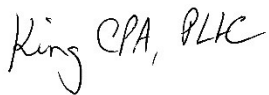
Recommendation: We recommend the district assist re-employed retirees in complying with the law.

Management Response: The district relies on the re-employed retiree to monitor his/her maximum allowed earnings. Per telephone conversation to the Public Employees' Retirement System of Mississippi on February 26, 2020, we have verified that it is an employee's responsibility to track his/her earnings and there is no penalty to an entity if a retired employee exceeds the allowed earnings. The penalty is only to the employee. The district has always and continues to assist employees in tracking their earnings.

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

The Forrest County School District's responses to the findings included in this report were not audited and accordingly, we express no opinion on them.

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**  
Petal, Mississippi  
February 28, 2020

**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, 2019

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>
10.555 – 10.553 – 10.559	Child Nutrition Cluster
84.377	School Improvement Grant
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, 2019**

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.