

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

CITY OF FOREST, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Chance, Gay and Cieglo, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
514-B AIRPORT ROAD
FOREST, MISSISSIPPI 39074

(This page was intentionally left blank.)

AUDITED FINANCIAL STATEMENTS
Table of Contents

INDEPENDENT AUDITOR'S REPORT	Page 1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position (Exhibit 1)	10
Statement of Activities (Exhibit 2)	11
FUND FINANCIAL STATEMENTS:	
<u>Governmental Funds:</u>	
Balance Sheet (Exhibit 3)	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 3-1)	13
Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit 4)	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities (Exhibit 4-1)	15
<u>Proprietary Funds:</u>	
Statement of Net Position (Exhibit 5)	16
Statement of Revenues, Expenses and Changes in Net Position (Exhibit 6)	17
Statement of Cash Flows (Exhibit 7)	18

<u>Fiduciary Funds:</u>	
Statement of Net Position (Exhibit 8)	19
Statement of Changes in Fiduciary Net Position (Exhibit 9)	20
NOTES TO THE FINANCIAL STATEMENTS	21 – 42
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (Other than MD&A):	
Budgetary Comparison Schedule	43
Schedule of Pension Contributions	44
Schedule of Proportionate Share of the Net Pension Liability	45
Notes to the Required Supplementary Information	46 - 50
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Surety Bonds for Municipal Officials	51
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditor's Report on Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52 – 53
Independent Auditor's Report on Compliance with State Laws and Regulations	54
Schedule of Findings and Responses	55



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, the schedule of the City's contributions – PERS, and the schedule of the City's proportionate share of the net pension liability – PERS and corresponding notes, on pages 3 through 9 and 43 through 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022, on our consideration of the City of Forest, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forest, Mississippi's internal control over financial reporting and compliance.



Forest, MS
June 7, 2022

**CITY OF FOREST, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

The Discussion and Analysis of the City of Forest's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2021. The intent of this discussion and analysis is to look at the City's performance as a whole. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to the financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 were as follows:

- The City's assets exceeded its liabilities by \$23,502,963 (net assets) for the fiscal year reported. This was an increase in total net position of \$177,548 related to current year.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$22,967,397 include property and equipment, net of accumulated depreciation and related capital debt.
 - (2) Net position of \$1,365,580 is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of (\$830,014) represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City has \$9,060,340 in total revenue. General revenues account for \$4,094,276, or 45% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions account for \$4,966,064 or 55% of total revenues.
- The City had \$8,882,792 in expenses; 56% or \$4,966,064 of these expenses were covered by program specific charges for services, and the balance of \$3,916,728 was covered by general revenues of the City and fund balances at the beginning of the year.
- Among major funds, the General Fund had \$5,042,150 in revenue and \$5,435,382 in expenditures.
- The Proprietary fund had \$4,018,190 in revenue and \$3,447,410 in expenditures. The Current year operations resulted in a \$570,780 increase in net position.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the City's net 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 years.

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 13 and 15, respectively.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.

Fiduciary funds. The City's fiduciary funds include court fines, Forest Municipal School District Taxes, and the Library Expendable Trust. The fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the City programs. Fiduciary fund financial statements can be found on pages 19 and 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 42 of this report.

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

The City adopts an annual operating budget for all governmental funds and proprietary funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on page 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position. The City's combined net position, on the accrual basis of accounting and economic resource measurement focus, increased from \$23,325,415 to \$23,502,963 between fiscal years 2020 and 2021.

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

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

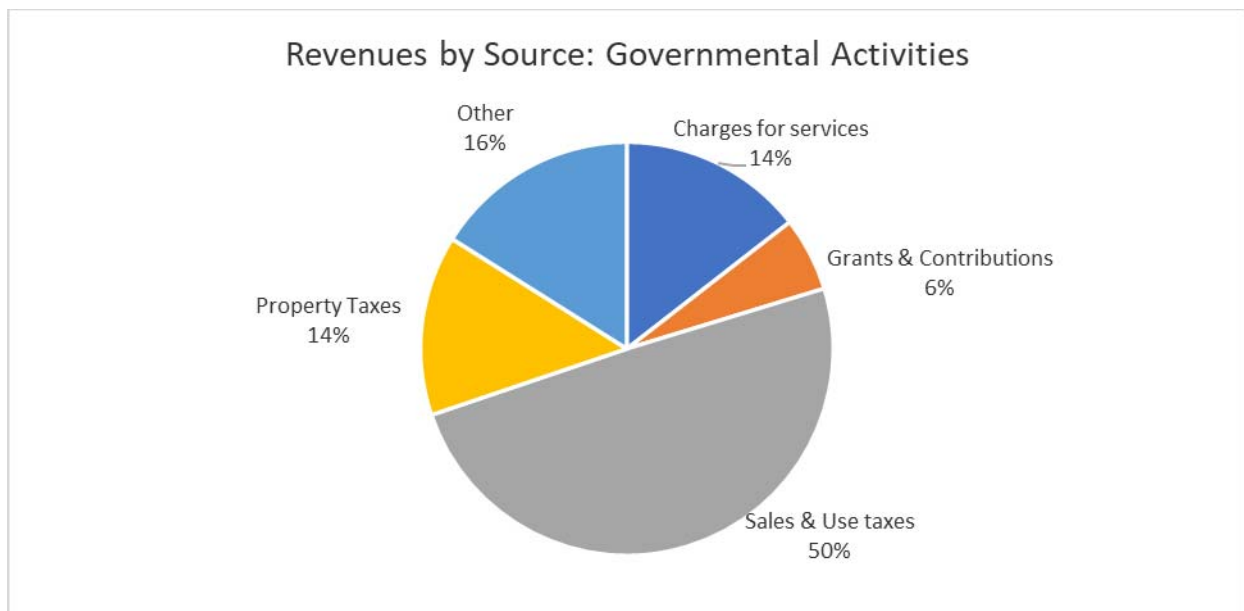
The following table reflects condensed information on the City's net position:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	4,052,349	3,957,489	6,570,968	5,456,340	10,623,317	9,413,829
Capital assets, net	11,184,237	11,704,866	12,719,735	13,318,505	23,903,972	25,023,371
Total Assets	15,236,586	15,662,355	19,290,703	18,774,845	34,527,289	34,437,200
Deferred outflows	987,913	623,014	342,975	220,130	1,330,888	843,144
Liabilities:						
Current and other liabilities	757,101	734,939	326,191	313,839	1,083,292	1,048,778
Long-term liabilities	5,616,649	7,074,550	2,378,951	2,919,844	7,995,600	9,994,394
Total Liabilities	6,373,750	7,809,489	2,705,142	3,233,683	9,078,892	11,043,172
Deferred inflows	2,471,890	703,789	804,432	207,968	3,276,322	911,757
Net Position:						
Net investments in capital assets	10,480,852	10,904,681	12,486,545	13,057,471	22,967,397	23,962,152
Restricted	105,383	149,707	1,260,197	301,316	1,365,580	451,023
Unrestricted	(3,207,376)	(3,282,297)	2,377,362	2,194,537	(830,014)	(1,087,760)
Total Net Position	7,378,859	7,772,091	16,124,104	15,553,324	23,502,963	23,325,415

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	730,607	680,387	3,027,941	3,241,862	3,758,548	3,922,249
Grants and contributions	292,274	146,016	915,242	-	1,207,516	146,016
General Revenues:						
Sales and use taxes	2,497,031	2,361,093	-	-	2,497,031	2,361,093
Property taxes	711,707	685,850	-	-	711,707	685,850
Other	810,531	840,383	75,007	90,308	885,538	930,691
Total Revenues	5,042,150	4,713,729	4,018,190	3,332,170	9,060,340	8,045,899
Program Expenses:						
General Government	703,779	824,679	-	-	703,779	824,679
Public Safety	2,358,391	2,528,635	-	-	2,358,391	2,528,635
Streets and Sanitation	1,758,628	1,827,448	-	-	1,758,628	1,827,448
Culture and Recreation	614,584	628,297	-	-	614,584	628,297
Water and Sewer	-	-	3,447,410	3,443,993	3,447,410	3,443,993
Total Expenses	5,435,382	5,809,059	3,447,410	3,443,933	8,882,792	9,253,052
Increase (Decrease) in Net Position	(393,232)	(1,095,330)	570,780	(111,823)	177,548	(1,207,153)

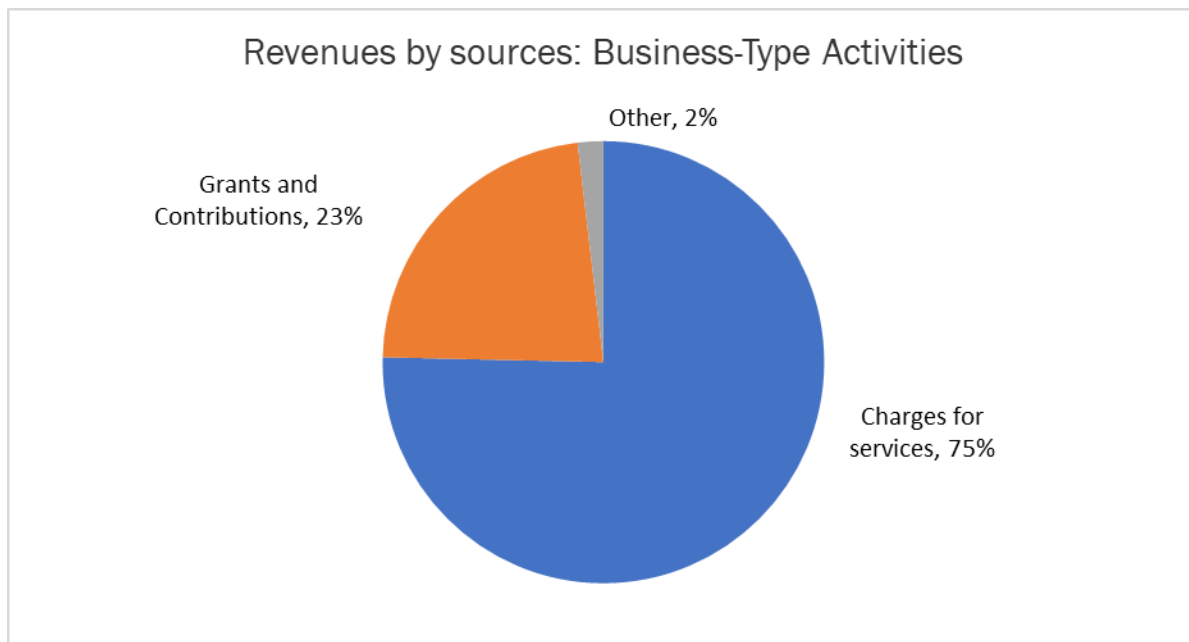
Governmental activities. Revenues for the City's governmental activities for the year ended September 30, 2021, were \$5,042,150 compared to \$4,713,729 in 2020. Revenues increased \$328,421 mostly due to an increase in charges for services and grants and contributions received.



The cost of providing all governmental activities this year was \$5,435,382, an decrease of \$373,677 from the prior year. Of this amount, general government expenses decreased \$120,900; public safety expenses decreased \$170,244; streets and sanitation expenses decreased \$68,820; culture and recreation expenses decreased \$13,713.

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

Business-type activities: Revenues for business-type activities are, for the most part, comprised of charges for services. Charges for services for the City's business-type activities were \$3,027,941 for 2021, a decrease of \$213,921 from 2020.



The cost of these business-type activities was \$3,447,410 for 2021, a increase of \$3,417 from 2020.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined net position of \$2,995,189, an increase of \$19,181. Unassigned fund balance equals \$2,925,215 or 98% of net position, which is available for spending at the City's discretion. The remaining net position of 69,974 or 2% is restricted or assigned to indicate that it is not available for spending because it has already been committed.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of September 30, 2021, the City's total capital assets were \$57,880,856, including land, city buildings, infrastructure, vehicles, and furniture and equipment. This amount represents an increase of \$317,428 from the previous year. The total accumulated depreciation as of September 30, 2021, was \$33,976,884, and total depreciation expense for the year was \$1,575,524, resulting in total net capital assets of \$23,903,972.

Additional information on the City's capital assets can be found in Note 6 on pages 33 through 35 of this report.

Debt Administration. At September 30, 2021, the City had paid off all bonds. The City is currently the lessee in several leases that are classified as capital leases. Total obligations related to these capital leases totaled \$936,575 at September 30, 2021. For more detailed information regarding these leases see Notes 5 and 10 on pages 32 through 33 and 40 through 42 in the accompanying notes to the audited financial statements, respectively.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FOREST
STATEMENT OF NET POSITION
September 30, 2021

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 463,887	\$ 1,036,929	\$ 1,500,816
Investments	2,569,000	3,606,000	6,175,000
Receivables:			
Property taxes	627,722	-	627,722
Tax lien	3,609	-	3,609
Other receivables	7,798	4,169	11,967
Trade accounts, net	-	468,847	468,847
Due from other governments	303,773	-	303,773
Due from other funds	76,560	25,000	101,560
Total Current Assets	<u>\$ 4,052,349</u>	<u>\$ 5,140,945</u>	<u>\$ 9,193,294</u>
Restricted assets:			
Cash:			
-Wastewater treatment facilities improvements	\$ -	\$ 1,028,540	\$ 1,028,540
-Wastewater treatment fund	-	356,778	356,778
Due from industry:			
-Wastewater treatment fund	-	44,705	44,705
Capital assets, net	11,184,237	12,719,735	23,903,972
Total Assets	<u>\$ 15,236,586</u>	<u>\$ 19,290,703</u>	<u>\$ 34,527,289</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-Pensions	<u>\$ 987,913</u>	<u>\$ 342,975</u>	<u>\$ 1,330,888</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 172,403	\$ 128,318	\$ 300,721
Accounts payable -customers	-	49,603	49,603
Sales tax payable	-	1,533	1,533
Accrued expenses	118,712	22,744	141,456
Capital debt	331,272	81,112	412,384
Due to other funds	134,714	42,881	177,595
Total current liabilities	<u>\$ 757,101</u>	<u>\$ 326,191</u>	<u>\$ 1,083,292</u>
Non-current liabilities:			
Customer deposits	\$ -	\$ 367,488	\$ 367,488
Capital debt, net of current portion	372,113	152,078	524,191
Net pension liability	5,244,536	1,859,385	7,103,921
Total non-current liabilities	<u>5,616,649</u>	<u>2,378,951</u>	<u>7,995,600</u>
Total Liabilities	<u>\$ 6,373,750</u>	<u>\$ 2,705,142</u>	<u>\$ 9,078,892</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-Pensions	\$ 1,840,559	\$ 634,606	\$ 2,475,165
Deferred inflows of resources-Property taxes receivable-2021	631,331	-	631,331
Restricted assets for sewer projects	-	169,826	169,826
Total deferred inflows of resources	<u>\$ 2,471,890</u>	<u>\$ 804,432</u>	<u>\$ 3,276,322</u>
NET POSITION			
Net investments in capital assets	\$ 10,480,852	\$ 12,486,545	\$ 22,967,397
Restricted for:			
Public Safety	85,307	-	85,307
Public Works	-	-	-
Culture & Recreation	20,076	-	20,076
Capital Projects	-	1,260,197	1,260,197
Unrestricted	(3,207,376)	2,377,362	(830,014)
Total Net Position	<u>\$ 7,378,859</u>	<u>\$ 16,124,104</u>	<u>\$ 23,502,963</u>

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 655,197	\$ 141,935	\$ 207,243	\$ 64,500	\$ (241,519)	\$ -	\$ (241,519)
Public safety	2,108,627	106,219	20,531	-	(1,981,877)	-	(1,981,877)
Streets and sanitation	1,657,161	438,348	-	-	(1,218,813)	-	(1,218,813)
Culture and recreation	594,504	44,105	-	-	(550,399)	-	(550,399)
Interest on capital debt	25,677	-	-	-	(25,677)	-	(25,677)
Pension expense	394,216	-	-	-	(394,216)	-	(394,216)
Total Governmental Activities	5,435,382	730,607	227,774	64,500	(4,412,501)	-	(4,412,501)
Business-type activities:							
Water & Sewer	3,447,410	3,027,941	-	915,242	-	495,773	495,773
Total Primary Government	\$ 8,882,792	\$ 3,758,548	\$ 227,774	\$ 979,742	\$ (4,412,501)	\$ 495,773	\$ (3,916,728)

General Revenues:

Taxes:			
Sales tax	\$ 2,497,031	\$ -	\$ 2,497,031
Property tax	711,707	-	711,707
Utility tax	7,848	-	7,848
Franchise taxes	383,232	-	383,232
Unrestricted grants and contributions:			
Intergovernmental	312,850	-	312,850
Public contributions	1,826	-	1,826
Unrestricted investment earnings	51,428	75,007	126,435
Gain (loss) on disposal of land and equipment	15,050	-	15,050
Other	38,297	-	38,297
Total General Revenues	4,019,269	75,007	4,094,276

Change in Net Position	(393,232)	570,780	177,548
-------------------------------	-----------	---------	---------

Net Position- Beginning	7,772,091	15,553,324	23,325,415
--------------------------------	-----------	------------	------------

Net Position - Ending	\$ 7,378,859	\$ 16,124,104	\$ 23,502,963
------------------------------	--------------	---------------	---------------

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

**CITY OF FOREST
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021**

Exhibit 3

	<u>Major Fund</u>		<u>Non-Major Governmental Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>				
<u>ASSETS</u>					
Cash	\$ 436,371	\$	27,516	\$	463,887
Investments	2,500,000		69,000		2,569,000
Receivables:					
Property taxes	627,722		-		627,722
Tax lien	3,609		-		3,609
Other	7,718		80		7,798
Due from other funds	-		76,455		76,455
Due from other governments	303,773		-		303,773
Total Assets	<u>\$ 3,879,193</u>	<u>\$</u>	<u>173,051</u>	<u>\$</u>	<u>4,052,244</u>
<u>LIABILITIES AND NET POSITION</u>					
Liabilities:					
Accounts payable	\$ 172,403	\$	-	\$	172,403
Accrued expenses	64,790		53,922		118,712
Due to other funds	134,609		-		134,609
Total Liabilities	<u>371,802</u>		<u>53,922</u>		<u>425,724</u>
Deferred Inflows of Resources:					
Unavailable revenue-property taxes	631,331		-		631,331
Net Position:					
Restricted for:					
Public Safety	-		69,974		69,974
Public Works	-		-		-
Culture & Recreation	-		-		-
Capital Projects	-		-		-
Unassigned, reported in:					
General Fund	2,876,060		49,155		2,925,215
Total Fund Balance	<u>2,876,060</u>		<u>119,129</u>		<u>2,995,189</u>
Total Liabilities and Fund Balances	<u>\$ 3,879,193</u>	<u>\$</u>	<u>173,051</u>	<u>\$</u>	<u>4,052,244</u>

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

CITY OF FOREST
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$	2,995,189
---	----	-----------

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

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

Governmental capital assets	\$	22,068,810	
Less accumulated depreciation		(10,884,573)	
		11,184,237	

Deferred outflows of resources-pension		987,913
--	--	---------

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

Net pension liability		(5,244,536)
Capital debt obligations		(703,385)

Deferred inflows of resources-pension		(1,840,559)
---------------------------------------	--	-------------

Total Net Position - Governmental Activities	\$	7,378,859
--	----	-----------

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

CITY OF FOREST
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2021

Exhibit 4

	<u>Major Fund</u>		Non-Major Governmental	Total Governmental
	General		Funds	Funds
Revenues				
General property taxes	\$ 711,707	\$ -		\$ 711,707
Penalties & interest on delinquent taxes	41,044	-		41,044
Licenses and permits	59,241	-		59,241
Franchise taxes on utilities	383,232	-		383,232
Intergovernmental revenues				
Homestead exemption reimbursement	26,042	-		26,042
General municipal aid	8,480	-		8,480
Sales tax	2,497,031	-		2,497,031
Utility tax	7,848	-		7,848
Federal and State grants	292,274	-		292,274
County contributions	264,079	8,250		272,329
Other	5,999	-		5,999
Charges for services	530,232	-		530,232
Donations	1,826	-		1,826
Fines and forfeitures	100,090	-		100,090
Interest income	49,642	1,786		51,428
Miscellaneous	61,789	-		61,789
Total Revenues	<u>5,040,556</u>	<u>10,036</u>		<u>5,050,592</u>
Expenditures				
General government	885,092	-		885,092
Public safety	2,108,877	2,532		2,111,409
Streets and sanitation	1,515,297	-		1,515,297
Culture and recreation	339,449	-		339,449
Debt Service:		-		
Principal	117,574	-		117,574
Interest	25,677	-		25,677
Capital Outlays	302,217	54,855		357,072
Total Expenditures	<u>5,294,183</u>	<u>57,387</u>		<u>5,351,570</u>
Excess of Revenues				
Over (Under) Expenditures	<u>(253,627)</u>	<u>(47,351)</u>		<u>(300,978)</u>
Other Financing Sources				
Sale of land	24,600	-		24,600
Capital debt issued	295,559	-		295,559
Total Other Financing Sources	<u>320,159</u>	<u>-</u>		<u>320,159</u>
Net Change in Fund Balances	66,532	(47,351)		19,181
Fund Balance - Beginning	2,809,528	166,480		2,976,008
Fund Balance - Ending	<u>\$ 2,876,060</u>	<u>\$ 119,129</u>	<u>\$</u>	<u>2,995,189</u>

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

CITY OF FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

Exhibit 4-1

Net Change in fund balances - governmental funds	\$	19,181
--	----	--------

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

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

Expenditures for capital assets	\$	357,072	
Less current year depreciation		(865,040)	
			(507,968)

Because the governmental funds do not recognize capital lease assets there is no gain/loss
on the disposal of the leased asset. However, the Statement of Net Position reflects the
gain/loss on disposal based upon proceeds received and remaining net book value.

Loss on disposal of leased equipment	(9,550)
--------------------------------------	---------

Repayment of debt principal is an expenditure in the Governmental Funds, but the
repayment reduces long-term liabilities in Statement of Net Position.

Principal payments on capital debt	117,574
------------------------------------	---------

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

Pension expense		(12,469)	
Change in net position of governmental activities	\$	(393,232)	

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2021

Exhibit 5

ASSETS

Current Assets:

Cash	\$ 1,036,929
Investments	3,606,000
Receivables:	
Trade accounts, net	468,847
Other	4,169
Due from other funds	25,000
Total Current Assets	<u>5,140,945</u>

Restricted Assets:

Cash:	
Wastewater treatment facilities improvements	1,028,540
Wastewater treatment fund	356,778
Due from industry-wastewater treatment	44,705
Total Restricted Assets	<u>1,430,023</u>

Noncurrent Assets

Capital assets (net)	<u>12,719,735</u>
----------------------	-------------------

Total Assets

19,290,703

Deferred Outflows of Resources

Deferred outflows-pension	<u>342,975</u>
---------------------------	----------------

Total Assets and Deferred Outflows

\$ 19,633,678

LIABILITIES

Current Liabilities:

Accounts payable	\$ 128,318
Accounts payable - customers	49,603
Sales tax payable	1,533
Accrued expenses	22,744
Capital lease obligation	81,112
Due to other funds	42,881
Current Liabilities	<u>326,191</u>

Non-current Liabilities:

Customer deposits (payable from restricted assets)	367,488
Capital lease obligation, net of current	152,078
Net pension liability	1,859,385
Total Non-current Liabilities	<u>2,378,951</u>

Total Liabilities

2,705,142

Deferred Inflows of Resources:

Deferred inflows-pension	634,606
Restricted assets for sewer project	169,826
Total Deferred inflows of resources	<u>804,432</u>

Total Liabilities and Deferred Inflows

\$ 3,509,574

NET POSITION

Net Position

Nonspendable capital assets	\$ 12,486,545
Restricted for capital projects	1,260,197
Unrestricted	<u>2,377,362</u>

Total Net Position

\$ 16,124,104

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

CITY OF FOREST
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
Year Ended September 30, 2021

Exhibit 6

Operating Revenue:

Charges for services	\$ 2,888,358
Wastewater treatment charges-industry	139,583
	<u>3,027,941</u>

Operating Expenses:

Personal services	1,183,376
Maintenance, operations, and contractual services	350,123
Materials and supplies	383,279
Utilities	820,148
Depreciation	710,484
	<u>3,447,410</u>

Operating Loss	<u>(419,469)</u>
-----------------------	------------------

Nonoperating Revenues (Expenses):

Interest income	75,007
Grant revenue	915,242
	<u>990,249</u>

Change in net position	<u>570,780</u>
-------------------------------	----------------

Net position, Beginning	15,553,324
--------------------------------	------------

Net position, Ending	<u><u>\$ 16,124,104</u></u>
-----------------------------	-----------------------------

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

**CITY OF FOREST
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2021**

Exhibit 7

Cash flows from Operating Activities

Receipts from customers	\$ 3,048,056
Payments to suppliers	(1,596,293)
Payments to employees	(1,192,715)
Net Cash Provided by Operating Activities	<u>259,048</u>

Cash Flows from Investing Activities

Interest earned on certificates of deposit	75,007
Acquisition and construction of capital assets	(111,714)
Net Cash Used by Investing Activities	<u>(36,707)</u>

Cash Flows from Noncapital and Related Financing Activities

Intergovernmental grants received	915,242
Net Cash Provided by Noncapital and Related Financing Activities	<u>915,242</u>

Cash Flows from Capital and Related Financing Activities

Principal payments on capital debt	(27,844)
Net Cash Used by Capital and Related Financing Activities	<u>(27,844)</u>

Net Increase in Cash, Cash Equivalents and Restricted Cash 1,109,739

Cash, Cash Equivalents and Restricted Cash, Beginning 4,918,508

Cash, Cash Equivalents and Restricted Cash, Ending \$ 6,028,247

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

Operating Income

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

Operating Loss	\$ (419,469)
Depreciation and amortization	710,484
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(11,240)
Increase in "Due from Industry"	(4,106)
Decrease in "Due from Other Funds"	10,457
Increase in Deferred Outflows	(122,845)
Decrease in Accounts Payable	(42,743)
Decrease in Sales Tax Payable	(154)
Decrease in Accrued Expenses	(5,557)
Increase in "Due to Other Funds"	7,538
Increase in Customer Deposits	17,620
Decrease in Net Pension Liability	(477,401)
Increase in Deferred Inflows	596,464

Net Cash Provided by Operating Activities \$ 259,048

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF FIDUCIARY
NET POSITION-FIDUCIARY FUNDS
September 30, 2021

Exhibit 8

	CUSTODIAL FUNDS			
	Court	Forest Municipal School Distr.	Library Expendable	Total
<u>ASSETS</u>	Fines	Taxes	Trust	
Cash	\$ 45,381	\$ 1	\$ 589	\$ 45,971
Investments	-	-	345,000	345,000
Accrued interest receivable	-	-	399	399
Due from other funds	41,518	34,346	-	75,864
Taxes receivable	-	82	-	82
Due from other governments	-	36,240	-	36,240
Total Assets	<u>\$ 86,899</u>	<u>\$ 70,669</u>	<u>\$ 345,988</u>	<u>\$ 503,556</u>
<u>LIABILITIES</u>				
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -
Bank overdraft	-	-	-	-
Due to other funds	-	-	-	-
Due to State of Mississippi	41,562	-	-	41,562
Due to Forest Municipal School District	-	70,587	-	70,587
Due to other funds	-	-	-	-
Refundable bond fees	45,335	-	-	45,335
Total Liabilities	<u>86,897</u>	<u>70,587</u>	<u>-</u>	<u>157,484</u>
Net position held in trust	<u>\$ 2</u>	<u>\$ 82</u>	<u>\$ 345,988</u>	<u>\$ 346,072</u>

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

CITY OF FOREST, MISSISSIPPI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2021

Exhibit 9

	CUSTODIAL FUNDS				
	Court	Forest	Municipal	Library	
	Fines	School	Distr.	Expendable	
		Taxes		Trust	Total
Additions					
Trust receipts	\$ -	\$ -		\$ -	\$ -
Interest income	-	-		7,127	7,127
Total additions	-	-		7,127	7,127
Deductions	-	-		-	-
Total deductions	-	-		-	-
Changes in net position	-	-		7,127	7,127
Net position held in trust:					
Beginning of year	2	82		338,861	338,945
End of year	\$ 2	\$ 82		\$ 345,988	\$ 346,072

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services provided by the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

The City reports the following major governmental funds:

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Other Deposits (and Cash Equivalents)

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

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

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

G. Investments

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

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

H. Inventories and Prepaid Items

Because the City does not accumulate large quantities of supplies, inventories are generally not recorded. 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.

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Capital Assets

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

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ -	-
Infrastructure – Roads	25,000	20 years
Infrastructure – Concrete bridges	25,000	50 years
Buildings	25,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Heavy equipment	5,000	10 years
Mobile equipment	500	5 years
Furniture and equipment	500	3-7 years
Software	500	3 years

J. Restricted Assets

Governmental

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

Proprietary

Heavy users of the wastewater treatment facilities are billed separately for their use with the funds restricted for the purchase of chemicals and operating and maintenance expenses.

K. Reconciliation of Government-wide and Fund Financial Statements

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Compensated Absences

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

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

M. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. All unpaid taxes become delinquent February 1. The City bills and collects its own property taxes except for the personal auto, large truck and house trailer taxes that are collected and remitted to the City by the county tax collector. The City also acts as tax assessor and collector for the Forest Municipal School District in the same manner as previously mentioned. Collections for the Forest Municipal School District are remitted monthly as collected to the District. The millage rate for the City and School combined for January through December 2021 collections, was 66.95 mills. The taxes were distributed to funds in accordance with prescribed tax levies. A tax sale was held for uncollected taxes.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

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

\$5,578,271	Base 2019 – 2020	\$6,035,653	Taxes collected 2020-2021
<u>557,827</u>	10% Increase	<u>97,047</u>	Homestead Exempt. Reimbursement
6,136,098		6,132,700	Total Collections
<u>335,678</u>	Exempt Collections	<u>339,079</u>	Under Limitations
<u>\$6,471,776</u>	Total	<u>\$6,471,776</u>	Total

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. Economic Dependency

Two heavy water users of the Water and Sewer Enterprise Fund accounted for 68% of total consumption. Revenues are based upon consumption. These two users produced 63% of gross revenue.

O. Fair Values of Financial Instruments

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

P. Budgetary and Budgetary Accounting

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

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Q. Use of Estimates

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

R. Due From Other Funds

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

S. Comparative Data

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

T. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses 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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

Assigned - These are amounts that are intended by the City to be used for a particular purpose, but are neither restricted or committed. The Board of Aldermen is officially authorized to assign amounts to a specific purpose.

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

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

The carrying amount of the City's deposits with financial institutions was \$9,981,650. This exceeded the FDIC insured limits by \$9,481,650.

Investments

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – Continued

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

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

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

<u>Investment Type</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of Deposit	<u>\$6,520,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,520,000</u>	<u>\$6,520,000</u>

Note 3. INTERFUND ASSETS/LIABILITIES

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

<u>General Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
Water and Sewer Enterprise Fund	10,243	-	
Payroll Clearing Fund	-	(20,119)	
Accounts Payable Clearing	104	-	
Forest Municipal School District	-	(34,346)	
Municipal Fire Fund	-	(48,973)	
Court Fines Fund	-	(41,517)	
	<u>10,347</u>	<u>(144,955)</u>	\$ (134,608)
<u>Water and Sewer Enterprise Fund</u>			
General Fund	-	(10,243)	
Payroll Clearing Fund	-	(7,364)	
Accounts Payable Clearing	-	(274)	
	<u>-</u>	<u>(17,881)</u>	\$ (17,881)
<u>Payroll Clearing Fund</u>			
General Fund	20,119	-	
Water and Sewer Enterprise Fund	7,364	-	
	<u>27,483</u>	<u>-</u>	\$ 27,483
<u>Accounts Payable Clearing Fund</u>			
General Fund	-	(104)	
Water and Sewer Enterprise Fund	274	-	
Municipal Fire Fund	-	-	
	<u>274</u>	<u>(104)</u>	\$ 170

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 3. INTERFUND ASSETS/LIABILITIES – Continued

<u>Municipal Fire Fund</u>	Due From	Due To	Net
General Fund	\$ 48,973	-	\$ 48,973
 <u>Forest Municipal School District</u>			
General Fund	34,346	-	\$ 34,346
 <u>Court Fines Fund</u>			
General Fund	41,517	-	\$ 41,517
 Total	\$ 162,940	\$ (162,940)	\$ -

Note 4. DUE FROM/TO OTHER GOVERNMENTS

Due from Other Governments at September 30, 2021, consists of the following:

	Governmental Fund	Water & Sewer Enterprises Fund	Custodial Funds	Total
Federal Government:				
-DOJ	\$ 7,804	\$ -	\$ -	\$ 7,804
 State of MS:				
-Sales tax	209,313	-	-	209,313
-MEMA	69,301	-	-	69,301
	<u>286,418</u>	<u>-</u>	<u>-</u>	<u>286,418</u>
 Scott County:				
-Ad valorem tax	<u>17,355</u>	<u>-</u>	<u>36,240</u>	<u>53,595</u>
 Due From Totals	\$ 303,773	\$ -	\$ 36,240	\$ 340,013

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 4. DUE FROM/TO OTHER GOVERNMENTS - Continued

Due to Other Governments at September 30, 2021 consists of the following:

			Water & Sewer			
		Governmental	Enterprises	Custodial		Total
State of MS:		Fund	Fund	Funds		
--Bonds	\$	-	-	\$ 41,562	\$	41,562
FMSD:						
--Ad valorem taxes		-	-	70,587		70,587
Due To Totals	\$	-	\$ -	\$ 112,149	\$	112,149

Note 5. Capital Leases

The City has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option (generally \$1) or a transfer of ownership at the end of the lease term.

Assets acquired through outstanding capital leases as are follows as of September 31, 2021:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 866,290	\$ 276,972
Less: Accumulated depreciation	136,006	45,282
	<hr/>	<hr/>
Leased Property Under Capital Leases	\$ 730,284	\$ 231,690
	<hr/>	<hr/>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 5. CAPITAL LEASES - Continued

The following is a schedule by years of the total payments due as of September 30, 2021:

Governmental Activities		Business-type Activities	
Principal	Interest	Principal	Interest
\$ 331,272	\$ 15,289	\$ 81,112	\$ 5,308
157,116	6,323	152,078	3,019
135,148	3,747		
79,849	152	-	-
-	-	-	-
-	-	-	-
<u>\$ 703,385</u>		<u>\$ 233,190</u>	
<u>\$ 25,511</u>		<u>\$ 8,327</u>	

Note 6. CAPITAL ASSETS

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

	9/30/2020	Additions	Retirements	9/30/2021
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 1,182,560	\$ -	\$ -	\$ 1,182,560
<u>Depreciable Capital Assets:</u>				
Infrastructure - bridges	50,605	-	-	50,605
Buildings	7,008,059	89,200	-	7,097,259
Improvements	6,667,410	37,886	-	6,705,296
Mobile equipment	3,731,577	367,659	446,967	3,652,269
Furniture and fixtures	320,936	-	-	320,936
Equipment	2,883,146	157,487	-	3,040,633
Software	19,252	-	-	19,252
Total Depreciable Capital Assets	\$ 20,680,985	\$ 652,232	\$ 446,967	\$ 20,886,250

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 6. CAPITAL ASSETS – Continued

<u>Less Accumulated Depreciation:</u>	<u>9/30/2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2021</u>
Infrastructure - bridges	\$ 24,290	\$ 1,012	\$ -	\$ 25,302
Buildings	5,511,370	354,700	-	5,866,070
Mobile equipment	2,172,561	282,271	138,926	2,315,906
Furniture and fixtures	277,870	11,797	-	289,667
Equipment	2,153,114	215,261	-	2,368,375
Software	19,253	-	-	19,253
Total Accumulated Depreciation	<u>\$ 10,158,458</u>	<u>\$ 865,040</u>	<u>138,926</u>	<u>\$ 10,884,573</u>
 Capital Assets, Net	 <u>\$ 11,705,087</u>	 <u>\$ (212,809)</u>	 <u>\$ 308,041</u>	 <u>\$ 11,184,237</u>

Depreciation expense was charged to the following governmental functions:

General Government:	
Airport	\$ 82,500
Other	40,226
Public Safety:	
Police	141,321
Fire	86,925
Public Works	235,029
Culture and Recreation:	
Library	65,858
Other	<u>213,181</u>
Total depreciation expense	<u>\$ 865,040</u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 6. CAPITAL ASSETS – Continued

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

	9/30/2020	Additions	Retirements	9/30/2021
Non-depreciable Capital Assets:				
Land	\$ 162,395	\$ -	\$ -	\$ 162,395
Depreciable Capital Assets:				
Machinery and equipment	1,744,122	112,163	-	1,856,285
Water plant	6,693,439	-	-	6,693,439
Waste treatment plant	27,082,839	-	-	27,082,839
Software	17,089	-	-	17,089
Total Depreciable Capital Assets	\$ 35,537,489	\$ 112,163	\$ -	\$ 35,649,652
	9/30/2020	Additions	Retirements	9/30/2021
Less Accumulated Depreciation:				
Machinery and equipment	\$ 1,060,055	98,012	-	1,158,067
Water plant	5,146,664	70,985	-	5,217,649
Waste treatment plant	16,172,073	535,791	-	16,707,864
Software	3,036	5,696	-	8,732
Total Accumulated Depreciation	\$ 22,381,828	710,484		23,092,312
Capital Assets, Net	\$ 13,318,056	(598,321)	-	12,719,735

Depreciation expense charged to the enterprise fund totaled \$710,484.

Note 7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Plan Description. The City is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

employment and is granted upon hiring for qualifying employees and officials of the County. Code Section 25-11-15, Miss. Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board).

PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

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

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

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions. PERS Chapter 11 of Title 25, Miss. Code Ann. (1972) contribution of plan members and their employers are established and may be amended only by PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. Effective, July 1, 2019 the Board of Trustees of the Public Employees' Retirement System of Mississippi amended the contribution rate to 17.4 percent of earned compensation. The City's employer contributions to PERS for the years ended September 30, 2021, 2020 and 2019 were \$562,968; \$534,237 and \$494,938, respectively. The contributions for each year met the required contributions.

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 7. DEFINED BENEFIT PENSION PLAN – Continued

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

At September 30, 2021, the City reported a liability of \$7,103,921 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on a projection of the city's term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportion was .0481%, which was an increase of .0016% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense of \$547,949.

At September 30, 2021, the City reported as components of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,669	\$ 33,664
Net difference between projected and actual earnings on pension plan investments		2,429,872
Changes in assumptions	902,163	-
Changes in proportion and differences between entity contributions and proportionate share of contributions	221,913	11,629
Entity contributions subsequent to the measurement date	142,143	-
	<u>\$ 1,330,888</u>	<u>\$ 2,475,165</u>

Contributions subsequent to the measurement date of \$142,143 will be recognized as a reduction to the net pension liability in the year ended September 31, 2022. 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 ended September 30:

2022	\$ (195,234)
2023	(182,390)
2024	(270,685)
2025	(638,111)
Thereafter	-
	<u>\$ (1,286,420)</u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 7. DEFINED BENEFIT PENSION PLAN – Continued

Actuarial assumptions. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.75 percent, net pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(b) Retiree Table with the following adjustments. For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.60%
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	<u>100.00%</u>	

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 7. DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate. The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the entity's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.55%, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease <u>(6.55%)</u>	Current Discount Rate <u>(7.55%)</u>	1% Increase <u>(8.55%)</u>
City's net pension liability	\$10,060,818	\$7,103,921	\$4,667,203

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. RISK MANAGEMENT

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

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

Participation in Public Entity Risk Pool:

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

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 8. RISK MANAGEMENT - Continued

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

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

Note 9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2021:

	Beginning 10/1/21	Additions	Deletions	Ending 9/30/21
Governmental Activities				
Capital Lease Obligations	\$ 800,185	\$ 295,560	\$(392,360)	\$ 703,385
Business-Type Activities				
Capital Lease Obligations	261,034	-	(27,844)	233,190
Total Long-Term Debt	<u>\$ 1,061,219</u>	<u>\$ 295,560</u>	<u>\$(420,204)</u>	<u>\$ 936,575</u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 9. LONG-TERM DEBT - Continued

Long-term debt at September 30, 2021 is comprised of the following items:

	Original Issue	Interest Rates	Outstanding Balance 9/30/21
Governmental Activities			
Capital lease with bank due in monthly payments of \$800 and final payment of \$71,250 maturing 6/22/2023	\$ 92,985	2.79%	\$ 83,477
Capital lease with bank due in monthly payments of \$2,205 and final payment of \$100,099 maturing 8/1/2024	\$ 172,500	2.16%	\$ 168,335
Capital lease with bank due in monthly payments of \$1,396 and final payment of \$80,000 maturing 10/8/2024	\$ 123,059	2.29%	\$123,059
Capital lease with bank due in monthly payments of \$2,419 and final payment of \$45,000 maturing 10/25/2022	\$ 122,097	3.84%	\$ 69,178
Capital lease with bank due in monthly payments of \$2,229 and final payment of \$80,875 maturing 8/16/2022	\$ 147,045	3.99%	\$ 99,865
Capital lease with bank due in monthly payments of \$1,842 and final payment of \$95,995 maturing 12/16/2021	\$ 148,000	3.79%	\$ 98,757
Capital lease with bank due in monthly payments of \$877 and final payment of \$57,500 maturing 3/20/2022	\$ 80,605	3.79%	<u>\$ 60,714</u>
Total Governmental Capital Lease Obligations			<u><u>\$ 703,385</u></u>

CITY OF FOREST, MISSISSIPPI
Notes to Financial Statements
Year Ended September 30, 2021

Note 9. LONG-TERM DEBT - Continued

	Original Issue	Interest Rates	Outstanding Balance 9/30/21
Business-Type Activities			
Capital lease with bank due in monthly payments of \$800 and final payment of \$71,250 maturing 6/22/2023	\$ 92,985	2.79%	\$ 83,477
Capital lease with bank due in monthly payments of \$1,245 and final payment of \$64,876 maturing 8/20/2023	103,833	2.29%	89,000
Capital lease with bank due in monthly payments of \$877 and final payment of \$57,500 maturing 3/20/2022	80,605	3.79%	<u>60,713</u>
Total Business-Type Capital Lease Obligations			<u><u>\$ 233,190</u></u>

Note 10. COMMITMENTS AND CONTINGENCIES

Grant Audit

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

Note 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2022, the date of which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Over (Under)
Revenues				
General property taxes	\$ 862,000	862,000	\$ 754,435	\$ (107,565)
School advalorem collection fee	39,162	39,162	39,162	-
Licenses and permits	53,100	53,100	50,709	(2,391)
Franchise taxes on utilities	525,597	525,597	397,205	(128,392)
Federal and state shared revenues	3,072,000	3,072,000	2,755,006	(316,994)
Charges for services	513,500	513,500	468,753	(44,747)
Fines and forfeitures	111,750	111,750	107,868	(3,882)
Miscellaneous	179,950	179,950	354,910	174,960
Total Revenues	5,357,059	5,357,059	4,928,048	(429,011)
Expenditures				
General government	682,925	682,925	683,462	537
Public safety	2,369,754	2,380,254	2,124,161	(256,093)
Streets and sanitation	2,015,650	2,015,650	1,723,240	(292,410)
Culture and recreation	518,080	518,080	428,103	(89,977)
Total Expenditures	5,586,409	5,596,909	4,958,966	(637,943)
Excess of Revenues				
Over (Under) Expenditures	(229,350)	(239,850)	(30,918)	208,932
Other Financing Sources (Uses)				
Sale of equipment	-	-	11,731	11,731
Sale of land	5,000	5,000	24,600	19,600
Transfers out	-	-	-	-
Total Other Financing Sources	5,000	5,000	36,331	31,331
Net Change in Fund Balances	(224,350)	(234,850)	5,413	240,263
Fund Balance, Beginning	2,800,000	2,800,000	2,772,428	-
Fund Balance, Ending	\$ 2,575,650	\$ 2,565,150	\$ 2,777,841	\$ 240,263

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

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

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 562,968	534,237	\$ 494,938	\$ 450,012	\$ 450,894	\$ 438,383
Contributions in relation to the contractually required contribution	562,968	534,237	494,938	450,012	450,894	438,383
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City employee covered payroll	\$ 3,235,438	\$ 3,070,328	\$ 3,058,400	\$ 2,857,216	\$ 2,862,819	\$ 2,783,384
Contributions as a percentage of covered employee payroll	17.40%	17.40%	16.18%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

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

	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset)	\$ 7,103,921	\$ 8,999,343	\$ 7,986,580	\$ 7,485,835	\$ 7,418,552	\$ 7,771,794
City's proportionate share of the new pension liability (asset)	0.0481%	0.0465%	4.5400%	4.5000%	4.4600%	4.4600%
City's employee-covered payroll	\$ 3,235,438	\$ 3,070,328	\$ 3,058,400	\$ 2,857,216	\$ 2,862,819	\$ 2,862,819
City's proportionate share of the net pension liability as a percentage of its employee-covered payroll	219.5660%	293.1069%	261.1359%	261.9975%	259.1330%	259.1330%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	61.49%

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

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

**CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

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

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

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

	<u>General Fund</u>
Net change in fund balance – Budget (Non-GAAP Basis)	\$ 5,413
Increase (decrease) in fund balance:	
Net adjustments for revenue and expense accruals	<u>61,119</u>
Net change in fund balance – GAAP Basis	\$ <u><u>66,532</u></u>

**CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

**CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

(1) Changes of assumptions - continued

2019:

The expectation of retired life mortality was changed to the PUBS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of males rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of males rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

2021:

The expectation of retired life mortality was changed to the PubS.H.-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H.-2010 Disabled Table for disabled retirees with the following adjustments:

**CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of continent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

Price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decrease from 6% to 4%.

(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. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule

**CITY OF FOREST, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

CITY OF FOREST, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2021

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



CHANCE, GAY & CIEGLO

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

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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forest, Mississippi (the "City"), as of and for the year ended September 30, 2021, and the related note to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2022.

Internal Control Over Financial Reporting

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. (Finding 2021-1.)

Compliance and Other Matters

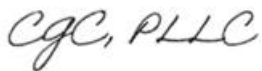
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

City of Forest, Mississippi's State Response to Findings

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

Purpose of this Report

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

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

Forest, Mississippi
June 7, 2022



CHANCE, GAY & CIEGLO

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

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

Honorable Mayor and Board of Aldermen
City of Forest, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Forest, Mississippi (the "City") as of and for the year ended September 30, 2021, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2022. We have conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

CGC, PLLC

Forest, Mississippi
June 7, 2022

**CITY OF FOREST, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2021**

Section 1: Summary of Auditor's Results

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

Section 2: Findings – Financial Statement Audit

MATERIAL WEAKNESS

2021-1 Financial reporting competency

Repeat Finding: Yes

Condition: As part of the audit, management requested us to calculate depreciation and make certain accrual basis adjusting entries so the financial statements could be prepared in conformity with United States generally accepted accounting principles. We reviewed the adjustments with management and management accepted responsibility for the adjustments. The absence of the ability to perform this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Criteria: The City is responsible for establishing and maintaining internal controls necessary to capture and record financial information necessary to prepare the financial statements in conformity with accounting procedures generally accepted in the United States.

Cause: Limited number of staffing.

Effect: Lack of ability to perform all accruals and record depreciation expense on capital assets results in material entries being made during the financial statement audit.

Recommendation: The City should consider adding additional staff the assist in properly recording the necessary information to capture all necessary accruals.

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