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FOREST MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

FOREST MUNICIPAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



McKENZIE CPA, PLLC

346 Sundial Rd
Madison, MS 39110
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Forest Municipal School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Forest Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the

District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 4-12 and 44-50 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 Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, on our consideration of the Forest Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Forest Municipal School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forest Municipal School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Madison, Mississippi
June 17, 2022

McKenzie CPA, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following discussion and analysis of Forest Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2021 increased \$79,774, including a fund reclassification of \$74,566 and a prior period adjustment of (\$19,234), which represents a 1% increase from fiscal year 2020. Total net position for 2020 decreased \$465,894, including a prior period adjustment of (\$23,873), which represents a 4% decrease from fiscal year 2019.
- General revenues amounted to \$13,799,401 and \$12,750,052, or 77% and 82% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,006,614, or 23% of total revenues for 2021, and \$2,866,848, or 18% of total revenues for 2020.
- The District had \$17,781,573 and \$16,058,921 in expenses for fiscal years 2021 and 2020; only \$4,006,614 for 2021 and \$2,866,848 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,799,401 for 2021 were adequate to provide for these programs. General revenues of \$12,750,052 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$13,416,431 in revenues and \$12,857,367 in expenditures for 2021, and \$12,761,624 in revenues and \$12,284,258 in expenditures in 2020. The General Fund's fund balance increased by \$630,944 from 2020 to 2021, including a fund reclassification of \$74,566 and a prior period adjustment of (\$3,507), and increased by \$418,139 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$379,376 for 2021 and decreased by \$286,669 for 2020. The decrease for 2021 was due primarily to the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences payable, decreased by \$469,000 for 2021 and decreased by \$460,000 for 2020. The decrease for 2021 was due to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$10,868 for 2021 and increased by \$13,331 for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are reported as governmental funds.

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

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

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

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,428,756 as of June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 6,262,014	\$ 5,022,227	24.69 %
Restricted assets	288,545	280,953	2.70 %
Capital assets, net	7,496,644	7,876,020	(4.82) %
Total assets	14,047,203	13,179,200	6.59 %
Deferred outflows of resources	3,706,624	2,832,621	30.85 %
Current liabilities	1,231,576	968,529	27.16 %
Long-term debt outstanding	2,721,034	3,179,166	(14.41) %
Net OPEB liability	1,313,336	1,466,427	(10.44) %
Net pension liability	23,417,225	21,171,236	10.61 %
Total liabilities	28,683,171	26,785,358	7.09 %
Deferred inflows of resources	499,412	734,993	(32.05) %
Net position:			
Net investment in capital assets	4,906,644	4,817,020	1.86 %
Restricted	1,532,870	1,179,482	29.96 %
Unrestricted	(17,868,270)	(17,505,032)	(2.08) %
Total net position	\$ (11,428,756)	\$ (11,508,530)	0.69 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (17,868,270)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	21,523,349
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,655,079</u>

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

- Decrease in net capital assets in the amount of \$379,376.
- The principal retirement of \$469,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$17,806,015 and \$15,616,900, respectively. The total cost of all programs and services was \$17,781,573 for 2021 and \$16,058,921 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 84,554	\$ 124,158	(31.90) %
Operating grants and contributions	3,922,060	2,742,690	43.00 %
General revenues:			
Property taxes	5,334,790	4,898,383	8.91 %
Grants and contributions not restricted	8,041,061	7,610,206	5.66 %
Investment earnings	149,124	84,086	77.35 %
Sixteenth section sources	193,826	153,406	26.35 %
Other	80,600	3,971	1,929.72 %
Total revenues	17,806,015	15,616,900	14.02 %
Expenses:			
Instruction	7,669,772	7,492,972	2.36 %
Support services	6,365,909	5,013,290	26.98 %
Non-instructional	1,117,634	993,030	12.55 %
Sixteenth section	87,777	50,772	72.88 %
Pension expense	2,427,298	2,324,298	4.43 %
OPEB expense	41,187	101,859	(59.56) %
Interest on long-term liabilities	71,996	82,700	(12.94) %
Total expenses	17,781,573	16,058,921	10.73 %
Increase (Decrease) in net position	24,442	(442,021)	105.53 %
Net Position, July 1, as previously reported	(11,508,530)	(11,042,636)	(4.22) %
Fund Reclassification	74,566	-	N/A %
Prior Period Adjustment	(19,234)	(23,873)	19.43 %
Net Position, July 1, as restated	(11,453,198)	(11,066,509)	(3.49) %
Net Position, June 30	\$ (11,428,756)	\$ (11,508,530)	0.69 %

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 7,669,772	\$ 7,492,972	2.36 %
Support services	6,365,909	5,013,290	26.98 %
Non-instructional	1,117,634	993,030	12.55 %
Sixteenth section	87,777	50,772	72.88 %
Pension Expense	2,427,298	2,324,298	4.43 %
OPEB Expense	41,187	101,859	(59.56) %
Interest on long-term liabilities	71,996	82,700	(12.94) %
Total expenses	\$ 17,781,573	\$ 16,058,921	10.73 %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (6,550,035)	\$ (6,325,263)	(3.55) %
Support services	(4,909,618)	(4,194,499)	(17.05) %
Non-instructional	304,202	(112,682)	369.97 %
Sixteenth section	(79,027)	(50,772)	(55.65) %
Pension Expense	(2,427,298)	(2,324,298)	(4.43) %
OPEB Expense	(41,187)	(101,859)	59.56 %
Interest on long-term liabilities	(71,996)	(82,700)	12.94 %
Total net (expense) revenue	\$ (13,774,959)	\$ (13,192,073)	(4.42) %

- Net cost of governmental activities (\$13,774,959 for 2021 and \$13,192,073 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$5,334,790 for 2021 and \$4,898,383 for 2020) and state and federal revenues (\$8,041,061 for 2021 and \$7,610,206 for 2020). In addition, there was \$193,826 and \$153,406 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$149,124 for 2021 and \$84,086 for 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,337,750, an increase of \$979,940, which includes a fund reclassification of \$74,566, a prior period adjustment of (\$10,798), and a decrease in inventory of \$22,610. \$3,686,698, or 69% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,651,052, or 31% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$630,944, which includes a fund reclassification of \$74,566 and a prior period adjustment of (\$3,507). The fund balance of Other Governmental Funds showed a decrease in the amount of \$134,542, which includes a prior period adjustment of (\$7,291) and a decrease in inventory of \$69,859. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Summer Food Service 2021 Fund	\$ 486,465
Vo-Tech Maintenance Fund	\$ (2,927)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$15,698,675, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$11,832 from 2020. Total accumulated depreciation as of June 30, 2021, was \$8,202,031, and total depreciation expense for the year was \$406,358, resulting in total net capital assets of \$7,496,644.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 15,485	\$ 15,485	0.00 %
Buildings	5,426,831	5,571,872	(2.60) %
Building improvements	862,144	935,393	(7.83) %
Improvements other than buildings	470,740	497,296	(5.34) %
Mobile equipment	618,116	719,408	(14.08) %
Furniture and equipment	103,328	136,566	(24.34) %
Total	<u>\$ 7,496,644</u>	<u>\$ 7,876,020</u>	(4.82) %

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

Forest Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Debt Administration. At June 30, 2021, the District had \$2,721,034 in outstanding long-term debt, of which \$495,552 is due within one year. During the fiscal year, the District made principal payments totaling \$469,000 on outstanding long-term debt. The liability for compensated absences increased \$10,868 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Percentage Change
Certificates of participation payable	\$ 1,765,000	\$ 1,955,000	(9.72) %
Three mill notes payable	825,000	1,104,000	(25.27) %
Compensated absences payable	131,034	120,166	9.04 %
Total	<u>\$ 2,721,034</u>	<u>\$ 3,179,166</u>	(14.41) %

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

CURRENT ISSUES

The Forest Municipal School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Forest Municipal School District, 325 Cleveland Street, Forest, MS 39074.

FINANCIAL STATEMENTS

FOREST MUNICIPAL SCHOOL DISTRICT

**Statement of Net Position
June 30, 2021**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,491,900
Cash with fiscal agents	23
Due from other governments	718,168
Other receivables, net	4,674
Inventories	47,249
Restricted assets	288,545
Capital assets, non-depreciable:	
Land	15,485
Capital assets, net of accumulated depreciation:	
Buildings	5,426,831
Building improvements	862,144
Improvements other than buildings	470,740
Mobile equipment	618,116
Furniture and equipment	103,328
Total Assets	<u>14,047,203</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,389,447
Deferred outflows - OPEB	317,177
Total Deferred Outflows of Resources	<u>3,706,624</u>
Liabilities	
Accounts payable and accrued liabilities	1,206,826
Unearned revenue	5,983
Interest payable on long-term liabilities	18,767
Long-term liabilities, due within one year:	
Capital related liabilities	489,000
Non-capital related liabilities	6,552
Net OPEB liability	52,266
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,101,000
Non-capital related liabilities	124,482
Net pension liability	23,417,225
Net OPEB liability	1,261,070
Total Liabilities	<u>28,683,171</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	186,979
Deferred inflows - OPEB	312,433
Total Deferred Inflows of Resources	<u>499,412</u>
Net Position	
Net investment in capital assets	4,906,644
Restricted for:	
Expendable:	
School-based activities	983,869
Debt service	187,233
Capital improvements	8,390
Forestry improvements	36,124
Unemployment benefits	28,920
Non-expendable:	
Sixteenth section	288,334
Unrestricted	(17,868,270)
Total Net Position (deficit)	<u>\$ (11,428,756)</u>

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

FOREST MUNICIPAL SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2021

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 7,669,772	\$ 69,322	\$ 1,050,415	\$ -		\$ (6,550,035)
Support services	6,365,909	-	1,456,291	-		(4,909,618)
Non-instructional	1,117,634	6,482	1,415,354	-		304,202
Sixteenth section	87,777	8,750	-	-		(79,027)
Pension expense	2,427,298	-	-	-		(2,427,298)
OPEB expense	41,187	-	-	-		(41,187)
Interest on long-term liabilities	71,996	-	-	-		(71,996)
Total Governmental Activities	<u>\$ 17,781,573</u>	<u>\$ 84,554</u>	<u>\$ 3,922,060</u>	<u>\$ -</u>		<u>\$ (13,774,959)</u>

General Revenues:

Taxes:

General purpose levies 5,068,323

Debt purpose levies 266,467

Unrestricted grants and contributions:

State 7,998,643

Federal 42,418

Unrestricted investment earnings 149,124

Sixteenth section sources 193,826

Other 80,600

Total General Revenues 13,799,401

Change in Net Position 24,442

Net Position - Beginning, as previously reported (11,508,530)

Fund reclassification 74,566

Prior Period Adjustments (19,234)

Net Position - Beginning, as restated (11,453,198)

Net Position (deficit) - Ending \$ (11,428,756)

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

FOREST MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2021

Exhibit C

	Major Funds				
	General Fund	Summer Food Service 2021 Fund	Vo-Tech Maintenance Fund	Other Governmental Funds	Total Governmenta Funds
Assets					
Cash and cash equivalents	\$ 4,178,433	\$ 632,682	\$ 201,011	\$ 768,108	\$ 5,780,234
Cash with fiscal agents	23	-	-	211	234
Due from other governments	177,307	-	1,961	538,900	718,168
Other receivables, net	4,674	-	-	-	4,674
Due from other funds	231,834	-	-	205,397	437,231
Inventories	-	47,249	-	-	47,249
Total assets	\$ 4,592,271	\$ 679,931	\$ 202,972	\$ 1,512,616	\$ 6,987,790
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 794,227	\$ -	\$ 202,972	\$ 209,627	\$ 1,206,826
Due to other funds	11,931	193,466	-	231,834	437,231
Unavailable revenue - federal programs	-	-	-	5,983	5,983
Total Liabilities	806,158	193,466	202,972	447,444	1,650,040
Fund Balances:					
Nonspendable:					
Inventory	-	47,249	-	-	47,249
Permanent fund principal	-	-	-	288,334	288,334
Restricted:					
Debt service	-	-	-	206,000	206,000
Capital projects	-	-	-	8,390	8,390
Forestry improvement purposes	-	-	-	36,124	36,124
Grant activities	-	439,216	-	497,404	936,620
Unemployment benefits	-	-	-	28,920	28,920
Assigned:					
Activity funds	99,415	-	-	-	99,415
Unassigned	3,686,698	-	-	-	3,686,698
Total Fund Balances	3,786,113	486,465	-	1,065,172	5,337,750
Total Liabilities and Fund Balances	\$ 4,592,271	\$ 679,931	\$ 202,972	\$ 1,512,616	\$ 6,987,790

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

FOREST MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Exhibit C-1

Total fund balances for governmental funds **\$ 5,337,750**

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

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

Land	\$ 15,485	
Buildings	10,160,975	
Building improvements	1,831,208	
Improvements other than buildings	663,898	
Mobile equipment	2,237,689	
Furniture and equipment	789,420	
Accumulated depreciation	<u>(8,202,031)</u>	7,496,644

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

Net pension liability	(23,417,225)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,389,447	
Deferred inflows of resources related to pensions	<u>(186,979)</u>	(20,214,757)

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

Net OPEB liability	(1,313,336)	
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Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	317,177	
Deferred inflows of resources related to OPEB	<u>(312,433)</u>	(1,308,592)

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

Notes payable	(825,000)	
Certificates of participation	(1,765,000)	
Compensated absences	(131,034)	
Accrued interest payable	<u>(18,767)</u>	(2,739,801)

Net Position of governmental activities		<u>\$ (11,428,756)</u>
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The notes to the financial statements are an integral part of this statement.

FOREST MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

Exhibit D

	Major Funds				
	General Fund	Summer Food Service 2021 Fund	Vo-Tech Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 5,102,862	\$ 15,749	\$ 199,508	\$ 274,372	\$ 5,592,491
State sources	8,035,779	-	-	177,455	8,213,234
Federal sources	44,101	1,395,971	-	2,309,813	3,749,885
Sixteenth section sources	233,689	-	-	16,716	250,405
Total Revenues	13,416,431	1,411,720	199,508	2,778,356	17,806,015
Expenditures:					
Instruction	7,412,403	-	202,972	945,192	8,560,567
Support services	5,078,911	22,041	-	1,533,029	6,633,981
Noninstructional services	39,028	552,916	-	448,092	1,040,036
Sixteenth section	83,913	-	-	3,864	87,777
Debt service:					
Principal	190,000	-	-	279,000	469,000
Interest	51,612	-	-	23,276	74,888
Other	1,500	-	-	-	1,500
Total Expenditures	12,857,367	574,957	202,972	3,232,453	16,867,749
Excess (Deficiency) of Revenues over (under) Expenditures	559,064	836,763	(3,464)	(454,097)	938,266
Other Financing Sources (Uses):					
Sale of transportation equipment	516	-	-	-	516
Operating transfers in	8,167	27,419	537	449,647	485,770
Operating transfers out	(7,862)	(424,966)	-	(52,942)	(485,770)
Total Other Financing Sources (Uses)	821	(397,547)	537	396,705	516
Net Change in Fund Balances	559,885	439,216	(2,927)	(57,392)	938,782
Fund Balances:					
July 1, 2020, as previously reported	3,155,169	-	2,927	1,199,714	4,357,810
Fund reclassification	74,566	-	-	-	74,566
Prior period adjustments	(3,507)	-	-	(7,291)	(10,798)
July 1, 2020, as restated	3,226,228	-	2,927	1,192,423	4,421,578
Increase (Decrease) in inventory	-	47,249	-	(69,859)	(22,610)
June 30, 2021	\$ 3,786,113	\$ 486,465	\$ -	\$ 1,065,172	\$ 5,337,750

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

FOREST MUNICIPAL SCHOOL DISTRICT
Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 938,782**

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

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

Capital outlay	\$ 40,668	
Depreciation expense	<u>(406,358)</u>	(365,690)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (5,250)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	469,000	
Accrued interest payable	<u>4,392</u>	473,392
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Pension expense	(2,427,298)	
Contributions subsequent to the measurement date	<u>1,439,527</u>	(987,771)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

OPEB expense	(41,187)	
Contributions subsequent to the measurement date	<u>45,644</u>	4,457
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(10,868)	
Change in inventory	<u>(22,610)</u>	(33,478)

Change in Net Position of governmental activities **\$ 24,442**

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Forest, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

Blended component unit

The Forest Municipal School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

B. Government-wide and Fund Financial Statements

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

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

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

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Summer Food Service 2021 Fund - This is a special revenue fund that accounts for the local and federal sources received and the related expenditures incurred under the districts summer feeding program.

Vo-Tech Maintenance Fund - This is a special revenue fund that accounts for the revenues and related expenditures supporting the vocational education of students in the district who attend a vocational complex operated jointly with Scott County School District.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as a deferred outflow related to pensions and a deferred outflow related to OPEB.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

See Note 17 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

12. Fund Balances

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

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

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

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

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

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

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

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

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,780,234.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$6,385,397 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$234.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 231,834
Other governmental funds	General Fund	11,931
	Summer Food Service 2021 Fund	193,466
Total		<u>\$ 437,231</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Vo-Tech Maintenance Fund	\$ 537
	Other governmental funds	7,325
Summer Food Service 2021 Fund	Other governmental funds	424,966
Other governmental funds	General Fund	8,167
	Summer Food Service 2021 Fund	27,419
	Other governmental funds	17,356
Total		<u>\$ 485,770</u>

Operating transfers were for the following: indirect costs, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$288,334 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$211 of the Capital Projects 3021 Fund.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Adjustments	Balance 6/30/2021
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 15,485	\$	\$	\$	15,485
Total non-depreciable capital assets	15,485	-	-	-	15,485
<u>Depreciable capital assets:</u>					
Buildings	10,160,975				10,160,975
Building improvements	1,831,208				1,831,208
Improvements other than buildings	663,898				663,898
Mobile equipment	2,262,955	27,234	52,500		2,237,689
Furniture and equipment	775,986	13,434			789,420
Total depreciable capital assets	15,695,022	40,668	52,500	-	15,683,190
<u>Less accumulated depreciation for:</u>					
Buildings	4,589,103	145,041			4,734,144
Building improvements	895,815	73,249			969,064
Improvements other than buildings	166,602	26,556			193,158
Mobile equipment	1,543,547	114,840	47,250	8,436	1,619,573
Furniture and equipment	639,420	46,672			686,092
Total accumulated depreciation	7,834,487	406,358	47,250	8,436	8,202,031
Total depreciable capital assets, net	7,860,535	(365,690)	5,250	(8,436)	7,481,159
Governmental activities capital assets, net	\$ 7,876,020	\$ (365,690)	\$ 5,250	\$ (8,436)	\$ 7,496,644

An adjustment was needed to correct the prior year accumulated depreciation for mobile equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 141,217
Support services	136,438
Non-instructional	128,703
Total depreciation expense - Governmental activities	<u>\$ 406,358</u>

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 6 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. Certificates of participation payable	\$ 1,955,000	\$	\$ 190,000	\$ 1,765,000	\$ 200,000
B. Three mill notes payable	1,104,000		279,000	825,000	289,000
C. Compensated absences payable	120,166	10,868		131,034	6,552
Total	<u>\$ 3,179,166</u>	<u>\$ 10,868</u>	<u>\$ 469,000</u>	<u>\$ 2,721,034</u>	<u>\$ 495,552</u>

A. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificate, Series 2014	2.64%	5/1/2014	5/1/2028	\$ 2,950,000	\$ 1,765,000
Total				<u>\$ 2,950,000</u>	<u>\$ 1,765,000</u>

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 200,000	\$ 46,596	\$ 246,596
2023	205,000	41,316	246,316
2024	240,000	35,904	275,904
2025	280,000	29,568	309,568
2026	290,000	22,176	312,176
2027 – 2028	550,000	20,988	570,988
Total	<u>\$ 1,765,000</u>	<u>\$ 196,548</u>	<u>\$ 1,961,548</u>

This debt will be retired from the District Maintenance Fund (General Fund).

The certificates of participation payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF") created under Section 37-61-33 Mississippi Code Ann. (1972). The amount of the annual pledge is \$57,452, which is 100% of such expected revenues. The pledge will begin on July 1, 2024 and will remain in effect until June 30, 2028. Such EEF funds are currently pledged to the District's three mill notes payable through June 30, 2024.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited-tax note, Series 2013	2.14%	8/15/2013	8/15/2023	\$ 1,700,000	\$ 550,000
2. Limited-tax note, Series 2016	1.98%	5/6/2016	5/6/2024	790,000	275,000
Total				<u>\$ 2,490,000</u>	<u>\$ 825,000</u>

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

1. Three mill notes payable issued on August 15, 2013:

Year Ending June 30	Principal	Interest	Total
2022	\$ 179,000	\$ 11,770	\$ 190,770
2023	183,000	7,939	190,939
2024	188,000	4,023	192,023
Total	<u>\$ 550,000</u>	<u>\$ 23,732</u>	<u>\$ 573,732</u>

This debt will be retired from the Note Retirement Fund (Fund 4021).

2. Three mill notes payable issued on May 6, 2016:

Year Ending June 30	Principal	Interest	Total
2022	\$ 110,000	\$ 5,445	\$ 115,445
2023	110,000	3,267	113,267
2024	55,000	1,089	56,089
Total	<u>\$ 275,000</u>	<u>\$ 9,801</u>	<u>\$ 284,801</u>

This debt will be retired from the Note Retirement Fund (Fund 4021).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 289,000	\$ 17,215	\$ 306,215
2023	293,000	11,206	304,206
2024	243,000	5,112	248,112
Total	<u>\$ 825,000</u>	<u>\$ 33,533</u>	<u>\$ 858,533</u>

The three mill notes payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund ("EEF") created under Section 37-61-33 Mississippi Code Ann. (1972). The amount of the annual pledge is \$57,452, which is 100% of such expected

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

revenues. The pledge will continue through June 30, 2024.

C. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$1,439,527, \$1,401,513 and \$1,234,457, respectively, which equaled the required contributions for each year.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

At June 30, 2021, the school district reported a liability of \$23,417,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2021 net pension liability was 0.120964 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.000618 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$2,427,298. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 202,870	\$
Net difference between projected and actual earnings on pension plan investments	982,609	
Changes of assumptions	130,327	
Changes in proportion and differences between District contributions and proportionate share of contributions	634,114	186,979
District contributions subsequent to the measurement date	1,439,527	
Total	\$ <u>3,389,447</u>	\$ <u>186,979</u>

\$1,439,527 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 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 Ending June 30:	
2022	\$ 258,090
2023	722,608
2024	472,294
2025	309,949

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Forest Municipal School District
Notes to the Financial Statements
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Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male 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. Mortality rates are projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	100	%		

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 30,310,720	\$ 23,417,225	\$ 17,727,321

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$45,644 for the year ended June 30, 2021.

Forest Municipal School District
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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2021, the District reported a liability of \$1,313,336 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.16876415 percent. This was a decrease of 0.00405336 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$41,187. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,674	\$ 228,556
Changes of assumptions	203,908	55,500
Net difference between projected and actual earnings on OPEB plan investments	42	
Changes in proportion and differences between District contributions and proportionate share of contributions	65,909	28,377
District contributions subsequent to the measurement date	45,644	
Total	\$ <u>317,177</u>	\$ <u>312,433</u>

\$45,644 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2022	\$ (6,388)
2023	(6,388)
2024	(6,095)
2025	(5,200)
2026	(16,829)

Forest Municipal School District
Notes to the Financial Statements
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Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male 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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 1,451,326	\$ 1,313,336	\$ 1,194,978

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,212,665	\$ 1,313,336	\$ 1,427,392

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2022	\$ 137,091
2023	129,983
2024	119,282
2025	116,298
2026	114,397
2027 – 2031	546,058
2032 - 2036	468,832
2037 – 2041	336,889
2042 – 2046	253,991
2047-2051	158,555
2052-2055	111,079
Total	<u>\$ 2,492,455</u>

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 10 – Fund Reclassification

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

Exhibit B - Statement of Activities

Explanation	Amount
To reclass club funds to the General Fund per GASB 84	\$ 74,566
Total	<u>\$ 74,566</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To reclass club funds to the General Fund per GASB 84	\$ 74,566
Total		<u>\$ 74,566</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate prior year fund balance and correct prior year revenues and expenditures at the governmental fund level	\$ (10,798)
2. To correct prior year accumulated depreciation of capital assets	(8,436)
Total	<u>\$ (19,234)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To restate prior year fund balance and correct prior year revenues and expenditures	\$ (3,507)
Other governmental funds	To restate prior year fund balance	(7,291)
Total		<u>\$ (10,798)</u>

Note 12 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – Trust Certificates

A trust agreement dated May 1, 2014, was executed by and between the school district and Forest Municipal Schools Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,950,000. Approximately \$2,925,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$25,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 15 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Newton Municipal School District, Forest Municipal School District, Scott County School District, Kemper County School District, Philadelphia Public School District, and Enterprise Municipal School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 3, 1971, creating the Forest Scott County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Forest Municipal School District and the Scott County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center, and the operations of the consortium are included in its financial statements.

Forest Municipal School District
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of (\$17,868,270) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,439,527 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$1,949,920 balance of deferred outflow of resources related to pensions at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position (deficit) amount of (\$17,868,270) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$186,979 balance of deferred inflow of resources related to pensions at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position (deficit) amount of (\$17,868,270) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$45,644 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$271,533 balance of deferred outflow of resources related to OPEB at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position (deficit) amount of (\$17,868,270) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$312,433 balance of deferred inflow of resources related to OPEB at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Forest Municipal School District evaluated the activity of the district through June 17, 2022, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Forest Municipal School District
Required Supplementary Information**

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Local sources	\$ 4,916,784	\$ 5,098,200	\$ 5,102,862	\$ 181,416	\$ 4,662
State sources	8,178,528	8,034,096	8,035,779	(144,432)	1,683
Federal sources	33,200	44,101	44,101	10,901	-
Sixteenth section sources	139,392	233,689	233,689	94,297	-
Total Revenues	13,267,904	13,410,086	13,416,431	142,182	6,345
Expenditures:					
Instruction	7,178,118	7,412,403	7,412,403	(234,285)	-
Support services	5,637,214	5,077,228	5,078,911	559,986	(1,683)
Noninstructional services	128,508	39,028	39,028	89,480	-
Sixteenth section	31,541	83,913	83,913	(52,372)	-
Debt service:					
Principal	190,000	190,000	190,000	-	-
Interest	51,612	51,612	51,612	-	-
Other	1,500	1,500	1,500	-	-
Total Expenditures	13,218,493	12,855,684	12,857,367	362,809	(1,683)
Excess (Deficiency) of Revenues over (under) Expenditures	49,411	554,402	559,064	504,991	4,662
Other Financing Sources (Uses):					
Sale of transportation equipment	2,500	516	516	(1,984)	-
Operating transfers in	232,022	1,288,982	8,167	1,056,960	(1,280,815)
Operating transfers out	(180,463)	(1,288,140)	(7,862)	(1,107,677)	1,280,278
Total Other Financing Sources (Uses)	54,059	1,358	821	(52,701)	(537)
Net Change in Fund Balances	103,470	555,760	559,885	452,290	4,125
Fund Balances:					
July 1, 2020, as previously reported	-	3,218,803	3,155,169	3,218,803	(63,634)
Fund reclassification	-	-	74,566	-	74,566
Prior period adjustments	-	-	(3,507)	-	(3,507)
July 1, 2020, as restated	-	3,218,803	3,226,228	3,218,803	7,425
June 30, 2021	\$ 103,470	\$ 3,774,563	\$ 3,786,113	\$ 3,671,093	\$ 11,550

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

**Forest Municipal School District
Required Supplementary Information**

**Budgetary Comparison Schedule
Summer Food Service 2021 Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 15,749	\$ 15,749	\$ 15,749	\$ -
Federal sources	-	1,401,620	1,395,971	1,401,620	(5,649)
Total Revenues	-	1,417,369	1,411,720	1,417,369	(5,649)
Expenditures:					
Instruction				-	-
Support services	-	22,041	22,041	(22,041)	-
Noninstructional services	-	551,953	552,916	(551,953)	(963)
Total Expenditures	-	573,994	574,957	(573,994)	(963)
Excess (Deficiency) of Revenues over (under) Expenditures	-	843,375	836,763	843,375	(6,612)
Other Financing Sources (Uses):					
Operating transfers in	-	-	27,419	-	27,419
Operating transfers out	-	(424,966)	(424,966)	(424,966)	-
Total Other Financing Sources (Uses)	-	(424,966)	(397,547)	(424,966)	27,419
Net Change in Fund Balances	-	418,409	439,216	418,409	20,807
Fund Balances:					
July 1, 2020	-	-	-	-	-
Increase (Decrease) in inventory	-	47,249	47,249	47,249	-
June 30, 2021	\$ -	\$ 465,658	\$ 486,465	\$ 465,658	\$ 20,807

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

**Forest Municipal School District
Required Supplementary Information**

**Budgetary Comparison Schedule
Vo-Tech Maintenance Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 189,000	\$ 202,972	\$ 199,508	\$ 13,972	\$ (3,464)
Total Revenues	189,000	202,972	199,508	13,972	(3,464)
Expenditures:					
Instruction	189,000	202,972	202,972	(13,972)	-
Total Expenditures	189,000	202,972	202,972	(13,972)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	(3,464)	-	(3,464)
Other Financing Sources (Uses):					
Operating transfers in	-	-	537	-	537
Total Other Financing Sources (Uses)	-	-	537	-	537
Net Change in Fund Balances	-	-	(2,927)	-	(2,927)
Fund Balances:					
July 1, 2020	-	2,927	2,927	2,927	-
June 30, 2021	\$ -	\$ 2,927	\$ -	\$ 2,927	\$ (2,927)

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

Forest Municipal School District
Schedule of the District's Proportionate Share of the Net Pension Liability

PERS
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.120964%	0.120346%	0.112978%	0.117768%	0.114000%	0.114000%	0.110000%
District's proportionate share of the net pension liability	\$ 23,417,225	\$ 21,171,236	\$ 18,791,598	\$ 19,577,040	\$ 20,363,247	\$ 17,622,152	\$ 13,351,986
District's covered payroll	8,054,672	7,837,822	7,214,737	7,554,894	7,266,720	7,105,017	6,727,740
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	290.7285%	270.1163%	260.4613%	259.1306%	280.2261%	248.0241%	198.4617%
Plan fiduciary net position as a percentage of the total pension liability	58.974%	61.588%	62.535%	61.490%	57.468%	61.704%	67.208%

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

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

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

**Forest Municipal School District
Required Supplementary Information**

**Schedule of District Contributions
PERS
Last 10 Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,439,527	\$ 1,401,513	\$ 1,234,457	\$ 1,136,321	\$ 1,189,896	\$ 1,144,508	\$ 1,119,040
Contributions in relation to the contractually required contribution	1,439,527	1,401,513	1,234,457	1,136,321	1,189,896	1,144,508	1,119,040
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	8,273,144	8,054,672	7,837,822	7,214,737	7,554,894	7,266,720	7,105,017
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

**Forest Municipal School District
Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB
Last 10 Fiscal Years***

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.16876415%	0.17281751%	0.17001890%	0.16528561%
District's proportionate share of the net OPEB liability	\$ 1,313,336	\$ 1,466,427	\$ 1,315,181	\$ 1,296,846
District's covered-employee payroll	8,054,672	7,837,822	7,214,737	7,425,828
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.31%	18.71%	18.23%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0%

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

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

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

**Forest Municipal School District
Required Supplementary Information**

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially determined contribution	\$ 45,644	\$ 52,376	\$ 58,779	\$ 55,286
Contributions in relation to the actuarially determined contribution	45,644	52,376	58,779	55,286
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	8,273,144	8,054,672	7,837,822	7,554,894
Contributions as a percentage of covered-employee payroll	0.55%	0.65%	0.75%	0.73%

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

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

Forest Municipal School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016:

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

2017:

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

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

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

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

Forest Municipal School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

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 male 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; and 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 male rates at all ages; for females, 115% of female rates at all ages; and 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%.

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

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

Forest Municipal School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

SUPPLEMENTARY INFORMATION

**Forest Municipal School District
Supplementary Information**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 92,710
National school lunch program	10.555	216MS326N10	\$ 74,738
Summer Food Service Program for Children	10.559	216MS326N10	1,020,772
Total child nutrition cluster			1,188,220
Total passed-through Mississippi Department of Education			1,188,220
Passed-through Scott County, Mississippi:			
Schools and Roads - Grants to States	10.665	N/A	1,210
Total passed-through Scott County, Mississippi			1,210
Total U.S. Department of Agriculture			1,189,430
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	699,979
Rural Education	84.358	S3588200024	67,514
English Language acquisition grants	84.365A	S365A190024	64,494
Supporting Effective Instruction State Grants	84.367	S367A200023	86,252
Student Support and Academic Enrichment Program	84.424A	S424A200025	45,409
Subtotal			963,648
Special education cluster:			
Special education - grants to states	84.027	H027A200108	335,552
Special education - preschool grants	84.173	H173A200113	6,882
Total special education cluster			342,434
COVID - 19 - Education Stabilization Fund (ESSER)			
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	325,895
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	2,062
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			327,957
Total passed-through Mississippi Department of Education			1,634,039
Total U.S. Department of Education			1,634,039
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	93.778	2005MS5ADM	30,318
Total passed-through Mississippi Department of Education			30,318
Total U.S. Department of Health and Human Services			30,318
<u>U.S. Department of Social Security</u>			
Passed-through the Mississippi Department of Education:			
Social Security disability insurance	96.001	04-19-04MSD100	490
Total passed-through Mississippi Department of Education			490
Total U.S. Department of Social Security			490
<u>U.S. Department of Treasury</u>			
Passed-through the Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund			
Equity in Distance Learning Act	21.019	N/A	470,816
Mississippi Pandemic Response Broadband Availability Act	21.019	N/A	113,931
Total passed-through Mississippi Department of Education			584,747
Total U.S. Department of Treasury			584,747
Total for All Federal Awards			\$ 3,439,024

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

Forest Municipal School District
Notes to the Supplementary Information
For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Forest Municipal School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Forest Municipal School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Forest Municipal School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

Forest Municipal School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2021

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,390,965	8,019,661	515,406	808,841	2,047,057
Other	5,476,784	2,612,641	119,765	34,817	2,709,561
Total	<u>\$ 16,867,749</u>	<u>10,632,302</u>	<u>635,171</u>	<u>843,658</u>	<u>4,756,618</u>
Total number of students *	<u>1,592</u>				
Cost per student	<u>\$ 10,595</u>	<u>6,679</u>	<u>399</u>	<u>530</u>	<u>2,987</u>

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

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

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

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

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

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

OTHER INFORMATION

**Forest Municipal School District
Other Information**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,102,862	\$ 4,691,943	\$ 4,425,299	\$ 4,193,318
State sources	8,035,779	7,874,205	7,136,170	7,245,667
Federal sources	44,101	31,705	59,809	46,038
Sixteenth Section sources	233,689	163,771	155,698	177,231
Total Revenues	13,416,431	12,761,624	11,776,976	11,662,254
Expenditures:				
Instruction	7,412,403	7,222,848	6,714,770	6,668,643
Support services	5,078,911	4,769,169	4,869,870	4,748,572
Non instructional services	39,028	3,423	3,976	7,287
Sixteenth section	83,913	45,822	62,801	67,586
Facilities acquisition and construction		-	-	43,725
Debt Service:				
Principal	190,000	185,000	175,000	234,953
Interest	51,612	56,496	61,116	66,639
Other	1,500	1,500	1,500	1,510
Total Expenditures	12,857,367	12,284,258	11,889,033	11,838,915
Excess (Deficiency) of Revenues over (under) Expenditures	559,064	477,366	(112,057)	(176,661)
Other Financing Sources (Uses):				
Insurance recovery		4,783		1,219
Sale of transportation equipment	516		3,155	15,224
Operating transfers in	8,167	22,145	28,034	39,000
Operating transfers out	(7,862)	(86,155)	(25,907)	(25,000)
Total Other Financing Sources (Uses)	821	(59,227)	5,282	30,443
Net Change in Fund Balances	559,885	418,139	(106,775)	(146,218)
Fund Balances:				
Beginning of period, as previously reported	3,155,169	2,737,030	2,827,137	2,977,897
Fund reclassification	74,566			
Prior period adjustments	(3,507)		16,668	(4,542)
Beginning of period, as restated	3,226,228	2,737,030	2,843,805	2,973,355
End of Period	\$ 3,786,113	\$ 3,155,169	\$ 2,737,030	\$ 2,827,137

*SOURCE - PRIOR YEAR AUDIT REPORTS

**Forest Municipal School District
Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED**

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 5,592,491	\$ 5,083,862	\$ 4,835,328	\$ 4,686,276
State sources	8,213,234	8,065,930	7,285,357	7,436,742
Federal sources	3,749,885	2,286,966	2,575,623	2,321,659
Sixteenth Section sources	250,405	175,359	161,132	183,921
Total Revenues	17,806,015	15,612,117	14,857,440	14,628,598
Expenditures:				
Instruction	8,560,567	8,264,154	7,669,797	7,507,106
Support services	6,633,981	5,468,426	5,651,711	5,556,359
Non instructional services	1,040,036	957,595	1,033,635	972,818
Sixteenth section	87,777	50,772	73,901	69,091
Facilities acquisition and construction		-	-	106,945
Debt Service:				
Principal	469,000	460,000	445,000	495,953
Interest	74,888	85,496	95,141	106,811
Other	1,500	1,500	1,500	1,510
Total Expenditures	16,867,749	15,287,943	14,970,685	14,816,593
Excess (Deficiency) of Revenues over (under) Expenditures	938,266	324,174	(113,245)	(187,995)
Other Financing Sources (Uses):				
Insurance recovery		4,783		1,219
Sale of transportation equipment	516		3,155	15,224
Operating transfers in	485,770	198,563	129,771	352,779
Operating transfers out	(485,770)	(198,563)	(129,771)	(352,779)
Total Other Financing Sources (Uses)	516	4,783	3,155	16,443
Net Change in Fund Balances	938,782	328,957	(110,090)	(171,552)
Fund Balances:				
Beginning of period, as previously reported	4,357,810	4,015,732	4,111,733	4,268,669
Fund reclassification	74,566			
Prior period adjustments	(10,798)	(30,632)	16,668	(4,542)
Beginning of period, as restated	4,421,578	3,985,100	4,128,401	4,264,127
Increase (Decrease) in inventory	(22,610)	43,753	(2,579)	19,158
End of Period	\$ 5,337,750	\$ 4,357,810	\$ 4,015,732	\$ 4,111,733

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



McKENZIE CPA, PLLC

346 Sundial Rd
Madison, MS 39110
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

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

Superintendent and School Board
Forest Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forest Municipal School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Forest Municipal School District's basic financial statements, and have issued our report thereon dated June 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forest Municipal School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Forest Municipal School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Forest Municipal School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forest Municipal School District'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*.

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.

McKenzie CPA, PLLC
Madison, Mississippi
June 17, 2022

McKenzie CPA, PLLC



346 Sundial Rd
Madison, MS 39110
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

**Independent Auditor's Report
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Superintendent and School Board
Forest Municipal School District

Report on Compliance for Each Major Federal Program

We have audited Forest Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Forest Municipal School District's major federal programs for the year ended June 30, 2021. Forest Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Forest Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

McKenzie CPA, PLLC
Madison, Mississippi
June 17, 2022



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



McKENZIE CPA, PLLC

346 Sundial Rd
Madison, MS 39110
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpallc.com

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

Superintendent and School Board
Forest Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forest Municipal School District as of and for the year ended June 30, 2021, which collectively comprise Forest Municipal School District's basic financial statements and have issued our report thereon dated June 17, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

McKenzie CPA, PLLC
Madison, Mississippi
June 17, 2022

McKenzie CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Forest Municipal School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
84.010	Title I grants to local educational agencies
84.425D	Education Stabilization Fund I (ESSER)
84.425D	Education Stabilization Fund II (ESSER)
	<u>Coronavirus Relief Funds:</u>
21.019	Equity in Distance Learning Act
21.019	Mississippi Pandemic Response Broadband Availability Act

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? Yes
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

Forest Municipal School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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