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NEWTON MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

Charles L. Shivers, CPA, LLC  
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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# CHARLES L. SHIVERS

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Newton Municipal School District

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Newton 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*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Opinions*

In my 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 Newton Municipal School District, as of June 30, 2015, 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, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 my 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, I do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated February 15, 2016, on my consideration of the Newton Municipal School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton Municipal School District's internal control over financial reporting and compliance.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
February 15, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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NEWTON MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the Newton Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$11,110,868, including a prior period adjustment of (\$11,453,573), which represents a 191.8% decrease from fiscal year 2014. Total net position for 2014 decreased \$847,506, including a prior period adjustment of (\$9,316), which represents a 13% decrease from fiscal year 2013.
- General revenues amounted to \$7,654,448 and \$7,025,848, or 77.6% and 74% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,210,580, or 22.4% of total revenues for 2015, and \$2,409,335, or 26% of total revenues for 2014.
- The District had \$9,522,323 and \$10,273,373 in expenses for fiscal years 2015 and 2014; only \$2,210,580 for 2015 and \$2,409,335 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,654,448 for 2015 were adequate to provide for these programs and general revenues of \$7,025,848 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,449,867 in revenues and \$6,689,444 in expenditures for 2015, and \$6,706,693 in revenues and \$6,978,893 in expenditures in 2014. The General Fund's fund balance increased by \$577,119 from 2014 to 2015, and decreased by \$108,809, including a prior period adjustment of \$3,058, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$96,555 for 2015 and decreased by \$159,964 for 2014. The decrease for 2015 was due to the disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$233,160 for 2015 and increased by \$695,631 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,284 for 2015 and decreased by \$9,648 for 2014.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two 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 and interest on long-term liabilities.

## **Fund Financial Statements**

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

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

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

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

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

### **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.

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 and schedule of district contributions 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 OMB Circular A-133 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District’s financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,319,167 as of June 30, 2015.

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

Table 1 presents a summary of the District’s net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1  
Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 1,504,348	\$ 1,647,654	(8.70) %
Restricted assets	668,255	190,714	250.40 %
Capital assets, net	5,671,593	5,768,148	(1.67) %
<b>Total assets</b>	<b>7,844,196</b>	<b>7,606,516</b>	<b>3.12 %</b>
<b>Deferred outflows of resources</b>	<b>997,184</b>	<b>0</b>	<b>N/A</b>
Current liabilities	104,668	33,693	210.65 %
Long-term debt outstanding	1,547,962	1,781,122	(13.09) %
Net pension liability	10,924,352	0	N/A
<b>Total liabilities</b>	<b>12,576,982</b>	<b>1,814,815</b>	<b>593.02 %</b>
<b>Deferred inflows of resources</b>	<b>1,583,565</b>	<b>0</b>	<b>N/A</b>
<b>Net position:</b>			
Net investment in capital assets	4,261,516	4,379,870	(2.70) %
Restricted	664,653	648,992	2.41 %
Unrestricted	(10,245,336)	762,839	(1443.05) %
<b>Total net position</b>	<b>\$ (5,319,167)</b>	<b>\$ 5,791,701</b>	<b>(191.84) %</b>

**Additional information on unrestricted net position:**

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

Total net position (deficit)	(\$5,319,167)
Less unrestricted deficit in net position resulting from recognition of the net pension liability.	11,510,733
Unrestricted net position, exclusive of the net pension liability effect	<u>\$6,191,566</u>

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 \$96,555.
- The principal retirement of \$240,000 of long-term debt.
- Inclusion of net pension liability of \$10,924,352.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$9,865,028 and \$9,435,183, respectively. The total cost of all programs and services was \$9,522,323 for 2015 and \$10,273,373 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 156,667	\$ 158,084	(0.90) %
Operating grants and contributions	2,053,913	2,251,251	(8.77) %
General revenues:			
Property taxes	2,265,977	2,231,677	1.54 %
Grants and contributions not restricted	5,159,301	4,748,534	8.65 %
Investment earnings	1,124	2,070	(45.70) %
Sixteenth section sources	228,046	28,641	696.22 %
Other	0	14,926	(100.00) %
<b>Total revenues</b>	<u><b>9,865,028</b></u>	<u><b>9,435,183</b></u>	<b>4.56 %</b>
<b>Expenses:</b>			
Instruction	4,412,204	4,920,687	(10.33) %
Support services	3,785,896	4,707,962	(19.59) %
Non-instructional	504,494	582,856	(13.44) %
Sixteenth section	24,983	14,574	71.42 %
Pension expense	739,864	0	N/A
Interest on long-term liabilities	54,882	47,294	16.04 %
<b>Total expenses</b>	<u><b>9,522,323</b></u>	<u><b>10,273,373</b></u>	<b>(7.31) %</b>
<b>Increase (Decrease) in net position</b>	<u><b>342,705</b></u>	<u><b>(838,190)</b></u>	<b>140.89 %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>5,791,701</b></u>	<u><b>6,639,207</b></u>	<b>(12.77) %</b>
<b>Prior Period Adjustment</b>	<u><b>(11,453,573)</b></u>	<u><b>(9,316)</b></u>	<b>(122,845.18) %</b>
<b>Net Position, July 1, as restated</b>	<u><b>(5,661,872)</b></u>	<u><b>6,629,891</b></u>	<b>(185.40) %</b>
<b>Net Position, June 30</b>	<u><b>\$ (5,319,167)</b></u>	<u><b>\$ 5,791,701</b></u>	<b>(191.84) %</b>

**Governmental activities**

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 4,412,204	\$ 4,920,687	(10.33) %
Support services	3,785,896	4,707,962	(19.59) %
Non-instructional	504,494	582,856	(13.44) %
Sixteenth section	24,983	14,574	71.42 %
Pension Expense	739,864	0	N/A
Interest on long-term liabilities	54,882	47,294	16.04 %
<b>Total expenses</b>	<b>\$ 9,522,323</b>	<b>\$ 10,273,373</b>	<b>(7.31) %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (3,223,535)	\$ (4,289,221)	(24.85) %
Support services	(3,439,051)	(3,577,787)	(3.88) %
Non-instructional	170,572	32,168	430.25 %
Sixteenth section	(24,983)	(12,223)	104.39 %
Pension Expense	(739,864)	0	N/A
Interest on long-term liabilities	(54,882)	(16,975)	223.31 %
<b>Total net (expense) revenue</b>	<b>\$ (7,311,743)</b>	<b>\$ (7,864,038)</b>	<b>(7.02) %</b>

- Net cost of governmental activities (\$7,311,743 for 2015 and \$7,864,038 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,265,977 for 2015 and \$2,231,677 for 2014) and state and federal revenues (\$5,159,301 for 2015 and \$4,748,534 for 2014). In addition, there was \$228,046 and \$28,641 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$1,124 for 2015 and \$2,070 for 2014.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,097,325, an increase of \$261,480, which includes an increase in inventory of \$7,469. \$1,298,134 or 61.9% 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 \$799,191 or 38.1% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$577,119. The fund balance of Other Governmental Funds showed a decrease in the amount of \$315,639, which includes an increase in reserve for inventory of \$7,469. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title IA Fund	\$ no increase or decrease
EHA Part B Fund	no increase or decrease
Enhancement Talent Search 2015 Fund	no increase or decrease

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$10,343,791, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$239,789 from 2014. Total accumulated depreciation as of June 30, 2015, was \$4,672,198, and total depreciation expense for the year was \$231,102, resulting in total net capital assets of \$5,671,593.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 42,306	\$ 42,306	0.00 %
Buildings	5,018,059	5,003,080	0.30 %
Building improvements	79,052	79,052	0.00 %
Improvements other than buildings	77,677	80,420	(3.41) %
Mobile equipment	353,561	465,911	(24.11) %
Furniture and equipment	100,938	97,379	3.65 %
<b>Total</b>	<b>\$ 5,671,593</b>	<b>\$ 5,768,148</b>	<b>(1.67) %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$1,547,962 in outstanding long-term debt, of which \$250,135 is due within one year. The liability for compensated absences increased \$5,284 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 670,000	\$ 830,000	(19.28) %
Bond Discounts	(6,226)	(7,782)	(19.99) %
Three mill notes payable	820,000	900,000	(8.89) %
Compensated absences payable	64,188	58,904	8.97 %
<b>Total</b>	<b>\$ 1,547,962</b>	<b>\$ 1,781,122</b>	<b>(13.09) %</b>

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

## CURRENT ISSUES

The Newton 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 Newton Municipal School District, 205 School Street, Newton, Mississippi 39345.

**BASIC FINANCIAL STATEMENTS**

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NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 970,796
Due from other governments	500,163
Other receivables, net	6,377
Inventories	21,225
Prepaid items	5,787
Restricted assets (Note 4)	668,255
Non-depreciable capital assets (Note 5)	42,306
Depreciable capital assets, net (Note 5)	5,629,287
<b>Total Assets</b>	<u>7,844,196</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	997,184
<b>Total Deferred Outflows of Resources</b>	<u>997,184</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	50,478
Interest payable on long-term liabilities	29,390
Other payables	24,800
<b>Long-term liabilities (Due within one year) (Note 6)</b>	
Capital related liabilities	245,000
Non-capital related liabilities	5,135
<b>Long-term liabilities (Due beyond one year) (Note 6)</b>	
Capital related liabilities	1,245,000
Unamortized bond discount	(6,226)
Non-capital related liabilities	59,053
Net pension liability (Note 7)	10,924,352
<b>Total Liabilities</b>	<u>12,576,982</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	1,583,565
<b>Total Deferred Inflows of Resources</b>	<u>1,583,565</u>
<b>Net Position</b>	
Net investment in capital assets	4,261,516
<b>Restricted net position</b>	
<b>Expendable</b>	
School-based activities	224,668
Debt service	282,628
Forestry improvements	125,949
Unemployment benefits	22,767
<b>Non-expendable</b>	
Sixteenth section	8,641
<b>Unrestricted</b>	<u>(10,245,336)</u>
<b>Total Net Position</b>	<u>\$ (5,319,167)</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 4,412,204	105,932	1,082,737	(3,223,535)
Support services	3,785,896		346,845	(3,439,051)
Non-instructional	504,494	50,735	624,331	170,572
Sixteenth section	24,983			(24,983)
Pension expense	739,864			(739,864)
Interest on long-term liabilities	54,882			(54,882)
<b>Total Governmental Activities</b>	<u>9,522,323</u>	<u>156,667</u>	<u>2,053,913</u>	<u>(7,311,743)</u>
<b>General Revenues</b>				
Taxes				
General purpose levies				2,147,615
Debt purpose levies				118,362
Unrestricted grants and contributions				
State				5,063,744
Federal				95,557
Unrestricted investment earnings				1,124
Sixteenth section sources				228,046
<b>Total General Revenues</b>				<u>7,654,448</u>
<b>Changes in Net Position</b>				<u>342,705</u>
Net Position - Beginning , as previously reported				5,791,701
Prior Period Adjustments (Note 9)				(11,453,573)
Net Position - Beginning - as restated				<u>(5,661,872)</u>
Net Position - Ending				<u>\$ (5,319,167)</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2015

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I A Fund	EHA Part B Fund	Enhancement Talent Search 2015 Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 970,796				579,434	1,550,230
Cash with fiscal agent (Note 2)					88,821	88,821
Due from other governments	113,124	88,496	63,179	90,872	144,492	500,163
Other receivables, net	6,377					6,377
Due from other funds (Note 3)	277,598					277,598
Inventories					21,225	21,225
Prepaid items	5,787					5,787
<b>Total Assets</b>	<b>1,373,682</b>	<b>88,496</b>	<b>63,179</b>	<b>90,872</b>	<b>833,972</b>	<b>2,450,201</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	44,097		1,300	44	5,037	50,478
Due to other funds (Note 3)		88,496	61,879	90,828	36,395	277,598
Other payables					24,800	24,800
<b>Total Liabilities</b>	<b>44,097</b>	<b>88,496</b>	<b>63,179</b>	<b>90,872</b>	<b>66,232</b>	<b>352,876</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventory					21,225	21,225
Permanent fund principal					8,641	8,641
Prepaid items	5,787					5,787
<b>Restricted</b>						
Debt service					312,018	312,018
Capital projects					73,697	73,697
Forestry improvements					125,949	125,949
Unemployment benefits					22,767	22,767
Grant activities					203,443	203,443
<b>Assigned</b>						
School activities	25,664					25,664
Unassigned	1,298,134					1,298,134
<b>Total Fund Balances</b>	<b>1,329,585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>767,740</b>	<b>2,097,325</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,373,682</b>	<b>88,496</b>	<b>63,179</b>	<b>90,872</b>	<b>833,972</b>	<b>2,450,201</b>

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2015

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 2,097,325

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

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

Land	42,306	
Buildings	8,356,020	
Building improvements	395,273	
Improvement other than buildings	141,480	
Mobile equipment	1,012,720	
Furniture and equipment	395,992	
Accumulated depreciation	<u>(4,672,198)</u>	5,671,593

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 (10,924,352)

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	997,184	
Deferred inflows of resources related to pensions	<u>(1,583,565)</u>	(586,381)

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

State aid capital improvement refunding bonds payable	(670,000)	
Unamortized bond discount	6,226	
Three mill notes payable	(820,000)	
Compensated absences	(64,188)	
Accrued interest payable	<u>(29,390)</u>	<u>(1,577,352)</u>

Total Net Position - Governmental Activities

\$ (5,319,167)

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2015

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I A Fund	EHA Part B Fund	Enhancement Talent Search 2015 Fund		
<b>Revenues</b>						
Local sources	\$ 2,258,503				169,568	2,428,071
State sources	4,875,128				468,832	5,343,960
Federal sources	95,557	386,177	238,504	300,334	810,352	1,830,924
Sixteenth section sources	220,679				41,394	262,073
<b>Total Revenues</b>	<b>7,449,867</b>	<b>386,177</b>	<b>238,504</b>	<b>300,334</b>	<b>1,490,146</b>	<b>9,865,028</b>
<b>Expenditures</b>						
Instruction	4,043,363	149,577	120,847		482,638	4,796,425
Support services	2,626,771	235,899	111,817	331,416	604,668	3,910,571
Noninstructional services	17,259	701			565,972	583,932
Sixteenth section	2,051				22,932	24,983
Debt service						
Principal (Note 6)					240,000	240,000
Interest					47,215	47,215
Other					7,891	7,891
<b>Total Expenditures</b>	<b>6,689,444</b>	<b>386,177</b>	<b>232,664</b>	<b>331,416</b>	<b>1,971,316</b>	<b>9,611,017</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>760,423</b>	<b>0</b>	<b>5,840</b>	<b>(31,082)</b>	<b>(481,170)</b>	<b>254,011</b>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in (Note 3)	163,361			39,500	365,794	568,655
Operating transfers out (Note 3)	(346,665)		(5,840)	(8,418)	(207,732)	(568,655)
<b>Total Other Financing Sources (Uses)</b>	<b>(183,304)</b>	<b>0</b>	<b>(5,840)</b>	<b>31,082</b>	<b>158,062</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>577,119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(323,108)</b>	<b>254,011</b>
<b>Fund Balances</b>						
July 1, 2014	752,466	0	0	0	1,083,379	1,835,845
Increase in reserve for inventory					7,469	7,469
<b>June 30, 2015</b>	<b>\$ 1,329,585</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>767,740</b>	<b>2,097,325</b>

NEWTON MUNICIPAL SCHOOL DISTRICT  
 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, 2015

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 254,011

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

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, those amounts are:

Depreciation expense		(231,102)
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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 asset sold.

(23,504)

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:

State aid capital improvement refunding bonds payable	160,000		
Unamortized bond discount	(1,556)		
Three mill notes payable	80,000		
Accrued interest payable	1,780		240,224

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	826,766		
Pension expense for the current year	(739,864)		
Pension rounding difference	13,989		100,891

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 the governmental funds. These activities include:

Change in compensated absences	(5,284)		
Change in inventory reserve	7,469		2,185

Changes in Net Position of Governmental Activities		\$ 342,705
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The notes to the financial statements are an integral part of this statement.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 366,266
<b>Total Assets</b>	<u>366,266</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	343,984
Due to student clubs	<u>22,282</u>
<b>Total Liabilities</b>	<u>\$ 366,266</u>

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

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NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, 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.
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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

**Title I A Fund** - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

**EHA Part B Fund** - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

**Enhancement Talent Search 2015 Fund** - This special revenue fund is federally funded and is used to provide resources to locate and encourage students to achieve exceptional academic success.

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

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund is used as a clearing account for payroll and payroll related transactions.

**Accounts Payable Clearing** - This fund is used as a clearing account for non-payroll transactions.

**Student Club Accounts** - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

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

**Investments**

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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.

5. Restricted Assets

Certain resources on hand for federally funded programs and those set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable legal restrictions. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16<sup>th</sup> 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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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 deferred outflows are directly related to pension reporting.

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 deferred inflows are directly related to pension reporting.

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of 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 of education and/or the business manager pursuant to authorization established by the school board.

*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.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 7% of the revenues of the District Maintenance Fund.

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

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,550,230 and \$366,266, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$88,821.

**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**

General Fund	Major fund - Title I A Fund	\$	88,496
	Major fund - EHA Part B Fund		61,879
	Major fund - Enhancement Talent		
	Search 2015 Fund		90,828
	Other governmental funds		36,395
Total		\$	277,598

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

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Notes to the Financial Statements  
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**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 346,665
Major fund - EHA Part B Fund	General Fund	5,840
Major fund - Enhancement Talent		
Search 2015 Fund	General Fund	8,418
Other governmental funds	General Fund	149,103
	Major fund - Enhancement Talent	
	Search 2015 Fund	39,500
	Other governmental funds	19,129
Total		<u>\$ 568,655</u>

The transfer out of the General Fund was for the purpose of funding the Extended School Year program and the Vocational program in the Other Governmental Funds. The transfer to the General Fund from Major Fund – EHA Part B and Major Fund – Enhancement Talent Search 2015 Fund was to transfer indirect cost. The transfer to the General Fund from Other Governmental Funds was to transfer indirect cost from Food Service Fund and transfer the fund balance for the 16<sup>th</sup> Section Interest Fund due to the reclassification from a Special Revenue Fund to the General Fund. The transfer from Other Governmental to Other Governmental was for summer food program and debt service.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and cash with fiscal agent balance, totaling \$579,434 and \$88,821, respectively, of the Sixteenth Section Principal Fund (Permanent Fund), various federal programs (Special Revenue Funds) and debt service funds which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

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	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 42,306				42,306
Total non-depreciable capital assets	42,306	0	0	0	42,306
<u>Depreciable capital assets:</u>					
Buildings	8,356,020				8,356,020
Building improvements	395,273				395,273
Improvements other than buildings	141,480				141,480
Mobile equipment	1,247,228		(234,508)		1,012,720
Furniture and equipment	401,273		(5,281)		395,992
Total depreciable capital assets	10,541,274	0	(239,789)	0	10,301,485
<u>Less accumulated depreciation for:</u>					
Buildings	3,352,940	138,002		(152,981)	3,337,961
Building improvements	316,221	0			316,221
Improvements other than buildings	61,060	2,743			63,803
Mobile equipment	781,317	60,644	(211,057)	28,255	659,159
Furniture and equipment	303,894	29,713	(5,228)	(33,325)	295,054
Total accumulated depreciation	4,815,432	231,102	(216,285)	(158,051)	4,672,198
Total depreciable capital assets, net	5,725,842	(231,102)	(23,504)	158,051	5,629,287
Governmental activities capital assets, net	\$ 5,768,148	(231,102)	(23,504)	158,051	5,671,593

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 125,827
Support services	94,567
Non-instructional	10,708
Total depreciation expense - Governmental activities	\$ 231,102

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 830,000		160,000	670,000	160,000
Bond Discounts	(7,782)	1,556		(6,226)	
B. Three mill notes payable	900,000		80,000	820,000	85,000
C. Compensated absences payable	58,904	5,284		64,188	5,135
Total	\$ 1,781,122	6,840	240,000	1,547,962	250,135

**A. Limited obligation refunding bonds payable**

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

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, 2011	3.25	8/1/2011	8/1/2018	\$ 1,245,000	670,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 160,000	16,475	176,475
2017	160,000	12,675	172,675
2018	175,000	8,181	183,181
2019	175,000	2,844	177,844
Total	\$ 670,000	40,175	710,175

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

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2013	3.06	9/15/2013	9/15/2023	\$ 900,000	820,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 85,000	25,092	110,092
2017	85,000	22,491	107,491
2018	90,000	19,890	109,890
2019	90,000	17,136	107,136
2020	90,000	14,382	104,382
2021 - 2024	380,000	29,070	409,070
Total	\$ 820,000	128,061	948,061

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

**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.

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**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$826,766, \$858,719 and \$792,906, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$10,924,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the school district's proportion was .09 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$739,864. At June 30, 2015 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	\$ 170,418	\$ 0

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Net difference between projected and actual earnings on pension plan investments	0	1,583,565
Changes of assumptions:	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
District contributions subsequent to the measurement date	826,766	0
Total	\$ <u>997,184</u>	\$ <u>1,583,565</u>

\$826,766 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 334,590
2017	334,590
2018	348,077
2019	395,891

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and

NEWTON MUNICIPAL SCHOOL DISTRICT  
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that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 14,893,150	\$ 10,924,352	\$ 7,613,785

*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 – 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
2016	\$ 18,582
2017	9,040
2018	9,040
2019	7,480
2020	7,480
2021 – 2025	37,398
2026 – 2030	34,710
2031 – 2035	30,198
Thereafter	38,398
<b>Total</b>	<b>\$ 192,326</b>

**Note 9 – Prior Period Adjustments**

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

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For Year Ended June 30, 2015

**Exhibit B - Statement of Activities**

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (12,470,343)
Deferred outflows - contributions made during fiscal year 2014	<u>858,719</u>
Total prior period adjustment related to GASB 68 and 71	(11,611,624)
2. Adjustments to capital assets	<u>158,051</u>
Total	<u>\$ (11,453,573)</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 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.

**Note 12 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(10,245,336) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

**Note 13 – Economic Dependency**

The school district is significantly economically dependent on an ad valorem tax payer. In the event of a loss of ad valorem taxes from this payer, the district would encounter an economic hardship.

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the

NEWTON MUNICIPAL SCHOOL DISTRICT  
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accompanying notes. Management of the School District evaluated the activity of the district through February 15, 2016, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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NEWTON MUNICIPAL SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 2,229,859	2,254,647	2,258,503	24,788	3,856
State sources	4,708,672	4,875,128	4,875,128	166,456	0
Federal sources	105,315	95,557	95,557	(9,758)	0
Sixteenth section sources	0	220,679	220,679	220,679	0
Total Revenues	<u>7,043,846</u>	<u>7,446,011</u>	<u>7,449,867</u>	<u>402,165</u>	<u>3,856</u>
Expenditures					
Instruction	4,124,883	4,040,306	4,043,363	84,577	(3,057)
Support services	2,777,797	2,626,771	2,626,771	151,026	0
Noninstructional services	31,450	17,259	17,259	14,191	0
Sixteenth section	0	2,051	2,051	(2,051)	0
Total Expenditures	<u>6,934,130</u>	<u>6,686,387</u>	<u>6,689,444</u>	<u>247,743</u>	<u>(3,057)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>109,716</u>	<u>759,624</u>	<u>760,423</u>	<u>649,908</u>	<u>799</u>
Other Financing Sources (Uses)					
Operating transfers in	345,178	388,957	163,361	43,779	(225,596)
Operating transfers out	(454,894)	(112,570)	(346,665)	342,324	(234,095)
Total Other Financing Sources (Uses)	<u>(109,716)</u>	<u>276,387</u>	<u>(183,304)</u>	<u>386,103</u>	<u>(459,691)</u>
Net Change in Fund Balances			<u>577,119</u>		
Fund Balances					
July 1, 2014			<u>752,466</u>		
June 30, 2015			<u>\$ 1,329,585</u>		

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I A Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 360,000	386,177	386,177	26,177	0
Total Revenues	<u>360,000</u>	<u>386,177</u>	<u>386,177</u>	<u>26,177</u>	<u>0</u>
Expenditures					
Instruction	109,967	149,577	149,577	(39,610)	0
Support services	249,533	235,899	235,899	13,634	0
Noninstructional services	500	701	701	(201)	0
Total Expenditures	<u>360,000</u>	<u>386,177</u>	<u>386,177</u>	<u>(26,177)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2014			<u>0</u>		
June 30, 2015			<u>\$ 0</u>		

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 240,000	238,504	238,504	(1,496)	0
Total Revenues	<u>240,000</u>	<u>238,504</u>	<u>238,504</u>	<u>(1,496)</u>	<u>0</u>
Expenditures					
Instruction	136,980	120,847	120,847	16,133	0
Support services	96,553	111,817	111,817	(15,264)	0
Total Expenditures	<u>233,533</u>	<u>232,664</u>	<u>232,664</u>	<u>869</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,467</u>	<u>5,840</u>	<u>5,840</u>	<u>(627)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(6,467)	(5,840)	(5,840)	627	0
Total Other Financing Sources (Uses)	<u>(6,467)</u>	<u>(5,840)</u>	<u>(5,840)</u>	<u>627</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2014			<u>0</u>		
June 30, 2015			<u>\$ 0</u>		

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Enhancement Talent Search 2015 Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 364,216	300,334	300,334	(63,882)	0
Total Revenues	<u>364,216</u>	<u>300,334</u>	<u>300,334</u>	<u>(63,882)</u>	<u>0</u>
Expenditures					
Support services	354,135	331,416	331,416	22,719	0
Total Expenditures	<u>354,135</u>	<u>331,416</u>	<u>331,416</u>	<u>22,719</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,081</u>	<u>(31,082)</u>	<u>(31,082)</u>	<u>(41,163)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	0	39,500	39,500	39,500	0
Operating transfers out	(10,081)	(8,418)	(8,418)	1,663	0
Total Other Financing Sources (Uses)	<u>(10,081)</u>	<u>31,082</u>	<u>31,082</u>	<u>41,163</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2014			<u>0</u>		
June 30, 2015			<u>\$ 0</u>		

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.09%
District's proportionate share of the net pension liability (asset)	<u>\$ 10,924,352</u>
District's covered-employee payroll	<u>\$ 5,452,184</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>200.37%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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.

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 826,766
Contributions in relation to the contractually required contribution	826,766
Contribution deficiency (excess)	<u><u>0</u></u>
District's covered-employee payroll	\$ 5,249,307
Contributions as a percentage of covered-employee payroll	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.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

(1) Basis of Presentation.

The Budgetary Comparison Schedules present 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTARY INFORMATION

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NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 200,605
National school lunch program	10.555	504,483
Summer food service program for children	10.559	4,611
Total child nutrition cluster		<u>709,699</u>
Total U.S. Department of Agriculture		<u>709,699</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	63,637
Total U.S. Department of Defense		<u>63,637</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	25,920
Total Federal Communications Commission		<u>25,920</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	386,177
TRIO - talent search	84.044	387,604
Career and technical education - basic grants to states	84.048	10,463
Rural education	84.358	7,593
Improving teacher quality - state grants	84.367	75,119
Total		<u>866,956</u>
Special education cluster:		
Special education - grants to states	84.027	238,504
Special education - preschool grants	84.173	10,900
Total special education cluster		<u>249,404</u>
Total passed-through Mississippi Department of Education		<u>1,116,360</u>
Total U.S. Department of Education		<u>1,116,360</u>
Total for All Federal Awards		<u>\$ 1,915,616</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,583,249	5,606,845	605,012	576,013	795,379
Other	2,027,768	484,303	113,897	12,966	1,416,602
Total	<u>9,611,017</u>	<u>6,091,148</u>	<u>718,909</u>	<u>588,979</u>	<u>2,211,981</u>
Total number of students	<u>950</u>				
Cost per student	<u>\$ 10,117</u>	<u>6,412</u>	<u>757</u>	<u>620</u>	<u>2,328</u>

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
<b>Revenues</b>				
Local sources	\$ 2,258,503	2,228,862	2,150,233	2,034,247
State sources	4,875,128	4,378,108	4,459,974	4,709,501
Federal sources	95,557	99,723	101,867	70,762
Sixteenth section sources	220,679	0	0	0
<b>Total Revenues</b>	<b>7,449,867</b>	<b>6,706,693</b>	<b>6,712,074</b>	<b>6,814,510</b>
<b>Expenditures</b>				
Instruction	4,043,363	3,924,870	3,978,439	4,088,262
Support services	2,626,771	3,038,031	3,040,622	2,779,644
Noninstructional services	17,259	15,992	22,432	31,975
Sixteenth section	2,051	0	0	0
<b>Total Expenditures</b>	<b>6,689,444</b>	<b>6,978,893</b>	<b>7,041,493</b>	<b>6,899,881</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>760,423</b>	<b>(272,200)</b>	<b>(329,419)</b>	<b>(85,371)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	163,361	376,399	572,023	338,567
Operating transfers out	(346,665)	(216,066)	(223,972)	(229,896)
<b>Total Other Financing Sources (Uses)</b>	<b>(183,304)</b>	<b>160,333</b>	<b>348,051</b>	<b>108,671</b>
<b>Net Change in Fund Balances</b>	<b>577,119</b>	<b>(111,867)</b>	<b>18,632</b>	<b>23,300</b>
<b>Fund Balances</b>				
July 1, as previously reported	752,466	861,275	888,047	864,747
Prior period adjustments	0	3,058	(45,404)	0
July 1, as restated	752,466	864,333	842,643	864,747
June 30	\$ 1,329,585	752,466	861,275	888,047

\* Source - Prior year audit reports.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
<b>Revenues</b>				
Local sources	\$ 2,428,071	2,403,957	2,231,244	2,102,713
State sources	5,343,960	5,050,457	5,119,151	5,381,539
Federal sources	1,830,924	1,949,328	1,933,793	1,785,734
Sixteenth section sources	262,073	31,441	144,535	23,304
<b>Total Revenues</b>	<u>9,865,028</u>	<u>9,435,183</u>	<u>9,428,723</u>	<u>9,293,290</u>
<b>Expenditures</b>				
Instruction	4,796,425	4,733,853	4,722,758	4,881,709
Support services	3,910,571	4,727,765	4,213,684	3,822,855
Noninstructional services	583,932	595,364	614,695	637,838
Sixteenth section	24,983	14,574	18,204	10,610
Debt service				
Principal	240,000	194,721	193,750	142,750
Interest	47,215	23,359	26,585	51,003
Other	7,891	1,000	0	0
<b>Total Expenditures</b>	<u>9,611,017</u>	<u>10,290,636</u>	<u>9,789,676</u>	<u>9,546,765</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>254,011</u>	<u>(855,453)</u>	<u>(360,953)</u>	<u>(253,475)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	0	900,000	0	0
Operating transfers in	568,655	592,465	795,995	568,463
Operating transfers out	(568,655)	(592,465)	(795,995)	(568,463)
Other financing uses	0	0	(1,000)	(1,550)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>900,000</u>	<u>(1,000)</u>	<u>(1,550)</u>
<b>Net Change in Fund Balances</b>	<u>254,011</u>	<u>44,547</u>	<u>(361,953)</u>	<u>(255,025)</u>
<b>Fund Balances</b>				
July 1, as previously reported	1,835,845	1,791,447	2,200,197	2,442,859
Prior period adjustments	0	3,058	(45,404)	8,467
July 1, as restated	<u>1,835,845</u>	<u>1,794,505</u>	<u>2,154,793</u>	<u>2,451,326</u>
Increase (Decrease) in reserve for inventory	7,469	(3,207)	(1,393)	3,896
<b>June 30</b>	<u>\$ 2,097,325</u>	<u>1,835,845</u>	<u>1,791,447</u>	<u>2,200,197</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## 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*

### Independent Auditor's Report

Superintendent and School Board  
Newton Municipal School District

I 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, major fund, and the aggregate remaining fund information of Newton Municipal School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Newton Municipal School District's basic financial statements, and have issued my report thereon dated February 15, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Newton 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newton Municipal School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Newton 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2015-01, 2015-02, 2015-03 and 2015-04].

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Newton Municipal School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Newton Municipal School District's Response to Findings

Newton Municipal School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Newton Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
February 15, 2016

# CHARLES L. SHIVERS

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Superintendent and School Board  
Newton Municipal School District

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

I have audited Newton Municipal School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Newton Municipal School District's major federal programs for the year ended June 30, 2015. Newton 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

My responsibility is to express an opinion on compliance for each of Newton Municipal School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Newton Municipal School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

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

In my opinion, Newton 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, 2015.

#### **Report on Internal Control Over Compliance**

Management of Newton 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 my audit of compliance, I considered Newton 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Newton 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
February 15, 2016

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

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# CHARLES L. SHIVERS

*Certified Public Accountant*

Post Office Box 2775  
Ridgeland, Mississippi 39158

Phone: 601.941.6649  
Email: clscpa@bellsouth.net

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

Superintendent and School Board  
Newton Municipal School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2015, which collectively comprise Newton Municipal School District's basic financial statements and have issued my report thereon dated February 15, 2016. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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. The district reported \$-0- of classroom supply funds carried over from previous years.

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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Newton Municipal School District's response are as follows:

**CONDITION:** For the 78 expenditures tested, 8 purchases for commodities did not have supporting documentation to demonstrate compliance with the state purchase laws. There were no quotes or state contract price listings available for inspection.

**CRITERIA:** Section 31-7-13, Miss. Code of 1972 requires that at least two written quotes be obtained for the purchase of commodities above \$5,000 but less than \$50,000 or that documentation exists to support the item was acquired using a state contract price.

**CAUSE OF CONDITION:** The cause of the condition was an oversight by school district management.

**EFFECT OF CONDITION:** The effect of the condition resulted in noncompliance with the state purchase laws.

**RECOMMENDATION:** It is recommended that at least two written quotes be obtained or the state contract price be documented for the purchase of commodities within the price range indicated. The quotes or the state contract price

documentation should be attached to the relevant documents supporting the purchase; requisition, purchase order, invoice, receiving report, copy of check, etc.

DISTRICT RESPONSE: The Newton Municipal School District will obtain two or more quotes or state contract price on all purchase of commodities above \$5,000 but less than \$50,000. The accounts payable clerk will ensure the quotes or state contract price, requisition, purchase order, invoice, receiving report, check copy and any other documentation to support the purchase will be attached and properly filed.

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

The Newton Municipal School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
February 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NEWTON MUNICIPAL SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 June 30, 2015

**Section I: Summary of Auditor's Results**

**Financial Statements:**

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted?                         | No         |
| 3. | Internal control over financial reporting:  |            |
|    | a. Material weaknesses identified?  | No         |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes        |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:  | Unmodified    |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses?  | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | No            |
| 7. | Federal program identified as major program:   |               |
|    | a. Child nutrition cluster   |               |
|    | CFDA #: 10.553   |               |
|    | CFDA #: 10.555   |               |
|    | CFDA #: 10.559   |               |
|    | b. Special education cluster   |               |
|    | CFDA #: 84.027   |               |
|    | CFDA#: 84.173  |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9. | Auditee qualified as a low-risk auditee?   | No            |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No            |

**Section II: Financial Statement Findings**

Significant deficiencies identified that are not considered to be material weaknesses.

**Finding 2015-01**

**CONDITION:** The superintendent along with the business manager, accounts payable clerk and the payroll clerk have signature authority on various bank accounts of the district.

**CRITERIA:** An appropriately designed system of account controls would limit the signature authority to the superintendent.

**CAUSE OF CONDITION:** The cause of the condition was an inadequately designed system of accounting controls.

**EFFECT OF CONDITION:** This condition count result in the misappropriation of district assets.

**RECOMMENDATION:** It is recommended that signature authority on district bank accounts be limited to the superintendent.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2015

Finding 2015-02

**CONDITION:** The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. The business manager also reconciles the district banks accounts and has unlimited access to blank checks.

**CRITERIA:** An appropriately designed system of accounting controls would have these duties segregated to the greatest extent possible.

**CAUSE OF CONDITION:** The cause of this condition was an inadequately designed system of accounting controls.

**EFFECT OF CONDITION:** This condition could lead to errors being made and those errors not being prevented or detected.

**RECOMMENDATION:** It is recommended that the duties of the business manager relating to journal entries, bank account reconciliations and access to blank checks be segregated to the greatest extent possible.

Finding 2015-03

**CONDITION:** The payroll clerk performs all aspects of the payroll process, i.e., enters data into the accounting system, processes monthly payroll, prepares the direct deposit and reviews monthly reports.

**CRITERIA:** An appropriately designed system of accounting controls would have these duties segregated to the greatest extent possible.

**CAUSE OF CONDITION:** The cause of the condition was an inadequately designed system of accounting controls.

**EFFECT OF CONDITION:** This condition could result in errors or misappropriation of district assets and those errors not being prevented or detected.

**RECOMMENDATION:** It is recommended that the business manager review a payroll exception report on a monthly basis and make appropriate inquiries about noted variances.

Finding 2015-04

**CONDITION:** The district acquired a computer server for \$9,202.00. The server was not capitalized and included in the inventory of district assets.

**CRITERIA:** Assets acquired by the district whose cost exceeds the minimum threshold established by the Financial Accounting Manual for Mississippi Public School Districts must be capitalized, appropriately depreciated and inventoried.

**CAUSE OF CONDITION:** The cause of the condition was an oversight by school district management.

**EFFECT OF CONDITION:** The effect of the condition resulted in district acquired assets not being accounted for and inventoried as prescribed by the Mississippi Department of Education.

**RECOMMENDATION:** It is recommended that the district exercise caution and due diligence in identifying and capturing assets that are subject to capitalization.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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*Newton Municipal School District*

*P. O. Box 150*

*205 School Street*

*Newton, MS 39345*

*Phone 601-683-2451 / Fax 601-683-7131*

*Virginia M. Young, Ph.D., Superintendent*

Corrective Action Plan

February 12, 2016

As required by Section 315(c) of OMB Circular A-133, the Newton Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Finding 2015-01

Corrective Action Plan

- a. Contact person responsible for corrective action: Business Manager
- b. Description of corrective action to be taken: The Superintendent will be the only signature authority on the district bank accounts.
- c. Anticipated completion date of corrective action: April, 2016

Finding 2015-02

Corrective Action Plan

- a. Contact person responsible for corrective action: Business Manager
- b. Description of corrective action to be taken: An independent consultant will be employed to assist with year-end closing. Checks will be locked in a secure file cabinet, the receptionist will be the employee with the key. A log book will be created that will require the Business Manager, Accounts Payable and Payroll Clerks to sign to receive checks. The log will include starting and ending checks number, date, department, and a signature line.
- c. Anticipated completion date of corrective action: March, 2016

Finding 2015-03

Corrective Action Plan

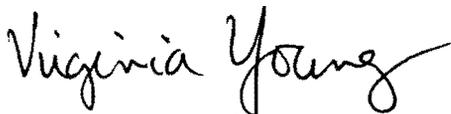
- a. Contact person responsible for corrective action: Business Manager
- b. Description of corrective action to be taken: The Business Manager will run and review a payroll exception report on a monthly basis and make appropriate inquiries about any payroll variances.
- c. Anticipated completion date of corrective action: February, 2016

Finding 2015-04

Corrective Action Plan

- a. Contact person responsible for corrective action: Business Manager
- b. Description of corrective action to be taken: The Business Manager will keep a log of all purchases that should be capitalized and follow up to ensure that all items are assigned a fixed asset number and enter into the accounting system for capitalization.
- c. Anticipated completion date of corrective action: February, 2016

Sincerely,



Superintendent of Education