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NEWTON MUNICIPAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2010



TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
FINANCIAL STATEMENTS	
Statement of Net Assets	19
Statement of Activities	21
Balance Sheet - Governmental Funds	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Title I Fund	52
Budgetary Comparison Schedule - Title I ARRA Fund	53
Budgetary Comparison Schedule - 16th Section Interest Fund	54
Budgetary Comparison Schedule - Educational Talent Search Fund	55
Notes to the Required Supplemental Information	56
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	59
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	60
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	63
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	64
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	69
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	73
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	77
AUDITEE'S CORRECTIVE ACTION PLAN	83
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	87



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INDEPENDENT AUDITOR'S REPORT
ON
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Newton Municipal School District

We 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, 2010, which collectively comprise the Newton Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newton Municipal School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

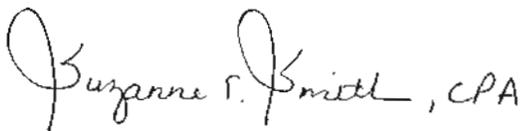
In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011, on our consideration of the Newton Municipal School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and

Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Suzanne E. Smith, CPA". The signature is written in black ink and is positioned above the printed name and title.

Suzanne E. Smith
Certified Public Accountant
April 15, 2011

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The discussion and analysis of Newton Municipal School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$304,617, including a prior period adjustment of \$3,365, which represents a 4.71% increase from fiscal year 2009. Total net assets for 2009 decreased \$141,016, which represents a 2.13% decrease from fiscal year 2008.
- General revenues amounted to \$7,760,785 and \$7,382,393, or 74% and 75% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,579,211, or 26% of total revenues for 2010, and \$2,523,909, or 25% of total revenues for 2009.
- The District had \$10,218,744 and \$10,047,318 in expenses for fiscal years 2010 and 2009; only \$2,579,211 for 2010 and \$2,523,909 for 2009 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,760,785 for 2010 were adequate to provide for these programs; however, general revenues of \$7,382,393 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$6,693,641 in revenues and \$6,687,341 in expenditures for 2010, and \$6,925,884 in revenues and \$6,993,224 in expenditures in 2009. The General Fund's fund balance decreased by \$269,277, including a prior period adjustment of \$3,355, from 2009 to 2010 and decreased by \$191,743 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$174,443, including a prior period adjustment of \$10, for 2010 and decreased by \$100,762 for 2009.
- Long-term debt decreased by \$115,000 for 2010 and decreased by \$110,000 for 2009. The decrease in 2010 was due to the repayment of long-term debt in accordance with the debt amortization schedules. The liability for compensated absences decreased by \$10,071 for 2010 and increased by \$9,103 for 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities. The Statement of Net Assets presents information on all the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The Statement of Activities presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years. The government-wide financial statements outline functions of the 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 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the district's budgeting process.

The district adopts an annual operating budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund and each additional major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Instructional, Administrative and Other Expenditures for governmental funds can be found in this report. Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the district, assets exceeded liabilities by \$6,770,583 as of June 30, 2010.

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

Table 1 presents a summary of the district's net assets at June 30, 2010 and June 30, 2009.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Current assets	\$ 1,739,859	\$ 1,593,513	9.18 %
Restricted assets	1,363,839	1,170,368	16.53 %
Capital assets, net	6,245,861	6,420,304	-2.72 %
Total assets	<u>9,349,559</u>	<u>9,184,185</u>	1.80 %
Current liabilities	89,061	103,233	-13.73 %
Long-term debt outstanding	2,489,915	2,614,986	-4.78 %
Total liabilities	<u>2,578,976</u>	<u>2,718,219</u>	-5.12 %
Net assets:			
Invested in capital assets, net of related debt	3,815,861	3,875,304	-1.53 %
Restricted	2,517,080	1,893,815	32.91 %
Unrestricted	437,642	696,847	-37.20 %
Total net assets	<u>\$ 6,770,583</u>	<u>\$ 6,465,966</u>	4.71 %

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

- Decrease in net capital assets in the amount of \$174,443, due primarily to depreciation expense of \$230,891.
- The principal retirement of \$115,000 of long-term debt.
- The net reduction in compensated absences payable of \$10,071.
- The increase of \$193,471 in restricted assets as a result of payments into debt service sinking funds.

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Changes in net assets. The district's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$10,519,996 and \$9,906,302, respectively. The total cost of all programs and services was \$10,218,744 for 2010 and \$10,047,318 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 237,694	\$ 164,697	44.32 %
Operating grants and contributions	2,521,517	2,359,212	6.88 %
General revenues:			
Property taxes	2,079,583	2,067,316	0.59 %
Grants and contributions not restricted	5,159,350	5,164,907	(0.11) %
Investment earnings	125,296	121,664	2.99 %
Sixteenth section sources	384,690	18,745	1,952.23 %
Other	11,866	9,761	21.57 %
Total revenues	<u>10,519,996</u>	<u>9,906,302</u>	6.19 %
Expenses:			
Instruction	5,565,352	5,294,468	5.12 %
Support services	3,919,746	4,058,141	(3.41) %
Non-instructional	655,378	617,518	6.13 %
Sixteenth section	15,296	8,248	85.45 %
Interest	62,972	68,943	(8.66) %
Total expenses	<u>10,218,744</u>	<u>10,047,318</u>	1.71 %
Increase (Decrease) in net assets	<u>301,252</u>	<u>(141,016)</u>	(313.63) %
Net Assets, July 1, as originally reported	6,465,966	6,606,982	(2.13) %
Prior Period Adjustment	3,365	-	N/A %
Net Assets, July 1, as restated	<u>6,469,331</u>	<u>6,606,982</u>	(2.08) %
Net Assets, June 30	<u>\$ 6,770,583</u>	<u>\$ 6,465,966</u>	4.71 %

Governmental activities. The following table presents the cost of five major district functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term debt. 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.

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2010	2009	
Instruction	\$ 5,565,352	\$ 5,294,468	5.12 %
Support services	3,919,746	4,058,141	(3.41) %
Non-instructional	655,378	617,518	6.13 %
Sixteenth section	15,296	8,248	85.45 %
Interest on long-term liabilities	62,972	68,943	(8.66) %
Total expenses	\$ 10,218,744	\$ 10,047,318	1.71 %

	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (4,423,328)	\$ (4,229,578)	4.58 %
Support services	(3,017,843)	(3,273,094)	(7.80) %
Non-instructional	(46,179)	14,793	(412.17) %
Sixteenth section	49,127	33,413	47.03 %
Interest on long-term liabilities	(21,310)	(68,943)	(69.09) %
Total net (expense) revenue	\$ (7,459,533)	\$ (7,523,409)	(0.85) %

- Net cost of governmental activities [(\$7,459,533) for 2010 and (\$7,523,409) for 2009] was financed by general revenue, which is primarily made up of property taxes (\$2,079,583 for 2010 and \$2,067,316 for 2009) and state and federal revenues (\$5,159,350 for 2010 and \$5,164,907 for 2009). In addition, there was \$384,690 and \$18,745 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$125,296 for 2010 and \$121,664 for 2009.

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, unreserved 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 \$3,040,323, an increase of \$351,813 from the prior year, which includes a prior period adjustment of \$3,355 and an increase in inventory of \$3,255. \$1,523,594 or 51% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the district's discretion. The remaining fund balance of \$1,516,729 or 49% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the district. The decrease in fund balance in the General Fund

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

for the fiscal year was \$269,277, including the effects of a prior period adjustment of \$3,355. The fund balance of Other Governmental Funds showed an increase in the amount of \$37,328, which includes the effects of an increase in reserve for inventory of \$3,255. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no change
Title I ARRA Fund	no change
16th Section Interest Fund	\$ 398,463
Educational Talent Search Fund	no change
QZAB Bond Retirement Fund	\$ 185,299

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 funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the district's total capital assets were \$10,121,897, including land, buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$56,438 from 2009. Total accumulated depreciation as of June 30, 2010, was \$3,876,036 and total depreciation expense for the year was \$230,891, resulting in total net capital assets of \$6,245,861.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage</u>
	\$	\$	<u>Change</u>
Land	42,306	42,306	0.00 %
Buildings	5,708,072	5,949,839	(4.06) %
Building improvements	91,255	8,324	996.29 %
Improvements other than buildings	14,580	-	N/A %
Mobile equipment	336,181	399,019	(15.75) %
Furniture and equipment	53,467	20,816	156.86 %
Total	\$ 6,245,861	\$ 6,420,304	(2.72) %

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

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Debt Administration. At June 30, 2010, the District had \$2,430,000 in outstanding long-term bonds payable and \$59,915 in compensated absences payable for a total of \$2,489,915 outstanding long-term debt, of which \$1,247,996 is due within one year. The liability for compensated absences showed a net decrease of \$10,071 from the prior year. Payments on bonds and notes payable totaled \$115,000 for the year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,305,000	\$ 1,420,000	(8.10) %
Qualified zone academy bonds payable	1,125,000	1,125,000	0.00 %
Compensated absences payable	59,915	69,986	(14.39) %
Total	\$ 2,489,915	\$ 2,614,986	(4.78) %

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. The District plans to continue its sound fiscal management to meet the challenges of the future.

Enrollment for the 2009-2010 year increased by less than 1% to 1018 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Newton Municipal School District, P.O. Box 150, Newton, Mississippi 39345.

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
 Statement of Net Assets
 June 30, 2010

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,304,444
Due from other governments	423,242
Inventories	12,173
Restricted assets	1,363,839
Capital assets, net of accumulated depreciation	6,245,861
Total Assets	<u>9,349,559</u>
Liabilities	
Accounts payable and accrued liabilities	10,469
Unearned revenue	52,873
Interest payable on long-term liabilities	25,686
Other payables	33
Long-term liabilities, due within one year:	
Capital related liabilities	1,245,000
Non-capital related liabilities	2,996
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,185,000
Non-capital related liabilities	56,919
Total Liabilities	<u>2,578,976</u>
Net Assets	
Invested in capital assets, net of related debt	3,815,861
Restricted net assets:	
Expendable:	
School-based activities	1,038,210
Debt service	1,329,629
Unemployment benefits	29,911
Forestry improvements	110,806
Non-expendable:	
Sixteenth section	8,524
Unrestricted	437,642
Total Net Assets	<u>\$ 6,770,583</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,565,352	87,809	1,054,215		(4,423,328)
Support services	3,919,746		901,903		(3,017,843)
Non-instructional	655,378	85,462	523,737		(46,179)
Sixteenth section	15,296	64,423			49,127
Interest on long-term liabilities	62,972		41,662		(21,310)
Total Governmental Activities	\$ 10,218,744	237,694	2,521,517	0	\$ (7,459,533)

General Revenues:

Taxes:

General purpose levies 1,968,830

Debt purpose levies 110,753

Unrestricted grants and contributions:

State 4,610,767

Federal 548,583

Unrestricted investment earnings 125,296

Sixteenth section sources 384,690

Other 11,866

Total General Revenues 7,760,785

Change in Net Assets 301,252

Net Assets - Beginning, as originally reported 6,465,966

Prior Period Adjustments 3,365

Net Assets - Beginning, as restated 6,469,331

Net Assets - Ending \$ 6,770,583

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2010

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title I ARRA Fund	16th Section Interest Fund	Educational Talent Search Fund	QZAB Bond Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 93,644			748,574		293	470,750	1,313,261
Cash with fiscal agent						129,047		129,047
Investments						996,000	132,397	1,128,397
Due from other governments	234,900	30,870	66,053	5,689	41,912	3,270	138,126	520,820
Due from other funds	178,678							178,678
Inventories							12,173	12,173
Total assets	507,222	30,870	66,053	754,263	41,912	1,128,610	753,446	3,282,376
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	9,632			837				10,469
Due to other funds	33	30,870	66,053		41,912		39,843	178,711
Unearned revenue							52,873	52,873
Total Liabilities	9,665	30,870	66,053	837	41,912	0	92,716	242,053
Fund Balances:								
Reserved for:								
Inventory							12,173	12,173
Debt service						1,128,610	226,705	1,355,315
Unemployment benefits							29,911	29,911
Forestry improvements							110,806	110,806
Permanent fund purposes							8,524	8,524
Unreserved:								
Undesignated, reported in:								
General Fund	497,557							497,557
Special Revenue Funds				753,426			272,611	1,026,037
Total Fund Balances	497,557	0	0	753,426	0	1,128,610	660,730	3,040,323
Total Liabilities and Fund Balances	\$ 507,222	30,870	66,053	754,263	41,912	1,128,610	753,446	3,282,376

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Exhibit C-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 3,040,323
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,876,036.	6,245,861
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,489,915)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.	(25,686)
Total Net Assets - Governmental Activities	\$ <u>6,770,583</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit D

	Major Funds							Total Governmental Funds
	General	16th Section		Educational	QZAB	Other		
	Fund	Title I Fund	Title I ARRA Fund	Interest Fund	Talent Search Fund	Bond Fund		
Revenues:								
Local sources	\$ 2,098,639					176,704	99,186	2,374,529
State sources	4,393,771						743,399	5,137,170
Federal sources	201,231	376,317	131,353		326,447		1,508,349	2,543,697
Sixteenth section sources				400,579			64,021	464,600
Total Revenues	6,693,641	376,317	131,353	400,579	326,447	176,704	2,414,955	10,519,996
Expenditures:								
Instruction	3,759,927	131,591	110,936				1,392,352	5,394,806
Support services	2,890,804	205,121	17,426		319,061		500,839	3,933,251
Noninstructional services	36,610	37,375					576,724	650,709
Sixteenth section				2,116			13,180	15,296
Debt service:								
Principal							115,000	115,000
Interest							65,148	65,148
Total Expenditures	6,687,341	374,087	128,362	2,116	319,061	0	2,663,243	10,174,210
Excess (Deficiency) of Revenues over (under) Expenditures	6,300	2,230	2,991	398,463	7,386	176,704	(248,288)	345,786
Other Financing Sources (Uses):								
Transfer in to escrow agent						128,658		128,658
Operating transfers in	37,872						316,804	354,676
Transfer out to escrow agent						(120,063)	(8,595)	(128,658)
Operating transfers out	(316,804)	(2,230)	(2,991)		(7,386)		(25,265)	(354,676)
Other financing uses							(583)	(583)
Total Other Financing Sources (Uses)	(278,932)	(2,230)	(2,991)	0	(7,386)	8,595	282,361	(583)
Net Change in Fund Balances	(272,632)	0	0	398,463	0	185,299	34,073	345,203
Fund Balances:								
July 1, 2009, as originally presented	766,834	0	0	354,963	0	943,311	623,402	2,688,510
Prior period adjustments	3,355							3,355
July 1, 2009, restated	770,189	0	0	354,963	0	943,311	623,402	2,691,865
Increase (Decrease) in reserve for inventory reserve							3,255	3,255
June 30, 2010	\$ 497,557	0	0	753,426	0	1,128,610	660,730	3,040,323

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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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, 2010

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 345,203
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$56,438 and the depreciation expense amounted to \$230,891.	(174,453)
3. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	115,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	2,176
5. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	3,255
6. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	10,071
Change in Net Assets of Governmental Activities	<u>\$ 301,252</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2010

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 392,180
Due from other funds	<u>33</u>
Total Assets	<u>392,213</u>
Liabilities	
Accounts payable and accrued liabilities	369,477
Due to student clubs	<u>22,736</u>
Total Liabilities	<u>\$ 392,213</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

(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, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

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:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Fund - This special revenue fund is used to account for the revenues and associated expenditures of the Title I, Part A federal award. This award is part of the Title I Cluster of awards.

Title I ARRA Fund - This special revenue fund is used to account for the revenues and associated expenditures of the ARRA Title I, Part A federal award. This award is part of the Title I Cluster of awards.

16th Section Interest Fund - This special revenue fund is used to account for the expendable resources from 16th Section school lands.

Educational Talent Search Fund - This special revenue fund is used to account for the revenues and associated expenditures of the Educational Talent Search federal award, which is part of the TRIO Cluster of awards.

QZAB Bond Retirement Fund - This debt service fund is used to account for the revenues and expenditures associated with the repayment of the Qualified Zone Academy Bond issue.

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 fund for the payroll function.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll expenditure functions.

Student Club Accounts - These funds are used to account for the assets held for the benefit of student clubs.

Additionally, the school district reports the following fund types:

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2010

GOVERNMENTAL FUNDS

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

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally 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 and Basis of Accounting

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

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

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

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

Ad valorem property taxes are levied by the governing 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.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

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 are both restricted and unrestricted net assets 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.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 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.

E. Encumbrances

An encumbrance system is maintained to account for commitments 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 as reservations of fund balances.

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the District are reported at fair market value.

2. Receivables and payables

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated or undesignated. Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

Debt Service Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements - An account that represents a portion of the fund balance that is legally restricted for improvement of 16th Section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

(2) Cash and Cash Equivalents, Cash with fiscal agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent 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 \$1,313,261 and \$392,180, respectively. The bank balance was \$2,175,022.

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$129,047.

Investments

As of June 30, 2010, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federal National Mortgage Association Notes	Not rated	Less than 1 year	\$ 996,000
Hancock Bank Federal U.S. Treasury Cash Reserve Money Market Funds	AAAm	Less than 1 year	<u>132,397</u>
Total			\$ <u>1,128,397</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 30,870
	Title I ARRA Fund	66,053
	Educational Talent Search Fund	41,912
	Other Governmental Funds	39,843
Agency Funds	General Fund	33
Total		\$ <u>178,711</u>

The primary purpose of the interfund balances was to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 316,804
Title I Fund	General Fund	2,230
Title I ARRA Fund	General Fund	2,991
Educational Talent Search Fund	General Fund	7,386
Other governmental funds	General Fund	25,265
Total		\$ <u>354,676</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

(4) Restricted Assets

The restricted assets represent the cash balance of \$8,524 of the 16th Section Principal Fund (Permanent Fund), the investment balance and amounts due from other governments of \$132,397 and \$94,308, respectively, of the MAEP Debt Service Fund, which are legally restricted and may not be used for the support of the District's programs, and the cash balance (\$293), cash with fiscal agents (\$129,047), Investments (\$996,000), and amounts due from other governments (\$3,270) of the QZAB Bond Fund, which are legally restricted and may not be used for the support of the district's programs. The total amount of restricted assets is \$1,363,839.

(5) Capital Assets

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

	Balance 07/01/2009	Additions	Retirements	Adjustments*	Balance 06/30/2010
Governmental Activities:					
<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	8,751,294			(395,274)	8,356,020
Building improvements	72,896			322,377	395,273
Improvements other than buildings	-			72,897	72,897
Mobile equipment	1,001,933				1,001,933
Furniture and equipment	197,030	56,438			253,468
Total depreciable capital assets	10,023,153	56,438	0	0	10,079,591
<u>Less accumulated depreciation for:</u>					
Buildings	2,801,455	138,002		(291,509)	2,647,948
Building improvements	64,572	6,254		233,192	304,018
Improvements other than buildings	-			58,317	58,317
Mobile equipment	602,914	62,838			665,752
Furniture and equipment	176,214	23,797	0	(10)	200,001
Total accumulated depreciation	3,645,155	230,891	0	(10)	3,876,036
Total depreciable capital assets, net	6,377,998	(174,453)	0	10	6,203,555
Governmental activities capital assets, net	\$ 6,420,304	(174,453)	0	10	6,245,861

*Prior period adjustments were made for adjustments to reclassify assets within classification categories. Net prior period adjustments amounted to \$10.

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 175,078
Support Services	50,640
Non-instructional	5,173
	\$ 230,891

(6) Long-term Liabilities

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. Limited obligation bonds payable	1,420,000		115,000	1,305,000	120,000
B. Qualified zone academy bonds payable	1,125,000			1,125,000	1,125,000
C. Compensated absences payable	69,986		10,071	59,915	2,996
Total	\$ 2,614,986	-	125,071	2,489,915	1,247,996

A. Limited obligation bonds payable

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

	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement.					
Series 1998	4.4-6.0%	01-May-98	01-Aug-18	\$ 2,200,000	1,305,000
Total				\$ 2,200,000	1,305,000

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

Year Ending June 30	Principal	Interest	Total
2011	\$ 120,000	59,683	179,683
2012	125,000	53,894	178,894
2013	130,000	47,805	177,805
2014	135,000	41,445	176,445
2015	145,000	34,653	179,653
2016 – 2020	650,000	64,000	714,000
Total	\$ 1,305,000	301,480	1,606,480

This debt will be retired from the MAEP Debt Service Fund (Fund 4010).

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.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$2,200,000 in limited obligation refunding bonds payable issued May 1, 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through August 1, 2018. Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$1,606,480. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$180,148 and \$4,445,505, respectively.

B. Qualified zone academy bonds payable

As more fully explained in note 12, debt has been issued by the School District that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

	Interest	Issue	Maturity	Amount	Amount
	Rate	Date	Date	Issued	Outstanding
Qualified zone academy bonds	0.00%	20-Jul-00	01-Jul-10	\$ 1,125,000	1,125,000
Total				<u>\$ 1,125,000</u>	<u>1,125,000</u>

The school district has pledged a portion of future state educational enhancement revenues to repay the \$1,125,000 in Qualified Zone Academy bonds payable issued July 20, 2000. The bonds are payable from future revenues of the state educational enhancement revenues and local taxes revenues and are payable through July 1, 2010. Annual principal payments on the bonds are expected to require all of state educational enhancement revenues designated for buildings and buses and additional amounts produced through a debt service levy. The bonds are an interest-free borrowing. Annual transfers are made to the bond escrow agent, where the amounts are held and invested for the final bond maturity of July 1, 2010. No amounts are remaining to be paid to escrow agents at June 30, 2010. Required escrow agent transfers for bond retirement and state educational enhancement revenues designated for buildings and buses for the current year totaled \$128,658 and \$41,662, respectively. The debt will be retired from the QZAB Retirement Fund.

C. Compensated absences payable

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

(7) Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of 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'

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% 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, 2010, 2009 and 2008 were \$688,012, \$663,684 and \$645,796, respectively, which equaled the required contributions for each year.

(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
2011	\$ 16,916
2012	7,642
2013	6,820
2014	5,648
2015	5,628
2016 – 2020	28,137
2021 – 2025	28,137
2026 – 2030	24,118
2031 – 2035	20,990
Thereafter	44,527
Total	\$ <u>188,563</u>

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
1. Error in recording prior year asset or liability	\$ 3,355
2. Prior period adjustment to capital assets	10
Total	\$ <u>3,365</u>

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

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

Fund	Explanation(s)	Amount
General Fund	Error in recording prior year asset or liability	\$ 3,355
Total		<u>\$ 3,355</u>

(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.

(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. 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.

(12) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs for kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated July 20, 2000.

On June 12, 2000, the Newton Municipal School District Board of Trustees adopted a resolution authorizing the issuance of a one million one hundred twenty-five thousand dollar (\$1,125,000) limited tax note of the district, designating the note to be a Qualified Academy Zone Bond and awarding the sale of the note to the purchaser.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,125,000. An amount of \$1,078,315 was used to provide for the construction and renovation of school buildings and related facilities and the purchase of equipment for the buildings and facilities. The remainder of \$46,685 was used to pay the costs of issuance.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period is sufficient to retire the debt at maturity. There are no more yearly deposits required by the school district at June 30, 2010.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2010

(13) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated March 2, 1996, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and included the Union Public School District, Philadelphia Public School District, Enterprise Municipal School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Newton Municipal School District, and Newton County School District.

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

The Newton County School District serves as the lead district for the East Central Alternative School Consortium, and the operations of the consortium for the 2009-2010 year are included in its financial statements.

(14) Subsequent events.

Events that occur after the statement of net assets 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Newton Municipal School District evaluated the activity of the district through April 15, 2011, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

The school district issued a shortfall note in the amount of \$116,221 in August 2010. The note was issued to defray the shortfall of local tax revenues levied for the 2009-2010 year. The note was issued pursuant to Code Section 37-57-108, Miss. Code Ann. (1972).

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEW TON MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,097,313	2,098,639	2,098,639	1,326	0
State sources	4,417,795	4,393,771	4,393,771	(24,024)	0
Federal sources	37,500	201,231	201,231	163,731	0
Total Revenues	<u>6,552,608</u>	<u>6,693,641</u>	<u>6,693,641</u>	<u>141,033</u>	<u>0</u>
Expenditures:					
Instruction	3,759,483	3,759,927	3,759,927	(444)	0
Support services	2,725,408	2,890,804	2,890,804	(165,396)	0
Noninstructional services	34,240	36,610	36,610	(2,370)	0
Debt service:					
Principal	5,000	0	0	5,000	0
Total Expenditures	<u>6,524,131</u>	<u>6,687,341</u>	<u>6,687,341</u>	<u>(163,210)</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>28,477</u>	<u>6,300</u>	<u>6,300</u>	<u>(22,177)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in	327,766	422,704	37,872	94,938	(384,832)
Operating transfers out	(583,958)	(701,636)	(316,804)	(117,678)	384,832
Total Other Financing Sources (Uses)	<u>(256,192)</u>	<u>(278,932)</u>	<u>(278,932)</u>	<u>(22,740)</u>	<u>0</u>
Net Change in Fund Balances	<u>(227,715)</u>	<u>(272,632)</u>	<u>(272,632)</u>	<u>(44,917)</u>	<u>0</u>
Fund Balances:					
July 1, 2009, as originally reported	766,834	766,834	766,834	0	0
Prior period adjustments			3,355		3,355
July 1, 2009, restated	<u>766,834</u>	<u>766,834</u>	<u>770,189</u>	<u>0</u>	<u>3,355</u>
June 30, 2010	<u>\$ 539,119</u>	<u>494,202</u>	<u>497,557</u>	<u>(44,917)</u>	<u>3,355</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 412,246	376,317	376,317	(35,929)	0
Total Revenues	<u>412,246</u>	<u>376,317</u>	<u>376,317</u>	<u>(35,929)</u>	<u>0</u>
Expenditures:					
Instruction	137,682	131,591	131,591	6,091	0
Support services	238,186	205,121	205,121	33,065	0
Noninstructional services	0	37,375	37,375	(37,375)	0
Total Expenditures	<u>375,868</u>	<u>374,087</u>	<u>374,087</u>	<u>1,781</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>36,378</u>	<u>2,230</u>	<u>2,230</u>	<u>(34,148)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(8,733)</u>	<u>(2,230)</u>	<u>(2,230)</u>	<u>6,503</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(8,733)</u>	<u>(2,230)</u>	<u>(2,230)</u>	<u>6,503</u>	<u>0</u>
Net Change in Fund Balances	<u>27,645</u>	<u>0</u>	<u>0</u>	<u>(27,645)</u>	<u>0</u>
Fund Balances:					
July 1, 2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 27,645</u>	<u>0</u>	<u>0</u>	<u>(27,645)</u>	<u>0</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I ARRA Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 0	131,353	131,353	131,353	0
Total Revenues	0	131,353	131,353	131,353	0
Expenditures:					
Instruction	0	110,936	110,936	(110,936)	0
Support	0	17,426	17,426	(17,426)	0
Total Expenditures	0	128,362	128,362	(128,362)	0
Excess (Deficiency) of Revenues over (under) Expenditures	0	2,991	2,991	2,991	0
Other Financing Sources (Uses):					
Operating transfers out	0	(2,991)	(2,991)	(2,991)	0
Total Other Financing Sources (Uses)	0	(2,991)	(2,991)	(2,991)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2009	0	0	0	0	0
June 30, 2010	\$ 0	0	0	0	0

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

NEWTON MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 149,600	400,579	400,579	250,979	0
Total Revenues	<u>149,600</u>	<u>400,579</u>	<u>400,579</u>	<u>250,979</u>	<u>0</u>
Expenditures:					
Sixteenth section	7,600	2,116	2,116	5,484	0
Total Expenditures	<u>7,600</u>	<u>2,116</u>	<u>2,116</u>	<u>5,484</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>142,000</u>	<u>398,463</u>	<u>398,463</u>	<u>256,463</u>	<u>0</u>
Net Change in Fund Balances	<u>142,000</u>	<u>398,463</u>	<u>398,463</u>	<u>256,463</u>	<u>0</u>
Fund Balances:					
July 1, 2009	354,963	354,963	354,963	0	0
June 30, 2010	<u>\$ 496,963</u>	<u>753,426</u>	<u>753,426</u>	<u>256,463</u>	<u>0</u>

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

NEW TON MUNICIPAL SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Educational Talent Search Fund
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 384,216	326,447	326,447	(57,769)	0
Total Revenues	<u>384,216</u>	<u>326,447</u>	<u>326,447</u>	<u>(57,769)</u>	<u>0</u>
Expenditures:					
Support services	375,632	319,061	319,061	56,571	0
Total Expenditures	<u>375,632</u>	<u>319,061</u>	<u>319,061</u>	<u>56,571</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,584</u>	<u>7,386</u>	<u>7,386</u>	<u>(1,198)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers out	(8,584)	(7,386)	(7,386)	1,198	0
Total Other Financing Sources (Uses)	<u>(8,584)</u>	<u>(7,386)</u>	<u>(7,386)</u>	<u>1,198</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2009	0	0	0	0	0
June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedule

(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. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

NEWTON MUNICIPAL SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal 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	\$ 175,575
National school lunch program	10.555	474,701
Total child nutrition cluster		<u>650,276</u>
Passed-through Newton County:		
Schools and roads - grants to states	10.665	12,532
Total passed-through Newton County		<u>12,532</u>
Total U.S. Department of Agriculture		<u>662,808</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	183,721
Total Federal Communications Commission		<u>183,721</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I, Part A Cluster:		
Title I grants to local educational agencies	84.010	376,317
ARRA - Title I grants to local educational agencies	84.389	131,353
Total Title I, Part A Cluster		<u>507,670</u>
Career and technical education - basic grants to states	84.048	24,765
Safe and drug-free schools and communities- state grants	84.186	3,313
Rural education	84.358	26,785
Improving teacher quality - state grants	84.367	77,643
TRIO Cluster:		
TRIO - Talent Search	84.044	407,587
Total TRIO Cluster		<u>407,587</u>
Special education cluster:		
Special education - grants to states	84.027	240,672
Special education - preschool grants	84.173	9,610
ARRA - Special education - grants to states	84.391	140,982
ARRA - Special education - preschool grants	84.392	9,767
Total special education cluster		<u>401,031</u>
State Fiscal Stabilization Fund Cluster:		
ARRA - State fiscal stabilization fund (SFSF) - education state grants	84.394	347,352
Total State Fiscal Stabilization Fund Cluster		<u>347,352</u>
Total U.S. Department of Education		<u>1,796,146</u>
Total for All Federal Awards		<u>\$ 2,642,675</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the 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 Year Ended June 30, 2010

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	7,797,585	5,460,727	541,204	559,667	1,235,987
Other	2,376,625	802,403	139,536	12,828	1,421,858
Total	\$ 10,174,210	6,263,130	680,740	572,495	2,657,845
Total number of students*	1,018				
Cost per student \$	9,994	6,152	669	562	2,611

NOTES TO SCHEDULE

1. 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
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* - 9th month enrollment figure

NEWTON MUNICIPAL SCHOOL DISTRICT
OTHER SUPPLEMENTAL INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,098,639	2,084,236	2,056,178	1,951,055
Intermediate sources		500	11,543	
State sources	4,393,771	4,785,641	4,748,525	4,449,311
Federal sources	201,231	55,507	32,741	36,505
Total Revenues	<u>6,693,641</u>	<u>6,925,884</u>	<u>6,848,987</u>	<u>6,436,871</u>
Expenditures:				
Instruction	3,759,927	3,956,840	4,063,521	3,972,964
Support services	2,890,804	3,001,138	2,685,208	2,603,510
Non-instructional services	36,610	35,246	36,420	37,283
Debt service:				
Principal			1,327	5,000
Total Expenditures	<u>6,687,341</u>	<u>6,993,224</u>	<u>6,786,476</u>	<u>6,618,757</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,300</u>	<u>(67,340)</u>	<u>62,511</u>	<u>(181,886)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries			1,615	1,863
Operating transfers in	37,872	155,521	82,702	69,808
Operating transfers out	(316,804)	(279,924)	(282,256)	(214,639)
Total Other Financing Sources (Uses)	<u>(278,932)</u>	<u>(124,403)</u>	<u>(197,939)</u>	<u>(142,968)</u>
Net Change in Fund Balances	<u>(272,632)</u>	<u>(191,743)</u>	<u>(135,428)</u>	<u>(324,854)</u>
Fund Balances:				
Beginning of Period, as originally reported	766,834	958,577	1,094,005	1,418,859
Prior period adjustments	3,355			
Beginning of Period, restated	<u>770,189</u>	<u>958,577</u>	<u>1,094,005</u>	<u>1,418,859</u>
End of Period	<u>\$ 497,557</u>	<u>766,834</u>	<u>958,577</u>	<u>1,094,005</u>

*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"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 2,374,529	2,341,731	2,302,475	2,182,047
Intermediate sources		500	11,543	
State sources	5,137,170	5,727,301	5,660,782	5,103,933
Federal sources	2,543,697	1,800,899	1,574,590	1,669,400
Sixteenth section sources	464,600	40,271	210,800	378,715
Total Revenues	<u>10,519,996</u>	<u>9,910,702</u>	<u>9,760,190</u>	<u>9,334,095</u>
Expenditures:				
Instruction	5,394,806	5,132,133	5,217,380	4,839,753
Support services	3,933,251	4,122,369	3,632,245	3,647,687
Noninstructional services	650,709	605,407	594,754	560,478
Sixteenth section	15,296	8,247	53,577	16,698
Debt service:				
Principal	115,000	110,000	106,327	105,000
Interest	65,148	71,392	75,053	79,563
Other				1,677
Total Expenditures	<u>10,174,210</u>	<u>10,049,548</u>	<u>9,679,336</u>	<u>9,250,856</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>345,786</u>	<u>(138,846)</u>	<u>80,854</u>	<u>83,239</u>
Other Financing Sources (Uses):				
Payments in to escrow agent	128,658	272,000		272,000
Insurance loss recoveries			1,615	1,863
Operating transfers in	354,676	435,445	389,958	284,448
Operating transfers out	(354,676)	(435,445)	(389,958)	(284,448)
Transfer to escrow agent	(128,658)	(272,000)		(272,000)
Other financing uses	(583)	(585)	(550)	
Total Other Financing Sources (Uses)	<u>(583)</u>	<u>(585)</u>	<u>1,065</u>	<u>1,863</u>
Net Change in Fund Balances	<u>345,203</u>	<u>(139,431)</u>	<u>81,919</u>	<u>85,102</u>
Fund Balances:				
Beginning of period, as originally reported	2,688,510	2,832,108	2,753,799	2,662,518
Prior period adjustments	3,355		(3,956)	(1,210)
Beginning of period, restated	<u>2,691,865</u>	<u>2,832,108</u>	<u>2,749,843</u>	<u>2,661,308</u>
Increase (Decrease) in reserve for inventory	3,255	(4,167)	346	7,389
End of Period	<u>\$ 3,040,323</u>	<u>2,688,510</u>	<u>2,832,108</u>	<u>2,753,799</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

NEWTON MUNICIPAL SCHOOL DISTRICT

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

Superintendent and School Board
Newton Municipal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Newton Municipal School District as of and for the year ended June 30, 2010, which collectively comprise Newton Municipal School District's basic financial statements and have issued our report thereon dated April 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting [Finding 2010-01]. 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.

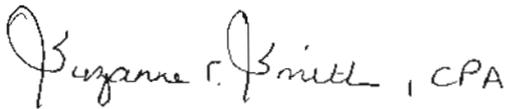
Compliance and Other Matters

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

However, we noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated April 15, 2011, which is included in this report.

Newton Municipal School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the School District's response and, accordingly, we 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Suzanne E. Smith, CPA". The signature is written in a cursive style.

Suzanne E. Smith
Certified Public Accountant
April 15, 2011

Suzanne E. Smith, CPA, PLLC
Certified Public Accountant
P. O. Box 7124 • Meridian, MS 39304

Accounting and Auditing Services
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Member MSCPA

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Newton Municipal School District

Compliance

We have audited the compliance of the Newton Municipal School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Newton Municipal School District complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-02 and Finding 2010-03.

Internal Control Over Compliance

The management of the Newton Municipal School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Newton Municipal School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

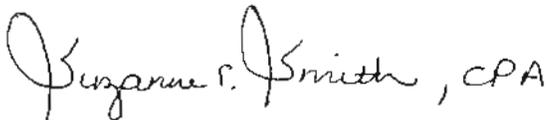
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be

deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-02 and Finding 2010-03 to be material weaknesses.

Newton Municipal School District's responses to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Newton Municipal School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation oversight, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Suzanne E. Smith
Certified Public Accountant
April 15, 2011

NEWTON MUNICIPAL SCHOOL DISTRICT

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

Superintendent and School Board
Newton Municipal School District

We 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, 2010, which collectively comprise Newton Municipal School District's basic financial statements and have issued our report thereon dated April 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,056 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 2010-SL(1):

Code Section 37-9-31, Miss. Code Ann. (1972), governs the type and amount of surety bond required for a school principal. This section requires a school principal to be covered by a surety bond in the amount of \$50,000. Two principals were bonded for less than the required amount of \$50,000, or \$25,000. The amount of the bond was

not increased July 1, 2009, for new bond amounts that were effective on that date. The failure to increase the bond amounts of these two board members was an oversight.

Recommendation:

We recommend that all principals be bonded as required by state law. An annual review of all bonds and amounts should be performed to ensure that coverage is adequate.

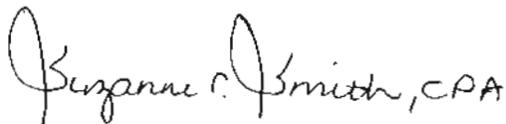
District Response:

We have corrected this finding by increasing the dollar amount of the bonds as required by state law.

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, we 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Suzanne E. Smith
Certified Public Accountant
April 15, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWTON MUNICIPAL SCHOOL DISTRICT

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Schedule of Findings and Questioned Costs

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Noncompliance material to financial statements noted? (Yes/No) | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? (Yes/None reported) | Yes |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | Yes |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? (Yes/None reported) | None reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Title I, Part A cluster
CFDA #84.010
CFDA #84.389 – recovery | |
| b. | Special education cluster
CFDA #84.027
CFDA #84.173
CFDA #84.391 – recovery
CFDA #84.392 – recovery | |
| c. | State fiscal stabilization fund (SFSF) cluster
CFDA #84.394 – recovery | |
| d. | TRIO Cluster
CFDA #84.044 | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | No |

Schedule of Findings and Questioned Costs

- | | | |
|-----|---|-----|
| 10. | Prior year audit findings and questioned costs relative to federal award awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section 315 of OMB Circular A-133? (Yes/No) | Yes |
|-----|---|-----|

Section II: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness:

Finding 2010-01: Official Board Minute Exhibits.

The official board minutes reference exhibits as supporting documentation for official board action. In many instances the exhibits outline the specific details of board actions. There is no reference to specific exhibits in the official board minutes, and the exhibits are not filed by board meeting date and maintained intact as support for the official actions of the school board. Furthermore, the exhibits are not certified by the secretary of the board.

Recommendation:

We recommend that exhibits outlining specific details of board actions be referenced in the official minutes by exhibit number. We further recommend that the exhibits be certified by the secretary of the board, bound by board meeting date, and maintained intact as support for the official actions of the school board.

Section III: Federal Award Findings and Questioned Costs

Deficiencies Considered to be Material Weaknesses:

Finding 2010-02: Allowable Costs/Cost Principles Relative to Payroll Expenditures. Title I grants to local educational agencies – 84,010.

Office of Management and Budget (OMB) Circular A-87 governs required documentation to support the time and effort of employees who are paid from federal award programs. The school district does not consolidate Federal funds with state and local funds in a consolidated schoolwide pool; therefore, an employee who works solely on a single cost objective must furnish a semi-annual certification that she/she has been engaged solely in the activities of the program. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B.

The school district did not require semi-annual certifications or time and effort distribution records from its Title I employees. We were able to satisfy ourselves through other audit procedures that the employees did work in the activities of the program.

Failure to develop a system and adequately document the time and effort associated with payroll expenditures for these employees constitutes a deficiency in control over compliance.

Recommendation:

We recommend that the district develop a system for documenting the time and effort of Title I employees by requiring that each employee furnish a semi-annual certification or time and distribution records as required by OMB Circular A-87.

Schedule of Findings and Questioned Costs

Finding 2010-03: Highly Qualified Teachers and Paraprofessionals. Title I grants to local educational agencies – 84.010.

The school district must ensure that each paraprofessional who is hired and who works in a program supported with Title I, Part A funds meets specific qualification requirements. The term "paraprofessional" means an individual who provides instructional support. A paraprofessional works in a program supported with Title I, Part A funds if the paraprofessional is paid with Title I, Part A funds in a Title I targeted assistance school or works as a paraprofessional in a schoolwide program school. A paraprofessional must hold a high-school diploma or its recognized equivalent and a) have completed at least two years of study at an institution of higher education; b) have obtained an associate's or higher degrees; or c) have met a rigorous standard of quality, and can demonstrate through a formal state or local academic assessment knowledge of, and the ability to assist in instructing/reading/language arts, writing, and mathematics, or reading readiness, writing readiness, and mathematics readiness. Special rules apply for a paraprofessional who acts as a translator.

Our testing disclosed that the school district does not consistently obtain verification that paraprofessionals hired in the school district meet the above requirements. This lack of verification and documentation constitutes a control deficiency over compliance. The effect of this deficiency is that the district may hire individuals who do meet the qualifications required by the federal award program.

Recommendation:

We recommend that all teachers and paraprofessionals who are hired by the district be required to submit documents and other forms of verification to substantiate that they hold the credentials necessary to be highly qualified. The district should obtain and verify documents and maintain a file on each individual that supports a highly qualified status.

NEWTON MUNICIPAL SCHOOL DISTRICT

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AUDITEE'S CORRECTIVE ACTION PLAN

NEWTON MUNICIPAL SCHOOL DISTRICT

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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

Dr. Virginia M. Young, Superintendent

Financial Statement Finding 2010-01

District Corrective Action: District will reference exhibits in the official board minutes. These exhibits will be certified by the secretary of the board and filed in support of the board minutes.

Who will implement the Corrective Action: Karen Harris and Al Ladner

When the Corrective Action will begin: June 2011

Federal Award Finding 2010-02

District Corrective Action: The District will develop a system for documenting the time and effort of Title I employees by furnishing a semi-annual certification of time and distribution records as required by OMB Circular A-87.

Who will implement the Corrective Action: Cola Shelby

When the Corrective Action will begin: June 2011

Federal Award Finding 2010-03

District Corrective Action: The District will obtain and verify documents and maintain a file on each individual that supports a highly qualified status.

Who will implement the Corrective Action: Cola Shelby and Delaine Sanford

When the Corrective Action will begin: Immediately

NEWTON MUNICIPAL SCHOOL DISTRICT

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SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDING

NEWTON MUNICIPAL SCHOOL DISTRICT

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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

Dr. Virginia H. Young, Superintendent

Summary Schedule of Prior Year Finding

2009-02. Finding Controls surrounding Cash Management – TRIO Cluster – Talent Search (CDFA No. 84.044).

The district has corrected this deficiency during the 2009-2010 year. The condition no longer exists.

NEWTON MUNICIPAL SCHOOL DISTRICT

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