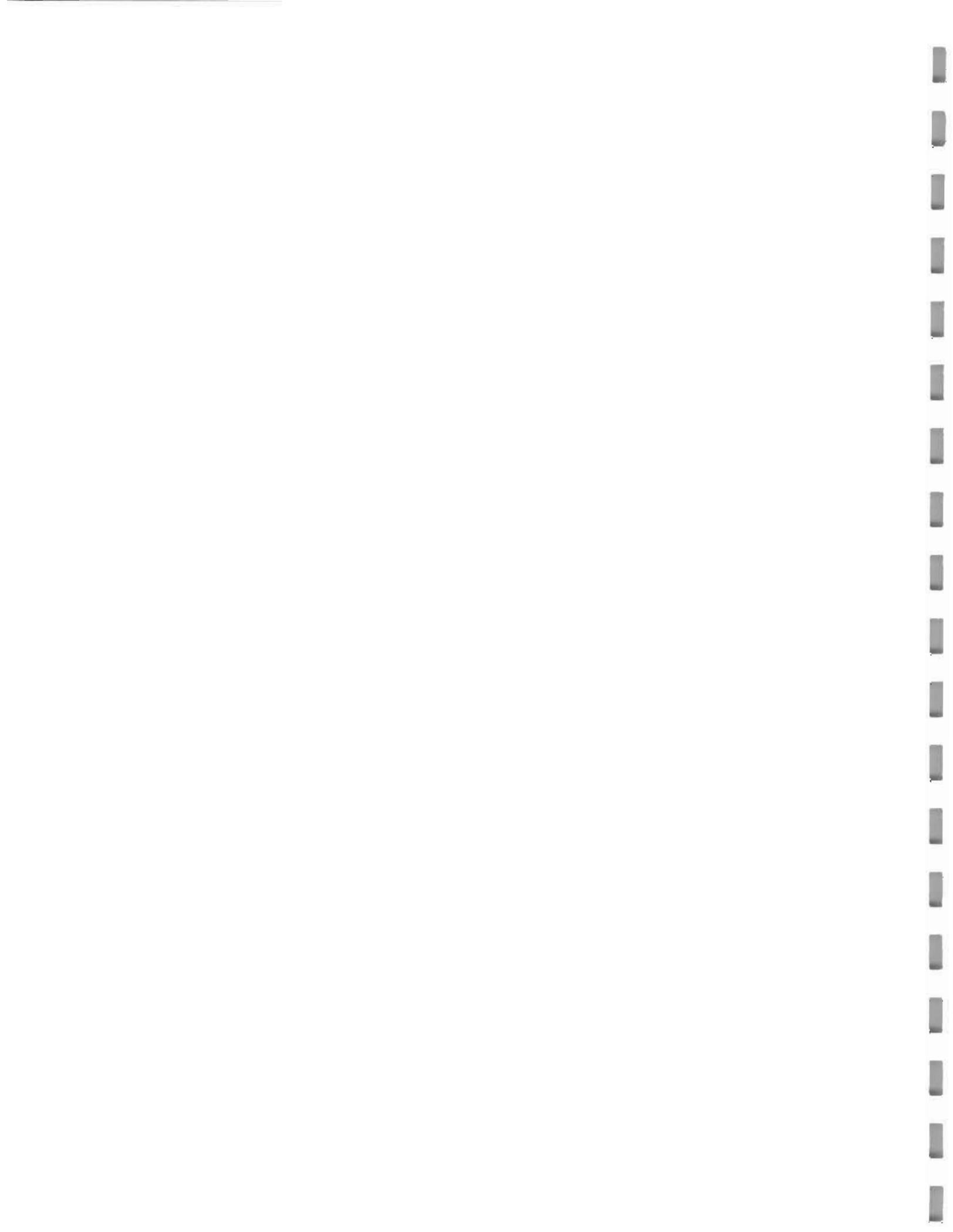




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NEWTON COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2013**



Newton County School District

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INDEPENDENT AUDITOR'S REPORT

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Stephen D. Myrick C.P.A., L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Newton County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Newton County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 39-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the Newton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

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



Stephen D. Myrick
Certified Public Accountants

November 25, 2013
Quitman, Mississippi

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Newton County School District

J.O. Amis - Superintendent

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NEWTON COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Newton County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$987,211, including a prior period adjustment of \$(67,909), which represents a 5% decrease from fiscal year 2012. Total net position for 2012 increased \$136,705, which represents an 1% increase from fiscal year 2011.
- General revenues amounted to \$10,940,308 and \$11,154,152, or 73% and 70% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,048,398 or 27% of total revenues for 2013, and \$4,762,509, or 30% of total revenues for 2012.
- The District had \$15,908,008 and \$15,779,956 in expenses for fiscal years 2013 and 2012; only \$4,048,398 for 2013 and \$4,762,509 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,940,308 for 2013 were not adequate to provide for these programs. General revenues of \$11,154,152 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,845,000 in revenues and \$12,379,450 in expenditures for 2013, and \$11,800,567 in revenues and \$11,597,005 in expenditures in 2012. The General Fund's fund balance decreased by \$930,813 from 2012 to 2013, and decreased by \$210,085 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$412,325 for 2013 and decreased by \$329,457 for 2012. The decrease for 2013 was due to the net decrease produced from current year additions coupled with the increase in accumulated depreciation as well as the removal of construction in progress for a project that was cancelled.
- Long-term debt decreased by \$240,000 for 2013 and decreased by \$255,000 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$5,078 for 2013 and increased by \$14,824 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$17,107,990 as of June 30, 2013.

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 5,694,286	\$ 6,457,605	-12%
Restricted assets	24,387	24,504	0%
Capital assets, net	11,896,366	12,308,691	-3%
Total assets	<u>17,615,039</u>	<u>18,790,800</u>	-6%
Current liabilities	346,026	403,664	-14%
Long-term debt outstanding	161,023	291,935	-45%
Total liabilities	<u>507,049</u>	<u>695,599</u>	-27%
Net position:			
Net investment in capital assets	11,771,366	11,951,368	-2%
Restricted	2,495,556	2,458,906	1%
Unrestricted	2,841,068	3,684,927	-23%
Total net position	<u>\$ 17,107,990</u>	<u>\$ 18,095,201</u>	-5%

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

- Decrease in current assets in the amount of \$763,319.
- Decrease in net capital assets in the amount of \$412,325.
- The principal retirement of \$240,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$14,988,706 and \$15,916,661 respectively. The total cost of all programs and services was \$15,908,008 for 2013 and \$15,779,956 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,741,256	\$ 1,690,564	3%
Operating grants and contributions	2,160,053	2,906,519	-26%
Capital grants and contributions	147,089	165,426	-11%
General revenues:			
Property taxes	1,990,454	1,947,265	2%
Grants and contributions not restricted	8,894,688	8,826,558	1%
Investment earnings	5,815	20,809	-72%
Sixteenth section sources	46,475	283,832	-84%
Other	2,876	75,688	-96%
Total revenues	<u>14,988,706</u>	<u>15,916,661</u>	-6%
Expenses:			
Instruction	9,491,465	9,640,545	-2%
Support services	5,241,093	4,878,831	7%
Non-instructional	1,123,662	1,108,940	1%
Sixteenth section	41,558	129,666	-68%
Interest on long-term liabilities	10,230	21,974	-53%
Total expenses	<u>15,908,008</u>	<u>15,779,956</u>	1%
Increase (Decrease) in net position	<u>(919,302)</u>	<u>136,705</u>	-772%
Net Position, July 1, as previously reported	<u>18,095,201</u>	<u>17,958,496</u>	1%
Prior Period Adjustment	<u>(67,909)</u>	<u>-</u>	N/A
Net Position, July 1, as restated	<u>18,027,292</u>	<u>17,958,496</u>	0%
Net Position, June 30	<u><u>\$ 17,107,990</u></u>	<u><u>\$ 18,095,201</u></u>	-5%

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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Instruction	\$ 9,491,465	\$ 9,640,545	-2%
Support services	5,241,093	4,878,831	7%
Non-instructional	1,123,662	1,108,940	1%
Sixteenth section	41,558	129,666	-68%
Interest on long-term liabilities	10,230	21,974	-53%
Total expenses	\$ 15,908,008	\$ 15,779,956	1%

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Instruction	\$ (7,096,901)	\$ (7,033,437)	1%
Support services	(4,664,611)	(3,739,502)	25%
Non-instructional	(200,842)	(269,056)	-25%
Sixteenth section	112,974	46,522	143%
Interest on long-term liabilities	(10,230)	(21,974)	-53%
Total net (expense) revenue	\$ (11,859,610)	\$ (11,017,447)	8%

- Net cost of governmental activities (\$11,859,610 for 2013 and \$11,017,447 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$1,990,454 for 2013 and \$1,947,265 for 2012) and state and federal revenues (\$8,894,688 for 2013 and \$8,826,558 for 2012). In addition, there was \$46,475 and \$283,832 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$5,815 for 2013 and \$20,809 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,503,700, a decrease of \$806,577, which includes an increase in inventory of \$5,655. \$2,997,758 or 54% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,505,942 or 46% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$930,813. The fund balance of Other Governmental Funds showed a decrease in the amount of \$87,732. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ 63,017
16th Section Interest	\$ 148,951

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.

- The federal sources revenue negative variance is due to \$39,375 in E-Rate revenue was not received from Trillion, but an additional \$1,976.67 was received from AT&T. An additional \$3,781 in TVA payments was received over the budgeted amount. Also, \$7,000 in Educable Child Funding was received in Fund 1130 that was not budgeted.
- The variance in instruction expenditures is due to \$25,521 of computers and other equipment not budgeted in Fund 1120 that was purchased at the high school. Payment of substitute teachers in Fund 1120 exceeded the budget by \$46,396. Expenditures for high school athletic activities in Fund 1153 were \$54,948 more than the budgeted amount. Special Education salaries and benefits in Fund 1130 was \$50,472 more than what was originally budgeted. This was due in part to the reclassification of a teacher from high school instruction to special education instruction. Chorus expenditures in Fund 1154 were \$23,870 greater than the budgeted amount.
- The variance in support services expenditures is due to \$80,065 spent for a bus purchase that was not budgeted. There was \$27,753 spent over the budgeted amount for Professional Development Dues & Fees. An increase in salary resulted in \$3,792 of fiscal services salaries and benefits above what was budgeted. Building maintenance salaries and benefits were \$8,405 more than the budgeted amount due to payment of employees for floor stripping and waxing. The amount spent on building and maintenance supplies exceeded the budgeted amount by \$29,154. Maintenance fuel expenditures were \$5,435 more than the original budgeted amounts. Increase in personnel resulted in \$20,565 of additional salaries and benefits being paid to Ground Maintenance employees. Total security services expenditures increased by \$13,311, due to adding a position during the year, and paying for subsequent training and travel.
- The variance in non-instructional expenditures is due to \$4,174 more spent for student activity resale items than was budgeted. There was a \$1,463 repayment to MDE due to overpayment of master teacher reimbursement. \$2,726 was paid to Enterprise School District for their share of local revenue for Newton County School District students attending their school. A scholarship payment of \$300 was paid out of Ms Power Grant funding in Fund 1120 that was not budgeted. Also, \$2,590 was spent on supplies and equipment for the district PBS Program out of Fund 1120.
- The operating transfer in variance is comprised of \$295,000 budgeted transfer to Fund 1120 from Fund 2841 16th Section that was not made, a transfer of \$28,536 administrative costs from Fund 1140 to Fund 1120 that wasn't made, and \$1,285 in budgeted indirect cost that was not transferred from Fund 2610. However, additional amounts over the original budgeted amounts made to Fund 1130 and Fund 1140 in the amount of \$50,975 and \$30,000, and Fund 1145 for \$2,292 and Fund 1120 for \$565 transfer of interest. Also, Fund 1151 received \$18 more than budgeted from Fund 1130. Transfers of \$10,668 and \$4,564 were received in Funds 1153 and 1154 for repayment of a prior year loan that was not budgeted.
- For the operating transfer out variance, Fund 1120 transferred an additional \$30,000 to Fund 1140, \$2,292 to Fund 1145, \$50,975 to Fund 1130, \$4,816 to Fund 2820, \$2,026 to Fund 4091 and a non-budgeted transfer of \$7,786 to Fund 2090. Also, non-budgeted transfers of \$10,668 from Fund 1154 and \$4,564 from Fund 1153 were made to repay prior year loans, and an additional \$18 was transferred from Fund 1130 to Fund 1151. \$28,536 budgeted transfer for Administrative Costs from Fund 1140 was not made, and \$22,879 was not transferred from Fund 1120 to Fund 2711.
- Local source revenue for breakfast/lunch meals was \$52,328 less than was budgeted due primarily to lower than anticipated participation at the high school. Interest received on deposits was \$305 less than budgeted. Special Function Revenue and Prior Year expenditures exceeded the budgeted amount by \$693.
- Federal source revenue was more than budgeted due to higher than anticipated meal reimbursements. \$17,175 more than budgeted was received for breakfast and \$30,294 for lunch. The Donated Commodities was \$8,987 less than budgeted.
- The majority of the positive variance for non-instructional expenditures total of \$72,431 is comprised

primarily of \$65,197 less spent on food purchases. Other positive budget variances that are included in this total are \$3,000 budgeted for travel not spent, \$3,390 budgeted for dues & fees not spent, and \$629 less than what was budgeted spent on commodities freight.

- The main component of the negative revenue variance is less timber sale revenue received than was originally budgeted. Of the \$267,750 budgeted for timber sales, only \$120,238 was actually received during the year. This accounts for \$147,512 of the total variance.
- The total sixteenth section interest expenditures were more than was budgeted due in large part to additional timber sale revenue on shared sections that had to be allocated to other school districts. The timber sale revenue was originally budgeted in a non-shared section, but the timber sales that actually occurred required that the revenue be shared with the other districts.
- The \$295,000 positive variance for other financing sources is a result of a budgeted transfer to the District Maintenance Fund 1120 that was not made.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$19,434,567, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$82,003 from 2012. Total accumulated depreciation as of June 30, 2013, was \$7,538,201, and total depreciation expense for the year was \$520,486, resulting in total net capital assets of \$11,896,366.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 212,862	\$ 192,862	10%
Construction in Progress	-	67,909	-100%
Buildings	9,872,884	10,166,027	-3%
Building improvements	171,700	181,800	-6%
Improvements other than buildings	716,579	777,110	-8%
Mobile equipment	848,375	814,760	4%
Furniture and equipment	73,966	108,223	-32%
Total	<u>\$ 11,896,366</u>	<u>\$ 12,308,691</u>	-3%

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

Debt Administration. At June 30, 2013, the District had \$292,076 in outstanding long-term debt, of which \$131,053 is due within one year. The liability for compensated absences decreased \$5,078 from the prior year.

The District does not have a bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 125,000	\$ 365,000	-66%
Compensated absences payable	167,076	172,154	-3%
Total	<u>\$ 292,076</u>	<u>\$ 537,154</u>	-46%

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

CURRENT ISSUES

The District is currently financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2012-2013 year decreased by 0% to 1,813 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Newton County School District, P. O. Box 97, Decatur, MS 39327.

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FINANCIAL STATEMENTS

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Newton County School District
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 5,165,588
Due from other governments	479,929
Other receivables, net	30,877
Inventories	17,892
Restricted assets	24,387
Capital assets, non-depreciable:	
Land	212,862
Capital assets, net of accumulated depreciation:	
Buildings	9,872,884
Building improvements	171,700
Improvements other than buildings	716,579
Mobile equipment	848,375
Furniture and equipment	73,966
	17,615,039
Total Assets	17,615,039
Liabilities:	
Accounts payable and accrued liabilities	214,973
Long-term liabilities, due within one year:	
Capital related liabilities	125,000
Non-capital related liabilities	6,053
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	161,023
	507,049
Total Liabilities	507,049
Net Position:	
Net investment in capital assets	11,771,366
Restricted for:	
Expendable:	
School-based activities	2,330,116
Forestry improvements	93,557
Unemployment benefits	47,686
Non-expendable:	
Sixteenth section	24,197
Unrestricted	2,841,068
	11,771,366
Total Net Position	\$ 17,107,990

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

Exhibit B

**NEWTON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 9,491,465	\$ 1,303,313	\$ 994,718	\$ 96,533	\$ (7,096,901)
Support services	5,241,093	-	541,233	35,249	(4,664,611)
Non-instructional	1,123,662	283,411	624,102	15,307	(200,842)
Sixteenth section	41,558	154,532	-	-	112,974
Interest on long-term liabilities	10,230	-	-	-	(10,230)
Total Governmental Activities	\$ 15,908,008	\$ 1,741,256	\$ 2,160,053	\$ 147,089	(11,859,610)
General Revenues:					
Taxes:					
General purpose levies					
1,990,454					
Unrestricted grants and contributions:					
State					
8,871,805					
Federal					
22,883					
Unrestricted investment earnings					
5,815					
Sixteenth section sources					
46,475					
Other					
2,876					
Total General Revenues					
10,940,308					
Change in Net Position					
(919,302)					
Net Position - Beginning, as previously reported					
18,095,201					
Prior Period Adjustments					
(67,909)					
Net Position - Beginning, as restated					
18,027,292					
Net Position - Ending					
\$ 17,107,990					

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

Newton County School District
Balance Sheet - Governmental Funds
June 30, 2013

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Child Nutrition Fund	16th Section Interest		
ASSETS					
Cash and cash equivalents	\$ 2,680,693	\$ 301,703	\$ 1,957,605	\$ 243,215	\$ 5,183,216
Investments	-	-	-	6,759	6,759
Due from other governments	141,289	-	-	338,640	479,929
Other receivables, net	22,085	127	-	-	22,212
Due from other funds	340,782	73	191	187	341,233
Inventories	-	17,892	-	-	17,892
Total Assets	<u>\$ 3,184,849</u>	<u>\$ 319,795</u>	<u>\$ 1,957,796</u>	<u>\$ 588,801</u>	<u>\$ 6,051,241</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 132,407	\$ 690	\$ 42,384	\$ 39,492	\$ 214,973
Due to other funds	214	33,039	-	299,315	332,568
Total Liabilities	<u>132,621</u>	<u>33,729</u>	<u>42,384</u>	<u>338,807</u>	<u>547,541</u>
Fund Balances:					
Nonspendable:					
Inventory	-	17,892	-	-	17,892
Permanent fund principal	-	-	-	24,197	24,197
Restricted:					
Forestry improvement purposes	-	-	-	93,557	93,557
Unemployment benefits	-	-	-	47,686	47,686
Sixteenth section	-	-	1,915,412	-	1,915,412
Other purposes	20,297	268,174	-	84,554	373,025
Assigned:					
Alternative school consortium	23,787	-	-	-	23,787
Vocational school consortium	10,386	-	-	-	10,386
Unassigned					
	<u>2,997,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,997,758</u>
Total Fund Balances	<u>3,052,228</u>	<u>286,066</u>	<u>1,915,412</u>	<u>249,994</u>	<u>5,503,700</u>
Total Liabilities and Fund Balances	<u>\$ 3,184,849</u>	<u>\$ 319,795</u>	<u>\$ 1,957,796</u>	<u>\$ 588,801</u>	<u>\$ 6,051,241</u>

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

**Newton County School District
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Total fund balances for governmental funds \$ 5,503,700

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

1.	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
	Land	\$ 212,862	
	Buildings	14,663,003	
	Building improvements	252,500	
	Improvements other than buildings	1,513,283	
	Mobile equipment	2,266,779	
	Furniture and equipment	526,140	
	Accumulated depreciation	<u>(7,538,201)</u>	11,896,366
2.	Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
	General obligation bonds	(125,000)	
	Compensated absences	<u>(167,076)</u>	<u>(292,076)</u>
	Net position of governmental activities		<u><u>\$ 17,107,990</u></u>

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

Newton County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Child Nutrition Fund	16th Section Interest		
Revenues:					
Local sources	\$ 2,958,982	\$ 283,436	\$ -	\$ 364,784	\$ 3,607,202
State sources	8,863,135	9,392	-	306,415	9,178,942
Federal sources	22,883	704,482	-	1,273,488	2,000,853
Sixteenth section sources	-	-	166,549	34,458	201,007
Total Revenues	<u>11,845,000</u>	<u>997,310</u>	<u>166,549</u>	<u>1,979,145</u>	<u>14,988,004</u>
Expenditures:					
Instruction	7,886,523	-	-	1,293,558	9,180,081
Support services	4,302,614	102,031	-	846,492	5,251,137
Noninstructional services	169,953	837,917	-	49,699	1,057,569
Sixteenth section	-	-	17,789	23,769	41,558
Facilities acquisition and construction	20,360	-	-	-	20,360
Debt service:					
Principal	-	-	-	240,000	240,000
Interest	-	-	-	10,230	10,230
Other	-	-	-	3,200	3,200
Total Expenditures	<u>12,379,450</u>	<u>939,948</u>	<u>17,789</u>	<u>2,466,948</u>	<u>15,804,135</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(534,450)</u>	<u>57,362</u>	<u>148,760</u>	<u>(487,803)</u>	<u>(816,131)</u>
Other Financing Sources (Uses):					
Insurance recovery	167	-	-	-	167
Operating transfers in	7,531	-	191	407,793	415,515
Operating transfers out	(407,793)	-	-	(7,722)	(415,515)
Other financing sources	3,732	-	-	-	3,732
Total Other Financing Sources (Uses)	<u>(396,363)</u>	<u>-</u>	<u>191</u>	<u>400,071</u>	<u>3,899</u>
Net Change in Fund Balances	(930,813)	57,362	148,951	(87,732)	(812,232)
Fund Balances:					
July 1, 2012	3,983,041	223,049	1,766,461	337,726	6,310,277
Increase in reserve for inventory	-	5,655	-	-	5,655
June 30, 2013	<u>\$ 3,052,228</u>	<u>\$ 286,066</u>	<u>\$ 1,915,412</u>	<u>\$ 249,994</u>	<u>\$ 5,503,700</u>

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

NEWTON COUNTY 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, 2013

Net change in fund balances - total governmental funds **\$ (812,232)**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 176,865	
	Depreciation expense	<u>(520,486)</u>	(343,621)
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(795)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal		240,000
4.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	5,078	
	Change in inventory reserve	5,655	
	Amortization of deferred debt issuance costs	(5,710)	
	Amortization of unamortized charges	<u>(7,677)</u>	<u>(2,654)</u>
	Change in net position of governmental activities		<u><u>\$ (919,302)</u></u>

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

Exhibit E

Newton County School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	Private-Purpose Trust Fund	Agency Funds
Assets:		
Cash and cash equivalents	\$ 633	\$ 668,661
Due from other funds	-	214
Other receivables, net	-	528
Total Assets	<u>633</u>	<u>\$ 669,403</u>
Liabilities:		
Accounts payable and accrued liabilities	-	\$ 629,447
Due to other funds	-	8,879
Due to student clubs	-	31,077
Total Liabilities	<u>-</u>	<u>\$ 669,403</u>
Net position		
Reserved for endowments	633	
Total Net Position	<u>\$ 633</u>	

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

Exhibit F

Newton County School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	Private-Purpose Trust Fund
Additions	
Interest on investments	\$ 1
Total Additions	<u>1</u>
Deductions	
Scholarships awarded	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	<u>1</u>
Net Position	
July 1, 2012	632
June 30, 2013	<u>\$ 633</u>

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the year ended June 30, 2013

The school district reports the following major governmental funds:

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

Child Nutrition Fund - This special revenue fund accounts for the school district's revenues and expenditures associated with providing students of the district with breakfast and lunch.

Sixteenth Section Interest - This special revenue fund is used to account for expendable revenue earned from sixteenth section lands as well as the related earnings from the investment of nonexpendable revenues.

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 school district also reports fiduciary funds which focus on net position and changes in net position.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the year ended June 30, 2013

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the year ended June 30, 2013

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. **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 cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

9. **Fund Balances**

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the year ended June 30, 2013

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents 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.

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

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 \$5,189,975 (which includes \$6,759 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$669,294, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$6,341,386 was exposed to custodial credit risk.

Investments

As of June 30, 2013, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificate of Deposit	Not Rated	5 years	<u>\$ 6,759</u>
Total investments			<u><u>\$ 6,759</u></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. As of June 30, 2013, the district did not have any investments to which this would apply.

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificate of deposit - Great Southern National Bank	\$ 6,759	100%
Total	<u>\$ 6,759</u>	

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Child Nutrition Fund	\$ 33,039
	Other Governmental Funds	299,124
	Fiduciary Funds	8,619
Child Nutrition Fund	Fiduciary Funds	73
	Sixteenth Section Interest	191
Other Governmental Funds	Fiduciary Funds	187
Fiduciary Funds	General Fund	214
Total		<u>\$ 341,447</u>

The purpose of the above loans represent the recording of indirect costs from federal grants, loans for working capital, reimbursement of utilities paid by general fund and interest earned in agency funds that will be transferred to the General Fund.

B. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 407,793
Other Governmental Funds	General Fund	7,531
	16th Section Interest	191
Total		<u>\$ 415,515</u>

The principal purpose of inter-fund transfers was to provide operating funds to other governmental funds from the General Fund, to pay indirect costs of federal grants to the General Fund, transfer unrestricted earnings from the 16th Section Interest Fund to the General Fund for operating purposes and to transfer unrestricted investment earnings on 16th Section Principal funds to the 16th Section Interest Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$17,628 and \$6,759, respectively of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 192,862	\$ 20,000	\$ -	\$ -	\$ 212,862
Construction-in-progress	67,909	-	-	(67,909)	-
Total non-depreciable capital assets	260,771	20,000	-	(67,909)	212,862
Depreciable capital assets:					
Buildings	14,663,003	-	-	-	14,663,003
Building improvements	252,500	-	-	-	252,500
Improvements other than buildings	1,513,283	-	-	-	1,513,283
Mobile equipment	2,109,914	156,865	-	-	2,266,779
Furniture and equipment	553,093	-	26,953	-	526,140
Total depreciable capital assets	19,091,793	156,865	26,953	-	19,221,705
Less accumulated depreciation for:					
Buildings	4,496,976	293,143	-	-	4,790,119
Building improvements	70,700	10,100	-	-	80,800
Improvements other than buildings	736,173	60,531	-	-	796,704
Mobile equipment	1,295,154	123,251	-	(1)	1,418,404
Furniture and equipment	444,870	33,461	26,158	1	452,174
Total accumulated depreciation	7,043,873	520,486	26,158	-	7,538,201
Total depreciable capital assets, net	12,047,920	(363,621)	795	-	11,683,504
Governmental activities capital assets, net	\$ 12,308,691	\$ (343,621)	\$ 795	\$ (67,909)	\$ 11,896,366

Adjustments column represents the removal of architect and engineering fees that were classified as construction in progress in a prior year for a project that the District ultimately decided not to continue.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 316,458
Support services	132,716
Non-instructional	71,312
Total depreciation expense	\$ 520,486

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 365,000	\$ -	\$ 240,000	\$ 125,000	\$ 125,000
B. Compensated absences payable	172,154	6,922	12,000	167,076	6,053
Subtotal	537,154	6,922	252,000	292,076	131,053
C. Unamortized charges	(7,677)	-	(7,677)	-	-
Total	<u>\$ 529,477</u>	<u>\$ 6,922</u>	<u>\$ 244,323</u>	<u>\$ 292,076</u>	<u>\$ 131,053</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bond, refinancing 2002	Varies	9/1/2002	7/15/2013	\$ 2,140,000	\$ 125,000
Total				<u>\$ 2,140,000</u>	<u>\$ 125,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 125,000	\$ 2,625	\$ 127,625
Total	<u>\$ 125,000</u>	<u>\$ 2,625</u>	<u>\$ 127,625</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the school district did not have any outstanding bonded indebtedness outstanding that was subject to these limitations.

This debt will be retired from the 2002 G. O. Bond and EEF Building Funds.

B. Compensated absences payable

As more fully explained in Note 1(E)(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.

C. Unamortized Charges

Unamortized charges represent the unamortized difference between reacquisition price and the net carrying value of refunded debt by the school district in connection with the issuance of debt. Currently, these costs net of accumulated amortization are \$0.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the year ended June 30, 2013

Note 7 – Prior Year Defeasance of Debt

In prior years, the Newton County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$235,000 of bonds outstanding are defeased.

Note 8 – 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' 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$1,315,501, \$1,123,322, and \$1,037,413, respectively, which equaled the required contributions for each year.

Note 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 21,197
2015	18,598
2016	16,196
2017	15,081
2018	5,982
2019-2023	23,748
2024-2028	18,446
2029-2033	9,439
2034-2038	7,507
2039-2043	2,710
2044-2048	2,186
2049-2053	1,689
Total	<u>\$ 142,779</u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the year ended June 30, 2013

Note 10 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To remove construction in progress for a project that was cancelled.	\$ (67,909)
Total	\$ (67,909)

Note 11 - Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Alternative School Consortium

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

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

County School District, and Enterprise Public School District.

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

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the East Central Alternative School Consortium.

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

Revenues:

Local sources	
Tuition from other LEA's within the state:	
Scott County School District	\$ 188,622
Neshoba County School District	159,387
Newton Municipal School District	93,803
Enterprise School District	93,803
Forest Municipal School District	93,803
Philadelphia Public School District	93,803
Total tuition from other LEA's within the state	<u>723,221</u>
Interest	289
Other	786
Total local sources	<u>724,296</u>
Total Revenues	<u>724,296</u>

Expenditures:

Salaries	662,690
Employee benefits	202,877
Purchased property services	43,665
Other purchased services	1,782
Supplies	11,235
Property	83
Other	1,267
Total Expenditures	<u>923,599</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(199,303)</u>

Other Financing Sources/Uses:

Operating transfers in	128,415
Total Other Financing Sources/Uses	<u>128,415</u>
Net Change in Fund Balance	(70,888)
Fund Balance:	
July 1, 2012	94,675
June 30, 2013	<u>\$ 23,787</u>

Note 14 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 11, 1994 creating the Newton County/Union Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Newton County School District and Union Municipal School District.

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
For the year ended June 30, 2013**

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

The Newton County School District School District has been designated as the fiscal agent for the Newton County/Union Consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Newton County/Union Consortium.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

Revenues:	
Local sources	
Taxes	\$ 271,425
Tuition from other LEA's within the state:	
Union Municipal School District	32,577
Other local sources	<u>60,607</u>
Total local sources	364,609
State sources	240,204
Federal sources	<u>34,328</u>
Total Revenues	<u>639,141</u>
Expenditures:	
Salaries	599,994
Employee benefits	172,611
Purchased property services	39,257
Other purchased services	4,092
Supplies	29,902
Property	13,568
Other	<u>1,744</u>
Total Expenditures	<u>861,168</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(222,027)</u>
Other Financing Sources/Uses:	
Operating transfers in	<u>193,021</u>
Total Other Financing Sources/Uses	<u>193,021</u>
Net Change in Fund Balance	(29,006)
Fund Balance:	
July 1, 2012	<u>39,392</u>
June 30, 2013	<u>\$ 10,386</u>

Note 15 - Insurance loss recoveries

The district received \$167 in insurance loss recoveries related to property damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and charged to the support services expense function.

REQUIRED SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,950,897	\$ 2,956,833	\$ 2,958,982	\$ 5,936	\$ 2,149
State sources	8,866,729	8,863,135	8,863,135	(3,594)	-
Federal sources	49,500	22,883	22,883	(26,617)	-
Total Revenues	<u>11,867,126</u>	<u>11,842,851</u>	<u>11,845,000</u>	<u>(24,275)</u>	<u>2,149</u>
Expenditures:					
Instruction	7,697,670	7,885,996	7,886,523	(188,326)	(527)
Support services	4,488,780	4,302,613	4,302,614	186,167	(1)
Noninstructional services	156,741	169,952	169,953	(13,211)	(1)
Facilities acquisition & construction	20,000	20,360	20,360	(360)	-
Total Expenditures	<u>12,363,191</u>	<u>12,378,921</u>	<u>12,379,450</u>	<u>(15,730)</u>	<u>(529)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(496,065)</u>	<u>(536,070)</u>	<u>(534,450)</u>	<u>(40,005)</u>	<u>1,620</u>
Other Financing Sources (Uses):					
Insurance recovery	-	167	167	167	-
Operating transfers in	1,613,021	1,387,281	7,531	(225,740)	(1,379,750)
Operating transfers out	(1,725,250)	(1,786,979)	(407,793)	(61,729)	1,379,186
Other financing sources	3,500	3,167	3,732	(333)	565
Total Other Financing Sources (Uses)	<u>(108,729)</u>	<u>(396,364)</u>	<u>(396,363)</u>	<u>(287,635)</u>	<u>1</u>
Net Change in Fund Balances	<u>(604,794)</u>	<u>(932,434)</u>	<u>(930,813)</u>	<u>(327,640)</u>	<u>1,621</u>
Fund Balances:					
July 1, 2012	3,495,541	3,983,041	3,983,041	487,500	-
June 30, 2013	<u>\$ 2,890,747</u>	<u>\$ 3,050,607</u>	<u>\$ 3,052,228</u>	<u>\$ 159,860</u>	<u>\$ 1,621</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Child Nutrition Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 335,350	\$ 283,410	\$ 283,436	\$ (51,940)	\$ 26
State sources	10,000	9,392	9,392	(608)	-
Federal sources	666,000	704,482	704,482	38,482	-
Total Revenues	<u>1,011,350</u>	<u>997,284</u>	<u>997,310</u>	<u>(14,066)</u>	<u>26</u>
Expenditures:					
Support services	95,207	102,031	102,031	(6,824)	-
Noninstructional services	910,348	837,917	837,917	72,431	-
Total Expenditures	<u>1,005,555</u>	<u>939,948</u>	<u>939,948</u>	<u>65,607</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,795</u>	<u>57,336</u>	<u>57,362</u>	<u>51,541</u>	<u>26</u>
Net Change in Fund Balances	5,795	57,336	57,362	51,541	26
Fund Balances:					
July 1, 2012	223,049	223,049	223,049	-	-
Increase in Inventory	5,655	5,655	5,655	-	-
June 30, 2013	<u>\$ 234,499</u>	<u>\$ 286,040</u>	<u>\$ 286,066</u>	<u>\$ 51,541</u>	<u>\$ 26</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 315,750	\$ 166,549	\$ 166,549	\$ (149,201)	\$ -
Total Revenues	<u>315,750</u>	<u>166,549</u>	<u>166,549</u>	<u>(149,201)</u>	<u>-</u>
Expenditures:					
Sixteenth section	6,370	17,789	17,789	(11,419)	-
Total Expenditures	<u>6,370</u>	<u>17,789</u>	<u>17,789</u>	<u>(11,419)</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>309,380</u>	<u>148,760</u>	<u>148,760</u>	<u>(160,620)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	300	191	191	(109)	-
Other financing sources	<u>(295,000)</u>	<u>-</u>	<u>-</u>	<u>295,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(294,700)</u>	<u>191</u>	<u>191</u>	<u>294,891</u>	<u>-</u>
Net Change in Fund Balances	14,680	148,951	148,951	134,271	-
Fund Balances:					
July 1, 2012	<u>(3,820)</u>	<u>1,765,962</u>	<u>1,766,461</u>	<u>(1,769,782)</u>	<u>499</u>
June 30, 2013	<u>\$ 10,860</u>	<u>\$ 1,914,913</u>	<u>\$ 1,915,412</u>	<u>\$ 1,904,053</u>	<u>\$ 499</u>

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

NEWTON COUNTY SCHOOL DISTRICT

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2013**

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.

SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 167,175
National school lunch program	10.555	537,307
Total child nutrition cluster		<u>704,482</u>
Total passed-through Mississippi Department of Education		<u>704,482</u>
Total U.S. Department of Agriculture		<u>704,482</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	7,602
Total Federal Communications Commission		<u>7,602</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	568,610
Career and technical education - basic grants to states	84.048	34,328
Rural education	84.358	76,056
Improving teacher quality-State Grants	84.367	97,079
Subtotal		<u>776,073</u>
Special education cluster:		
Special education - grants to states	84.027	452,047
Special education - preschool grants	84.173	45,368
Total special education cluster		<u>497,415</u>
Total passed-through Mississippi Department of Education		<u>1,273,488</u>
Total U.S. Department of Education		<u>1,273,488</u>
Total for All Federal Awards		<u>\$ 1,985,572</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 County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 12,323,165	10,712,077	429,895	785,257	395,936
Other	<u>3,480,970</u>	<u>2,318,783</u>	<u>104,508</u>	<u>80,003</u>	<u>977,676</u>
Total	<u>\$ 15,804,135</u>	<u>13,030,860</u>	<u>534,403</u>	<u>865,260</u>	<u>1,373,612</u>
Total number of students	* <u>1,813</u>				
Cost per student	<u>\$ 8,717</u>	<u>7,187</u>	<u>295</u>	<u>477</u>	<u>758</u>

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

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

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

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

Other – includes all expenditure functions not included in Instruction or Administration categories.

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

OTHER INFORMATION

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Newton County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
Unaudited

	<u>2013</u>	<u>2012</u> *	<u>2011</u> *	<u>2010</u> *
Revenues:				
Local sources	\$ 2,958,982	\$ 2,861,801	\$ 2,943,571	\$ 2,964,934
State sources	8,863,135	8,890,400	8,492,834	8,708,265
Federal sources	22,883	48,366	48,069	54,907
Total Revenues	<u>11,845,000</u>	<u>11,800,567</u>	<u>11,484,474</u>	<u>11,728,106</u>
Expenditures:				
Instruction	7,886,523	7,290,984	6,877,364	6,892,044
Support services	4,302,614	4,161,424	3,833,201	4,127,121
Noninstructional services	169,953	139,552	145,915	145,078
Facilities acquisition and construction	20,360	5,045	-	-
Total Expenditures	<u>12,379,450</u>	<u>11,597,005</u>	<u>10,856,480</u>	<u>11,164,243</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(534,450)</u>	<u>203,562</u>	<u>627,994</u>	<u>563,863</u>
Other Financing Sources (Uses):				
Insurance recovery	167	5,515	9,329	-
Sale of other property	-	-	38,607	-
Operating transfers in	7,531	8,899	95,534	150,093
Operating transfers out	(407,793)	(428,061)	(423,846)	(729,595)
Other financing sources	3,732	-	-	-
Total Other Financing Sources (Uses)	<u>(396,363)</u>	<u>(413,647)</u>	<u>(280,376)</u>	<u>(579,502)</u>
Net Change in Fund Balances	(930,813)	(210,085)	347,618	(15,639)
Fund Balances:				
Beginning of period	3,983,041	4,193,126	3,845,508	3,861,159
End of period	<u>\$ 3,052,228</u>	<u>\$ 3,983,041</u>	<u>\$ 4,193,126</u>	<u>\$ 3,845,520</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

Newton County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
Unaudited

	<u>2013</u>	<u>2012</u> *	<u>2011</u> *	<u>2010</u> *
Revenues:				
Local sources	\$ 3,607,202	\$ 3,557,320	\$ 3,654,645	\$ 3,666,257
State sources	9,178,942	9,361,653	8,808,212	8,998,472
Federal sources	2,000,853	2,536,850	2,812,372	2,644,457
Sixteenth section sources	201,007	460,327	416,779	505,239
Total Revenues	<u>14,988,004</u>	<u>15,916,150</u>	<u>15,692,008</u>	<u>15,814,425</u>
Expenditures:				
Instruction	9,180,081	9,136,419	8,639,059	8,763,497
Support services	5,251,137	5,097,073	4,954,130	5,032,675
Noninstructional services	1,057,569	1,020,096	1,047,426	1,167,333
Sixteenth section	41,558	129,666	124,733	80,511
Facilities acquisition and construction	20,360	5,045	-	82,075
Debt service:				
Principal	240,000	255,000	235,000	230,000
Interest	10,230	20,374	30,238	39,250
Other	3,200	1,600	1,600	1,600
Total Expenditures	<u>15,804,135</u>	<u>15,665,273</u>	<u>15,032,186</u>	<u>15,396,941</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(816,131)</u>	<u>250,877</u>	<u>659,822</u>	<u>417,484</u>
Other Financing Sources (Uses):				
Insurance recovery	167	5,515	9,329	-
Sale of other property	-	-	38,607	-
Operating transfers in	415,515	437,267	519,730	880,219
Operating transfers out	(415,515)	(437,267)	(519,730)	(880,219)
Other financing sources	3,732	511	11	-
Other financing uses	-	-	(190)	-
Total Other Financing Sources (Uses)	<u>3,899</u>	<u>6,026</u>	<u>47,757</u>	<u>-</u>
Net Change in Fund Balances	(812,232)	256,903	707,579	417,484
Fund Balances:				
Beginning of period	6,310,277	6,070,905	5,361,945	4,946,359
Increase (Decrease) in reserve for inventory	5,655	(17,531)	1,381	(1,886)
End of period	<u>\$ 5,503,700</u>	<u>\$ 6,310,277</u>	<u>\$ 6,070,905</u>	<u>\$ 5,361,957</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Newton County School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Newton County School District's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the Newton County School District in a separate letter dated November 25, 2013.

Purpose of this Report

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



Stephen D. Myrick
Certified Public Accountants

November 25, 2013
Quitman, Mississippi

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

Superintendent and School Board
Newton County School District

Report on Compliance for Each Major Federal Program

We have audited Newton County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Newton County School District's major federal programs for the year ended June 30, 2013. Newton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Newton County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Newton County 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, 2013.

Report on Internal Control Over Compliance

Management of Newton County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Newton County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Newton County School District's internal control over compliance.

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

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

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



Stephen D. Myrick
Certified Public Accountants

November 25, 2013
Quitman, Mississippi

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

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

Superintendent and School Board
Newton County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2013, which collectively comprise Newton County School District's basic financial statements and have issued our report thereon dated November 25, 2013. 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 \$20,328 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:

1. Finding

As stated in prior years, Section 29-3-57, Miss. Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulates that upon a 60 day

default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present.

As a result of our test of sixteenth section leases, we observed five instances where sixteenth section leases were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code. Ann. (1972). Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of sixteenth section lands and forfeiture of the related interest income.

Recommendation

We recommend that the district comply with Section 29-3-57, Miss. Code Ann. (1972), when leases are in default for more than 60 days from the due date by declaring the lease terminated unless the board finds extenuating circumstances are present and documents those circumstances in the board minutes.

School District's Response

The district will review all sixteenth section leases to ensure that they are not more than 60 days in default. Any leases that are in default 60 or more days will be brought before the school board so that action may be taken.

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 County 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Stephen D. Myrick
Certified Public Accountants

November 25, 2013
Quitman, Mississippi

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NEWTON COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | | Special Education cluster: |
| | 84.027 | Special Education – grants to states |
| | 84.173 | Special Education – preschool grants |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

