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**NEWTON COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2020**



# 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, 2020, 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-14, 47-49, 50, 51, 52, and 53, respectively, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newton County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton County School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.  
Certified Public Accountants  
Quitman, Mississippi  
December 15, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**NEWTON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. 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 2020 decreased \$579,227 including a prior period adjustment of \$(59,022), which represents a 7% decrease from fiscal year 2019. Total net position for 2019 decreased \$1,081,495, which represents a 16% decrease from fiscal year 2018.
- General revenues amounted to \$13,127,467 and \$12,569,467, or 75% and 75% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,409,319 or 25% of total revenues for 2020, and \$4,301,568, or 25% of total revenues for 2019.
- The District had \$18,056,991 and \$17,952,530 in expenses for fiscal years 2020 and 2019; only \$4,409,319 for 2020 and \$4,301,568 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,127,467 for 2020 were not adequate to provide for these programs. However, general revenues of \$12,569,467 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,473,492 in revenues and \$13,765,462 in expenditures for 2020, and \$13,750,399 in revenues and \$12,951,295 in expenditures in 2019. The General Fund's fund balance increased by \$430,075 from 2019 to 2020, and increased by \$216,221 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, increased by \$1,238,835 for 2020 and decreased by \$402,739 for 2019. The increase for 2020 was due to current year additions coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$190,627 for 2020 and increased by \$2,232,955 for 2019. This increase for 2020 was due primarily to the issuance of capital leases and principal payments on outstanding long-term debt. The liability for compensated absences increased by \$18,862 for 2020 and decreased by \$3,810 for 2019.

**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, deferred outflows, liabilities, and deferred inflows, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

## **Fund Financial Statements**

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

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,574,542 as of June 30, 2020.

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, 2020 and June 30, 2019.

**Table 1**  
**Condensed Statement of Net Position**

	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>Percentage Change</b>
Current assets	\$ 4,994,796	\$ 4,783,724	4%
Restricted assets	895,197	2,287,347	(61)%
Capital assets, net	14,409,594	13,170,759	9%
<b>Total assets</b>	<b>20,299,587</b>	<b>20,241,830</b>	<b>0%</b>
 <b>Deferred outflows of resources</b>	 <b>2,446,459</b>	 <b>3,245,588</b>	 <b>(25)%</b>
 Current liabilities	 90,227	 165,517	 (45)%
Long-term debt outstanding	2,680,376	2,470,887	8%
Net OPEB liability	1,576,138	1,419,956	11%
Net pension liability	25,895,383	25,247,688	3%
<b>Total liabilities</b>	<b>30,242,124</b>	<b>29,304,048</b>	<b>3%</b>
 <b>Deferred inflows of resources</b>	 <b>1,078,464</b>	 <b>2,178,685</b>	 <b>(50)%</b>
 <b>Net position:</b>			
Net investment in capital assets	11,918,967	10,870,759	10%
Restricted	1,612,145	3,148,008	(49)%
Unrestricted	(22,105,654)	(22,014,082)	0%
<b>Total net position (deficit)</b>	<b>\$ (8,574,542)</b>	<b>\$ (7,995,315)</b>	<b>(7)%</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (22,105,654)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	26,103,526
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,997,872</u>

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

- Increase in net capital assets in the amount of \$1,238,835.
- The principal retirement of \$150,173 of long-term debt.
- Issuance of \$340,800 of capital leases

#### **Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$17,536,786 and \$16,871,035, respectively. The total cost of all programs and services was \$18,056,991 for 2020 and \$17,952,530 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 2**  
**Changes in Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,544,167	\$ 1,629,842	(5)%
Operating grants and contributions	2,741,081	2,671,726	3%
Capital grants and contributions	124,071	-	N/A
General revenues:			
Property taxes	3,316,040	3,006,062	10%
Grants and contributions not restricted	9,375,946	9,108,050	3%
Unrestricted investment earnings	134,607	114,352	18%
Sixteenth section sources	300,874	249,697	20%
Other	-	91,306	(100)%
<b>Total revenues</b>	<u>17,536,786</u>	<u>16,871,035</u>	<u>4%</u>
<b>Expenses:</b>			
Instruction	9,108,837	8,818,936	3%
Support services	5,292,797	5,140,497	3%
Non-instructional	1,208,237	1,264,295	(4)%
Sixteenth section	52,833	43,433	22%
Pension expense	2,205,366	2,506,620	(12)%
OPEB expense	91,628	69,300	32%
Interest on long-term liabilities	97,293	109,449	(11)%
<b>Total expenses</b>	<u>18,056,991</u>	<u>17,952,530</u>	<u>1%</u>
<b>Increase (Decrease) in net position</b>	<u>(520,205)</u>	<u>(1,081,495)</u>	<u>(52)%</u>
<b>Net Position, July 1, as previously reported</b>	(7,995,315)	(6,913,820)	16%
Prior period adjustment	(59,022)	-	N/A
<b>Net Position, July 1, as restated</b>	<u>(8,054,337)</u>	<u>(6,913,820)</u>	<u>16%</u>
<b>Net Position, June 30</b>	<u>\$ (8,574,542)</u>	<u>\$ (7,995,315)</u>	<u>(7)%</u>

#### **Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ 9,108,837	\$ 8,818,936	3%
Support services	5,292,797	5,140,497	3%
Non-Instructional	1,208,237	1,264,295	(4)%
Sixteenth section	52,833	43,433	22%
Pension expense	2,205,366	2,506,620	(12)%
OPEB expense	91,628	69,300	32%
Interest on long-term liabilities	97,293	109,449	(11)%
<b>Total Expenses</b>	<b>\$ 18,056,991</b>	<b>\$ 17,952,530</b>	<b>1%</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2020</b>	<b>2019</b>	
Instruction	\$ (6,282,190)	\$ (6,245,735)	(1)%
Support services	(4,670,756)	(4,570,358)	(2)%
Non-Instructional	(288,748)	(139,567)	(107)%
Sixteenth section	(11,691)	(9,933)	(18)%
Pension expense	(2,205,366)	(2,506,620)	12%
OPEB expense	(91,628)	(69,300)	(32)%
Interest on long-term liabilities	(97,293)	(109,449)	11%
<b>Total Net (expense) revenue</b>	<b>\$ (13,647,672)</b>	<b>\$ (13,650,962)</b>	<b>0%</b>

- Net cost of governmental activities (\$13,647,672 for 2020 and \$13,650,962 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$3,316,040 for 2020 and \$3,006,062 for 2019) and state and federal revenues (\$9,375,946 for 2020 and \$9,108,050 for 2019). In addition, there was \$300,874 and \$249,697 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$134,607 for 2020 and \$114,352 for 2019.

## 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 \$5,814,218, a decrease of \$1,105,788, which includes an increase in inventory of \$25,601. \$4,187,621 or 72% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,626,597 or 28% is either nonspendable or restricted to indicate that it is not available for spending except only for the purposes to which it is restricted.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$430,075. The fund balance of Other Governmental Funds showed a decrease in the amount of \$112,975, which includes an increase in reserve for inventory of \$25,601. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic	no increase or decrease
3 Mill Construction	\$ (1,422,888)

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2020, the District's total capital assets were \$25,339,550, including land, construction in progress, school buildings, building improvements, improvement other than buildings, mobile equipment, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$1,748,378 from 2019. Total accumulated depreciation as of June 30, 2020, was \$10,929,956, and total depreciation expense for the year was \$640,134, resulting in total net capital assets of \$14,409,594.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 537,362	\$ 537,362	0%
Construction in progress	757,134	248,250	205%
Buildings	10,435,046	10,783,440	(3)%
Building improvements	477,317	111,100	330%
Improvements other than buildings	1,088,472	640,723	70%
Mobile equipment	649,469	681,610	(5)%
Furniture and equipment	154,666	168,274	(8)%
Leased property under capital leases	310,128	-	N/A
<b>Total</b>	<u>\$ 14,409,594</u>	<u>\$ 13,170,759</u>	<u>9%</u>

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

**Debt Administration.** At June 30, 2020, the District had \$2,680,376 in outstanding long-term debt, of which \$179,738 is due within one year. The liability for compensated absences increased \$18,862 from the prior year.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 270,627	\$ -	N/A
Limited tax notes	2,220,000	2,300,000	(3)%
Compensated absences payable	189,749	170,887	11%
<b>Total</b>	<u>\$ 2,680,376</u>	<u>\$ 2,470,887</u>	<u>8%</u>

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

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

Enrollment for the 2019-2020 year increased by 6% to 1,719 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, 15303 Hwy 15, Decatur, MS 39327.

## **FINANCIAL STATEMENTS**

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**Exhibit A**

**NEWTON COUNTY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,499,121
Due from other governments	417,502
Other receivables, net	28,778
Inventories	49,395
Restricted assets	895,197
Capital assets, non-depreciable:	
Land	537,362
Construction in progress	757,134
Capital assets, net of accumulated depreciation:	
Buildings	10,435,046
Building improvements	477,317
Improvements other than buildings	1,088,472
Mobile equipment	649,469
Furniture and equipment	154,666
Leased property under capital lease	310,128
Total Assets	<u>20,299,587</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	2,236,905
Deferred outflows - OPEB	209,554
Total Deferred Outflows of Resources	<u>2,446,459</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	75,775
Interest payable on long-term liabilities	14,452
Long-term liabilities, due within one year:	
Capital related liabilities	179,738
Net OPEB liability	56,614
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,310,889
Non-capital related liabilities	189,749
Net pension liability	25,895,383
Net OPEB liability	1,519,524
Total Liabilities	<u>30,242,124</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	959,256
Deferred inflows - OPEB	119,208
Total Deferred Inflows of Resources	<u>1,078,464</u>
<b>Net Position</b>	
Net investment in capital assets	11,918,967
Restricted for:	
Expendable:	
School-based activities	430,964
Debt service	185,010
Capital improvements	834,939
Forestry improvements	88,179
Unemployment benefits	48,856
Non-expendable:	
Sixteenth section	24,197
Unrestricted	(22,105,654)
Total Net Position	<u>\$ (8,574,542)</u>

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



**NEWTON COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 9,108,837	\$ 1,229,980	\$ 1,528,235	\$ 68,432	\$ (6,282,190)
Support services	5,292,797	49,688	519,773	52,580	(4,670,756)
Non-instructional	1,208,237	223,357	693,073	3,059	(288,748)
Sixteenth section	52,833	41,142	-	-	(11,691)
Pension expense	2,205,366	-	-	-	(2,205,366)
OPEB expense	91,628	-	-	-	(91,628)
Interest on long-term liabilities	97,293	-	-	-	(97,293)
Total Governmental Activities	<u>\$ 18,056,991</u>	<u>\$ 1,544,167</u>	<u>\$ 2,741,081</u>	<u>\$ 124,071</u>	<u>\$ (13,647,672)</u>
General Revenues:					
Taxes:					
General purpose levies					3,135,753
Debt purpose levies					180,287
Unrestricted grants and contributions:					
State					9,360,665
Federal					15,281
Unrestricted investment earnings					134,607
Sixteenth section sources					300,874
Total General Revenues					<u>13,127,467</u>
Change in Net Position					<u>(520,205)</u>
Net Position - Beginning, as previously reported					(7,995,315)
Prior period adjustments					<u>(59,022)</u>
Net Position - Beginning, as restated					<u>(8,054,337)</u>
Net Position - Ending					<u>\$ (8,574,542)</u>

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

**Exhibit C**

**Newton County School District  
Balance Sheet - Governmental Funds  
June 30, 2020**

	Major Funds			Other	Total
	General	Title I-A	3 Mill	Governmental	Governmental
	Fund	Basic	Construction	Funds	Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,804,145	\$ -	\$ 870,575	\$ 719,598	\$ 5,394,318
Due from other governments	210,494	124,029	-	82,979	417,502
Other receivables, net	14,171	-	-	123	14,294
Due from other funds	192,150	-	-	4,659	196,809
Inventories	-	-	-	49,395	49,395
Total Assets	<u>\$ 4,220,960</u>	<u>\$ 124,029</u>	<u>\$ 870,575</u>	<u>\$ 856,754</u>	<u>\$ 6,072,318</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 24,339	\$ -	\$ 35,636	\$ 6,699	\$ 66,674
Due to other funds	-	124,029	-	58,397	182,426
Other payables	9,000	-	-	-	9,000
Total Liabilities	<u>33,339</u>	<u>124,029</u>	<u>35,636</u>	<u>65,096</u>	<u>258,100</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	49,395	49,395
Permanent fund principal	-	-	-	24,197	24,197
<b>Restricted:</b>					
Debt service	-	-	-	199,462	199,462
Capital projects	-	-	834,939	-	834,939
Forestry improvement purposes	-	-	-	88,179	88,179
Grant activities	-	-	-	157,779	157,779
Unemployment benefits	-	-	-	48,856	48,856
Food service	-	-	-	223,790	223,790
<b>Unassigned</b>	<u>4,187,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,187,621</u>
Total Fund Balances	<u>4,187,621</u>	<u>-</u>	<u>834,939</u>	<u>791,658</u>	<u>5,814,218</u>
Total Liabilities and Fund Balances	<u>\$ 4,220,960</u>	<u>\$ 124,029</u>	<u>\$ 870,575</u>	<u>\$ 856,754</u>	<u>\$ 6,072,318</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, 2020**

**Total fund balances for governmental funds** **\$ 5,814,218**

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	537,362	
Construction in progress	757,134	
Buildings	17,419,676	
Building improvements	644,497	
Improvements other than buildings	2,298,706	
Mobile equipment	2,660,680	
Furniture and equipment	680,695	
Leased property under capital lease	340,800	
Accumulated depreciation	<u>(10,929,956)</u>	14,409,594

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

Net pension liability (25,895,383)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,236,905	
Deferred inflows of resources related to pensions	<u>(959,256)</u>	1,277,649

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

Net OPEB liability (1,576,138)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	209,554	
Deferred inflows of resources related to OPEB	<u>(119,208)</u>	90,346

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

Capital lease obligations	(270,627)	
Limited tax notes	(2,220,000)	
Compensated absences	(189,749)	
Accrued interest payable	<u>(14,452)</u>	(2,694,828)

**Net position of governmental activities** **\$ (8,574,542)**

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

**Exhibit D**

**Newton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	Major Funds			Other	Total
	General	Title I-A	3 Mill	Governmental	Governmental
	Fund	Basic	Construction	Funds	Funds
<b>Revenues</b>					
Local sources	\$ 4,369,509	\$ -	\$ 22,228	\$ 462,418	\$ 4,854,155
State sources	9,765,519	-	-	415,587	10,181,106
Federal sources	8,248	684,875	-	1,375,807	2,068,930
Sixteenth section sources	330,216	-	-	52,691	382,907
Total Revenues	<u>14,473,492</u>	<u>684,875</u>	<u>22,228</u>	<u>2,306,503</u>	<u>17,487,098</u>
<b>Expenditures</b>					
Instruction	8,461,093	571,063	-	924,373	9,956,529
Support services	5,021,493	253,690	-	778,408	6,053,591
Noninstructional services	155,086	16,249	-	1,045,786	1,217,121
Sixteenth section	10,206	-	-	42,626	52,832
Facilities acquisition and construction	36,320	-	1,445,116	-	1,481,436
Debt service:					
Principal	70,173	-	-	80,000	150,173
Interest	8,591	-	-	85,202	93,793
Other	2,500	-	-	1,000	3,500
Total Expenditures	<u>13,765,462</u>	<u>841,002</u>	<u>1,445,116</u>	<u>2,957,395</u>	<u>19,008,975</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>708,030</u>	<u>(156,127)</u>	<u>(1,422,888)</u>	<u>(650,892)</u>	<u>(1,521,877)</u>
<b>Other Financing Sources (Uses)</b>					
Insurance recovery	49,688	-	-	-	49,688
Capital leases issued	340,800	-	-	-	340,800
Operating transfers in	45,687	163,978	-	782,912	992,577
Operating transfers out	(714,130)	(7,851)	-	(270,596)	(992,577)
Total Other Financing Sources (Uses)	<u>(277,955)</u>	<u>156,127</u>	<u>-</u>	<u>512,316</u>	<u>390,488</u>
Net Change in Fund Balances	430,075	-	(1,422,888)	(138,576)	(1,131,389)
<b>Fund Balances:</b>					
July 1, 2019	3,757,546	-	2,257,827	904,633	6,920,006
Increase in reserve for inventory	-	-	-	25,601	25,601
June 30, 2020	<u>\$ 4,187,621</u>	<u>\$ -</u>	<u>\$ 834,939</u>	<u>\$ 791,658</u>	<u>\$ 5,814,218</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, 2020**

**Net change in fund balances - total governmental funds** **\$ (1,131,389)**

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	\$ 1,969,322	
Depreciation expense	<u>(640,134)</u>	1,329,188
  
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. (31,331)
  
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Capital lease issued	(340,800)	
Payments of debt principal	<u>150,173</u>	(190,627)
  
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense	(2,205,366)	
Contributions subsequent to the measurement date	<u>1,737,595</u>	(467,771)
  
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:

OPEB expense	(91,628)	
Contributions subsequent to the measurement date	<u>56,614</u>	(35,014)
  
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(18,862)	
Change in inventory reserve	<u>25,601</u>	6,739

**Change in net position of governmental activities** **\$ (520,205)**

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

**Exhibit E**

**Newton County School District  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2020**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 665,954
Other receivables, net	855
Due from other funds	144
Total Assets	<u><u>\$ 666,953</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 553,857
Due to other funds	14,527
Due to student clubs	98,569
Total Liabilities	<u><u>\$ 666,953</u></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, 2020

#### 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, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
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, 2020

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.

**Title I-A Basic Fund** - This special revenue fund accounts for the school district's revenues and expenditures associated with administering the Title I grant for the district.

**3 Mill Construction** - This is a capital project fund that accounts for funds to be used for the construction or renovation of major capital assets.

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

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund serves as a clearing fund for payroll type transactions.

**Accounts Payable Clearing Fund** - This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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



## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

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, 2014*, 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, Deferred Outflows/Inflows, and Net Position/Fund Balances**

##### **1. Cash, Cash Equivalents and Investments**

###### **Cash and Cash Equivalents**

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

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

#### 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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

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

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

#### 7. Deferred Outflows/Inflows of Resources

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

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

See Notes 7 and 8 for further details.

#### 8. Compensated Absences

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

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

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other than Pensions (OPEB)

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

#### 12. Fund Balances

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

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

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

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

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

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

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of revenues and expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### 13. Accounting Standards Update

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

#### Note 2 – Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,394,318 and \$665,954, 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2020, none of the district's bank balance of \$6,266,106 was exposed to custodial credit risk.

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the year ended June 30, 2020**

### **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	Title 1-A Basic	\$ 124,029
	Other governmental funds	53,638
	Fiduciary funds	14,483
Other governmental funds	Other governmental funds	4,659
Fiduciary funds	Other governmental funds	100
	Fiduciary funds	44
Total		<u>\$ 196,953</u>

The purpose of the above loans represents the recording to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

#### **B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 714,130
Title I-A Basic	Other governmental funds	7,851
Other governmental funds	General Fund	45,687
	Title I-A Basic	163,978
	Other governmental funds	60,931
Total		<u>\$ 992,577</u>

The purpose of interfund transfers was to provide operating funds, indirect costs, and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

### **Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$895,197, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) and the 3 Mill Construction 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, 2020

### Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2020
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 537,362	\$ -	\$ -	\$ -	\$ -	537,362
Construction-in-progress	248,250	1,481,433	-	(913,527)	(59,022)	757,134
Total non-depreciable capital assets	785,612	1,481,433	-	(913,527)	(59,022)	1,294,496
<u>Depreciable capital assets:</u>						
Buildings	17,419,676	-	-	-	-	17,419,676
Building improvements	252,500	-	-	391,997	-	644,497
Improvements other than buildings	1,777,176	-	-	521,530	-	2,298,706
Mobile equipment	2,676,617	117,485	133,422	-	-	2,660,680
Furniture and equipment	679,591	29,604	28,500	-	-	680,695
Leased property under capital leases	-	340,800	-	-	-	340,800
Total depreciable capital assets	22,805,560	487,889	161,922	913,527	-	24,045,054
<u>Less accumulated depreciation for:</u>						
Buildings	6,636,236	348,394	-	-	-	6,984,630
Building improvements	141,400	25,780	-	-	-	167,180
Improvements other than buildings	1,136,453	73,781	-	-	-	1,210,234
Mobile equipment	1,995,007	118,580	102,376	-	-	2,011,211
Furniture and equipment	511,317	42,927	28,215	-	-	526,029
Leased property under capital leases	-	30,672	-	-	-	30,672
Total accumulated depreciation	10,420,413	640,134	130,591	-	-	10,929,956
Total depreciable capital assets, net	12,385,147	(152,245)	31,331	913,527	-	13,115,098
Governmental activities capital assets, net	\$ 13,170,759	\$ 1,329,188	\$ 31,331	\$ -	\$ (59,022)	\$ 14,409,594

Adjustments column represents a correction in the prior year balance of construction in progress.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 380,882
Support services	166,909
Non-instructional	92,343
Total depreciation expense - Governmental activities	<u>\$ 640,134</u>

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.

The details of construction-in-progress are as follows:

	Spent to June 30, 2020	Remaining Commitment
<b>Governmental Activities:</b>		
Peavey Building 2019	\$ 25,367	Unknown
Peavey Building 2020	703,612	Unknown
Playground Equipment	28,155	Unknown
Total governmental activities	<u>\$ 757,134</u>	<u>-</u>

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the year ended June 30, 2020**

### **Note 6 – Long-term Liabilities**

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Obligations under capital leases	\$ -	\$ 340,800	\$ 70,173	\$ 270,627	\$ 49,738
B. Limited tax notes	2,300,000	-	80,000	2,220,000	130,000
C. Compensated absences payable	170,887	18,862	-	189,749	-
Total	\$ 2,470,887	\$ 359,662	\$ 150,173	\$ 2,680,376	\$ 179,738

### **A. Obligation under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$340,800 with a down payment of \$0, less accumulated depreciation of \$30,672. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. School Buses	2.57%	8/5/2019	8/5/2024	\$ 340,800	\$ 270,627
Total				\$ 340,800	\$ 270,627

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2021	\$ 49,738	\$ 4,792	\$ 54,530
2022	67,824	4,882	72,706
2023	69,588	3,118	72,706
2024	65,377	1,269	66,646
2025	18,100	77	18,177
Total	\$ 270,627	\$ 14,138	\$ 284,765

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund.



# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the year ended June 30, 2020**

### **B. Limited tax notes**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, Series 2018	3.77%	11/29/2018	6/30/2034	\$ 2,300,000	\$ 2,220,000
Total				<u>\$ 2,300,000</u>	<u>\$ 2,220,000</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2021	\$ 130,000	\$ 81,244	\$ 211,244
2022	135,000	76,248	211,248
2023	140,000	71,064	211,064
2024	145,000	65,692	210,692
2025	150,000	60,132	210,132
2026-2030	845,000	209,141	1,054,141
2031-2035	675,000	45,146	720,146
Total	<u>\$ 2,220,000</u>	<u>\$ 608,667</u>	<u>\$ 2,828,667</u>

This debt is being retired from the 3 Mill Note 2018 Fund.

### **C. Compensated absences payable**

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

## **Note 7 – Defined Benefit Pension Plan**

### **General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements For the year ended June 30, 2020**

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2020, 2019 and 2018 were \$1,737,595, \$1,509,917 and \$1,526,713, respectively, which equaled the required contributions for each year.

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

At June 30, 2020, the school district reported a liability of \$25,895,383 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2020 net pension liability was 0.147200 percent, which was based on a measurement date of June 30, 2019. This was an decrease of 0.004593 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,205,366. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 28,632
Net difference between projected and actual earnings on pension plan investments	176,852	-
Changes of assumptions	19,806	-
Changes in proportion and differences between District contributions and proportionate share of contributions	302,652	930,624
District contributions subsequent to the measurement date	1,737,595	-
Total	\$ <u>2,236,905</u>	\$ <u>959,256</u>

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements** **For the year ended June 30, 2020**

\$1,737,595 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ (177,447)
2022	(217,985)
2023	(182,739)
2024	118,226

*Actuarial assumptions.* The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

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

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	<u>100 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 34,040,380	\$ 25,895,383	\$ 19,172,422

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

#### Note 8 – Other Postemployment Benefits (OPEB)

##### General Information about the OPEB Plan.

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

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

*Contributions.* The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$56,614 for the year ended June 30, 2020.

**NEWTON COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2020**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2020, the District reported a liability of \$1,576,138 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was 0.18574688 percent. This was an increase of 0.00218334 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$91,628. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,383	\$ 22,561
Changes of assumptions	117,505	81,730
Net difference between projected and actual earnings on OPEB plan investments	30	-
Changes in proportion and differences between District contributions and proportionate share of contributions	33,022	14,917
District contributions subsequent to the measurement date	56,614	-
Total	\$ <u>209,554</u>	\$ <u>119,208</u>

\$56,614 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 1,723
2022	1,723
2023	1,723
2024	4,187
2025	16,212
Thereafter	8,164

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2020

*Actuarial assumptions.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate
Pre-Medicare	rate of 4.75% by 2028

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Financial Statements** **For the year ended June 30, 2020**

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 1,750,815	\$ 1,576,138	\$ 1,426,686

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,460,535	\$ 1,576,138	\$ 1,707,097

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

### **Note 9 - Sixteenth Section Lands**

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

Year Ending June 30	Amount
2021	\$ 58,423
2022	52,553
2023	52,116
2024	26,301
2025	15,188
2026 – 2030	48,890
2031 – 2035	38,243
2036 – 2040	36,938
2041 – 2045	28,713
2046 – 2050	3,673
2051 – 2055	2,407
2056 – 2060	625
Total	<u>\$ 364,070</u>

# NEWTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the year ended June 30, 2020

### Note 10 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

#### Exhibit B - Statement of Activities

Explanation	Amount
1. To correct beginning balance of construction in progress	\$ (59,022)
Total	<u>\$ (59,022)</u>

### 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 56 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.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund



## **NEWTON COUNTY SCHOOL DISTRICT**

### **Notes to the Financial Statements For the year ended June 30, 2020**

held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 55 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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 Trust.

#### **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, Enterprise Public School District and Kemper County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district 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.

# NEWTON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the year ended June 30, 2020

### Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2020

#### Revenues

##### Local sources:

Tuition from other LEA's within the state:	
Scott County School District	\$ 203,622
Kemper County School District	108,803
Newton Municipal School District	108,803
Enterprise School District	108,803
Forest Municipal School District	108,803
Philadelphia Public School District	108,803
Total tuition from other LEA's within the state	<u>747,637</u>
Interest	<u>4,580</u>
Total local sources	<u>752,217</u>
Total Revenues	<u><u>752,217</u></u>

#### Expenditures

Salaries	614,656
Employee benefits	200,681
Purchased property services	39,636
Other purchased services	719
Supplies	7,586
Property	1,285
Other	18,499
Total Expenditures	<u>883,062</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(130,845)</u>

#### Other Financing Sources/Uses

Operating transfers in	113,415
Operating transfers out	<u>(61,814)</u>
Total Other Financing Sources/Uses	<u>51,601</u>
Net Change in Fund Balance	(79,244)

#### Fund Balance:

July 1, 2019	<u>204,040</u>
June 30, 2020	<u><u>\$ 124,796</u></u>

#### Note 14 - Insurance Loss Recoveries

The district received \$49,688 in insurance loss recoveries related to property damage during the 2019-2020 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.

#### Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$22,105,654) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,737,595 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$499,310 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

## **NEWTON COUNTY SCHOOL DISTRICT**

### **Notes to the Financial Statements For the year ended June 30, 2020**

The unrestricted net position amount of (\$22,105,654) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$959,256 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$22,105,654) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$56,614 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$152,940 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$22,105,654) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$119,208 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 16 – State Compliance Testing**

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

#### **Note 17 - Subsequent Events**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**NEWTON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 4,553,795	\$ 4,360,734	\$ 4,369,509	\$ (193,061)	\$ 8,775
State sources	9,709,945	9,765,519	9,765,519	55,574	-
Federal sources	14,500	8,248	8,248	(6,252)	-
Sixteenth section sources	259,665	330,216	330,216	70,551	-
Total Revenues	14,537,905	14,464,717	14,473,492	(73,188)	8,775
<b>Expenditures</b>					
Instruction	8,434,434	8,461,093	8,461,093	(26,659)	-
Support services	5,107,600	5,018,368	5,021,493	89,232	(3,125)
Noninstructional services	187,058	155,086	155,086	31,972	-
Sixteenth section	7,050	10,206	10,206	(3,156)	-
Facilities acquisition & construction	20,000	39,445	36,320	(19,445)	3,125
Debt service:					
Principal	74,140	63,210	70,173	10,930	(6,963)
Interest	15,000	7,397	8,591	7,603	(1,194)
Other	-	-	2,500	-	(2,500)
Total Expenditures	13,845,282	13,754,805	13,765,462	90,477	(10,657)
Excess (Deficiency) of Revenues over (under) Expenditures	692,623	709,912	708,030	17,289	(1,882)
<b>Other Financing Sources (Uses)</b>					
Capital leases issued	425,000	340,800	340,800	(84,200)	-
Sale of transportation equipment	500	-	-	(500)	-
Sale of other property	1,500	-	-	(1,500)	-
Insurance recovery	-	49,688	49,688	49,688	-
Operating transfers in	1,501,393	1,600,885	45,687	99,492	(1,555,198)
Operating transfers out	(2,167,192)	(2,260,553)	(714,130)	(93,361)	1,546,423
Total Other Financing Sources (Uses)	(238,799)	(269,180)	(277,955)	(30,381)	(8,775)
Net Change in Fund Balances	453,824	440,732	430,075	(13,092)	(10,657)
<b>Fund Balances</b>					
July 1, 2019	3,860,374	3,860,374	3,757,546	-	(102,828)
June 30, 2020	\$ 4,314,198	\$ 4,301,106	\$ 4,187,621	\$ (13,092)	\$ (113,485)

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Title I-A Basic**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Federal sources	\$ 819,313	\$ 684,875	\$ 684,875	\$ (134,438)	\$ -
Total Revenues	819,313	684,875	684,875	(134,438)	-
<b>Expenditures</b>					
Instruction	549,421	571,063	571,063	(21,642)	-
Support services	257,706	253,690	253,690	4,016	-
Noninstructional services	12,186	16,249	16,249	(4,063)	-
Total Expenditures	819,313	841,002	841,002	(21,689)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	(156,127)	(156,127)	(156,127)	-
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	163,978	163,978	163,978	-
Operating transfers out	-	(7,851)	(7,851)	(7,851)	-
Total Other Financing Sources (Uses)	-	156,127	156,127	156,127	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances</b>					
July 1, 2019	-	-	-	-	-
June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Newton County School District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years \***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.147200%	0.151793%	0.151251%	0.150263%	0.151451%	0.148623%
District's proportionate share of the net pension liability	25,895,383	25,247,688	25,143,051	26,840,724	23,411,338	18,040,111
District's covered payroll	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778	9,081,663
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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



**Newton County School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 1,737,595	\$ 1,509,917	\$ 1,526,713	\$ 1,528,193	\$ 1,513,999	\$ 1,490,230
Contributions in relation to the contractually required contribution	1,737,595	1,509,917	1,526,713	1,528,193	1,513,999	1,490,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	9,986,178	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

**Newton County School District**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**OPEB**  
**Last 10 Fiscal Years \***

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
District's proportion of the net OPEB liability	0.18574688%	0.18356354%	0.18619479%
District's proportionate share of the net OPEB liability	1,576,138	1,419,956	1,460,901
District's covered-employee payroll	8,548,944	8,302,454	8,365,220
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	18.44%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

**Newton County School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**OPEB**  
**Last 10 Fiscal Years \***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 56,614	\$ 63,176	\$ 62,280
Contributions in relation to the actuarially determined contribution	56,614	63,176	62,280
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	8,845,235	8,548,944	8,505,372
Contributions as a percentage of covered-employee payroll	0.64%	0.74%	0.73%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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, 2020

#### 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.

#### Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

## NEWTON COUNTY SCHOOL DISTRICT

### Notes to the Required Supplementary Information For the Year Ended June 30, 2020

#### 2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

#### (2) *Changes in benefit provisions*

#### 2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

#### OPEB Schedules

#### (1) *Changes of assumptions*

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

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

# **NEWTON COUNTY SCHOOL DISTRICT**

## **Notes to the Required Supplementary Information For the Year Ended June 30, 2020**

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

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## **SUPPLEMENTARY INFORMATION**



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**NEWTON COUNTY SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 189,519
National school lunch program	10.555	205MS326N1099	451,651
Summer food service program for children	10.559	205MS907N2533	34,950
Subtotal			<u>676,120</u>
Total child nutrition cluster			<u>676,120</u>
Total passed-through Mississippi Department of Education			<u>676,120</u>
<b>Total U.S. Department of Agriculture</b>			<u><u>676,120</u></u>
<b><u>U.S. Department of Education</u></b>			
Direct Program:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	<u>7,485</u>
Total Direct Programs			<u>7,485</u>
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A170024 S010A180024 S010A190024	684,875
Career and technical education - basic grants to states	84.048	V08A190024	31,177
Rural education	84.358	S358B170024 S358B180024	31,167
Supporting Effective Instruction State Grants	84.367	S367A190023	115,118
Student Support and Academic Enrichment Program	84.424	S424A170025 S424A190025	54,738
Subtotal			<u>917,075</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108 H027A180108 H027A190108	430,320
Special education - preschool grants	84.173	H173A180113 H173A190113	22,677
Total special education cluster			<u>452,997</u>
Total passed-through Mississippi Department of Education			<u>1,370,072</u>
<b>Total U.S. Department of Education</b>			<u><u>1,377,557</u></u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Medical assistance program	93.778	1805MS5ADM	<u>7,033</u>
Total Medicaid cluster			<u>7,033</u>
Total passed-through MS Department of Human Services			<u>7,033</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>7,033</u></u>
<b>Total for All Federal Awards</b>			<u><u>\$ 2,060,710</u></u>

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

# NEWTON COUNTY SCHOOL DISTRICT

## Notes to the Supplementary Information For the Year Ended June 30, 2020

### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Newton County School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Newton County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2020**

<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	\$ 13,675,168	9,259,990	553,827	912,299	2,949,052
Other	<u>5,333,807</u>	<u>696,539</u>	<u>196,309</u>	<u>70,498</u>	<u>4,370,461</u>
Total	\$ <u>19,008,975</u>	<u>9,956,529</u>	<u>750,136</u>	<u>982,797</u>	<u>7,319,513</u>
Total number of students*	<u>1,719</u>				
Cost per student	\$ <u>11,058</u>	<u>5,792</u>	<u>436</u>	<u>572</u>	<u>4,258</u>

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

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

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

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

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

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

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## **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**

	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 4,369,509	4,258,318	4,100,294	4,079,334
State sources	9,765,519	9,196,901	9,266,271	9,200,666
Federal sources	8,248	13,316	26,420	44,643
Sixteenth section sources	330,216	281,864	74,709	72,823
Total Revenues	<u>14,473,492</u>	<u>13,750,399</u>	<u>13,467,694</u>	<u>13,397,466</u>
Expenditures				
Instruction	8,461,093	8,129,487	8,277,918	8,295,428
Support services	5,021,493	4,555,504	4,492,035	4,625,100
Noninstructional services	155,086	147,349	119,335	190,901
Sixteenth section	10,206	22,335	8,543	7,048
Facilities acquisition and construction	36,320	28,364	209,186	30,460
Debt service:				
Principal	70,173	67,045	65,667	64,411
Interest	8,591	1,211	2,588	3,844
Other	2,500	-	-	-
Total Expenditures	<u>13,765,462</u>	<u>12,951,295</u>	<u>13,175,272</u>	<u>13,217,192</u>
Excess (Deficiency) of Revenues over Expenditures	<u>708,030</u>	<u>799,104</u>	<u>292,422</u>	<u>180,274</u>
Other Financing Sources (Uses)				
Capital leases issued	340,800	-	-	-
Insurance loss recoveries	49,688	38,631	1,696	4,717
Sale of transportation equipment	-	-	2,730	-
Operating transfers in	45,687	61,117	88,633	67,004
Other financing sources	-	-	-	1,127
Operating transfers out	(714,130)	(682,631)	(644,804)	(818,378)
Total Other Financing Sources (Uses)	<u>(277,955)</u>	<u>(582,883)</u>	<u>(551,745)</u>	<u>(745,530)</u>
Net Change in Fund Balances	430,075	216,221	(259,323)	(565,256)
Fund Balances				
Beginning of period	<u>3,757,546</u>	<u>3,541,325</u>	<u>3,800,648</u>	<u>4,365,904</u>
End of Period	<u>\$ 4,187,621</u>	<u>3,757,546</u>	<u>3,541,325</u>	<u>3,800,648</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**

	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 4,854,155	4,785,543	4,437,253	4,406,112
State sources	10,181,106	9,695,351	9,675,125	9,601,799
Federal sources	2,068,930	2,071,090	2,046,153	2,101,943
Sixteenth section sources	382,907	317,215	81,239	74,885
Total Revenues	<u>17,487,098</u>	<u>16,869,199</u>	<u>16,239,770</u>	<u>16,184,739</u>
Expenditures				
Instruction	9,956,529	9,657,605	9,593,579	9,593,248
Support services	6,053,591	5,492,079	5,460,100	5,642,016
Noninstructional services	1,217,121	1,254,245	1,050,472	1,310,564
Sixteenth section	52,832	43,433	21,653	20,676
Facilities acquisition and construction	1,481,436	33,264	214,986	30,460
Debt service:				
Principal	150,173	67,045	65,667	64,411
Interest	93,793	37,822	2,588	3,844
Other	3,500	57,175	-	-
Total Expenditures	<u>19,008,975</u>	<u>16,642,668</u>	<u>16,409,045</u>	<u>16,665,219</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,521,877)</u>	<u>226,531</u>	<u>(169,275)</u>	<u>(480,480)</u>
Other Financing Sources (Uses)				
Capital leases issued	340,800	-	-	-
Notes issued	-	2,300,000	-	-
Insurance loss recoveries	49,688	38,631	1,696	4,717
Sale of transportation equipment	-	-	2,730	-
Operating transfers in	992,577	1,026,843	733,437	899,386
Other financing sources	-	-	-	1,127
Operating transfers out	(992,577)	(1,026,843)	(733,437)	(899,386)
Total Other Financing Sources (Uses)	<u>390,488</u>	<u>2,338,631</u>	<u>4,426</u>	<u>5,844</u>
Net Change in Fund Balances	(1,131,389)	2,565,162	(164,849)	(474,636)
Fund Balances				
Beginning of period	6,920,006	4,353,294	4,507,122	4,990,570
Increase (Decrease) in reserve for inventory	<u>25,601</u>	<u>1,550</u>	<u>11,021</u>	<u>(8,812)</u>
End of Period	<u>\$ 5,814,218</u>	<u>6,920,006</u>	<u>4,353,294</u>	<u>4,507,122</u>

\*Source - Prior Year Audit Reports

## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

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

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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, 2020, 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 December 15, 2020.

### 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) as a basis for designing 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

### 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*.

### Newton County School District's Responses to Findings

Newton County School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Newton County School District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

### 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.

A handwritten signature in black ink that reads "Stephen D. Myrick CPA LLC". The signature is written in a cursive, flowing style.

Stephen D. Myrick, C.P.A., L.L.C.  
Certified Public Accountants  
Quitman, Mississippi  
December 15, 2020

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

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2020.

## 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Stephen D. Myrick, C.P.A., L.L.C.  
Certified Public Accountants  
Quitman, Mississippi  
December 15, 2020

## **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, 2020**

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued:                      | Unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weakness(es) identified?                  | No         |
|    | b. Significant deficiency(ies) identified?            | Yes        |
| 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:  | Unmodified          |   |        |  |  |
| 6.                  | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   | No                  |   |        |  |  |
| 7.                  | Identification of major programs:  |                     |   |        |  |  |
|                     | <table border="0"><tr><td><u>CFDA Numbers</u></td><td><u>Name of Federal Program or Cluster</u></td></tr><tr><td>84.010</td><td>Title I grants to local educational agencies</td></tr></table>             | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title I grants to local educational agencies |  |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>  |                     |   |        |  |  |
| 84.010              | Title I grants to local educational agencies   |                     |   |        |  |  |
| 8.                  | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000           |   |        |  |  |
| 9.                  | Auditee qualified as low-risk auditee?   | Yes                 |   |        |  |  |
| 10.                 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No                  |   |        |  |  |

**NEWTON COUNTY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

Section II: Financial Statement Findings

Significant Deficiency

2020-001. Inadequate controls over reporting cash accounts.

Repeat Finding: No

Criteria: Adequate internal control procedures related to cash are essential to ensure that only authorized personnel with approval of the school board may establish bank accounts for the District.

Condition: As a result of our audit procedures we observed that a bank account had been established under the federal identification number of the District that belonged to an outside organization.

Cause: The District does not have adequate internal controls over the use of its federal identification number to ensure that only bank accounts of the District are established utilizing the federal identification number of the District.

Effect: Without adequate internal controls in place over the establishment of bank accounts, the risk increases that inaccurate information may be reported and a loss or misappropriation of public assets could occur.

Recommendation: The District should implement internal controls over the establishment of bank accounts bearing the District's federal identification number to ensure that outside organizations do not establish bank accounts using the federal identification number of the District.

Response: The District has communicated that under no circumstances should an outside organization use the federal identification number assigned to the Newton County School District. Upon research, it was determined that this bank account had been established many years ago. The bank and the booster club have been notified, and the District's federal identification number will be removed from this bank account.

Significant Deficiency

2020-002. Inadequate controls over ticket reconciliations for athletic events.

Repeat Finding: No

Criteria: Adequate internal control procedures over ticket reconciliations for athletic events are essential to ensure that all cash receipts received for athletic events are properly accounted for. Ticket reconciliations for each event should reconcile the amount of funds received to the tickets issued.

Condition: As a result of our audit procedures, we observed an instance where a ticket reconciliation for an athletic event did not agree to the amount that was deposited into the bank.

Cause: Unknown

## NEWTON COUNTY SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

Effect:	The District should develop procedures to ensure that District personnel are properly educated on the accurate preparation of ticket reconciliations for athletic events. The risk increases that inaccurate information may be reported and a loss or misappropriation of public assets could occur.
Recommendation:	The District should implement internal controls over ticket reconciliations for athletic events to ensure that they are accurately prepared.
Response:	Employees will be reminded of the importance of reconciling ticket sales, revenue, and deposits for athletic events. Additional training will be provided to personnel.

#### 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.