



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

NEWTON MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

Newton Municipal School District
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	23
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	27
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Title I-A Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability	55
Schedule of District Contributions	57
Notes to the Required Supplementary Information	59
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	63
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	65
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	69
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	71
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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.	75
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
FOLLOW UP ON PRIOR YEAR FINDINGS	93
AUDITEE'S CORRECTIVE ACTION PLAN	95

(This page left blank intentionally)

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Newton Municipal School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Newton Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Municipal School District, as of June 30, 2016, 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.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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, and the Schedule of District Contributions on pages 9-16, 51-53, 55, and 57, 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

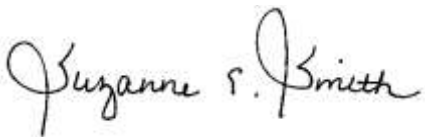
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, on our consideration of the Newton Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton Municipal School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, MS
March 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The following discussion and analysis of Newton Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 increased \$371,428, including a prior period adjustment of \$22,890, which represents a 7% increase from fiscal year 2015. Total net position for 2015 decreased \$11,110,868, including a prior period adjustment of (\$11,453,573), which represents a 191.8% decrease from fiscal year 2014.
- General revenues amounted to \$7,595,841 and 7,654,448 or 78% and 78% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,185,688, or 22% of total revenues for 2016, and \$2,210,580, or 22% of total revenues for 2015.
- The District had \$9,432,991 and \$9,522,323 in expenses for fiscal years 2016 and 2015; only \$2,185,688 for 2016 and \$2,210,580 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,595,841 for 2016 and general revenues of \$7,654,448 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,436,450 in revenues and \$6,900,049 in expenditures for 2016, and \$7,449,867 in revenues and \$6,689,444 in expenditures in 2015. The General Fund's fund balance increased by \$181,433, including a prior period adjustment of (\$15,658), from 2015 to 2016, and increased by \$577,119 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$199,808 for 2016 and decreased by \$96,555 for 2015. The decrease for 2016 was due primarily to depreciation expense for the year.
- Long-term debt, including compensated absences payable and bond discounts, decreased by \$245,069 for 2016 and decreased by \$233,160 for 2015. This decrease for 2016 was due primarily to the repayment of debt. The liability for compensated absences decreased by \$1,625 for 2016 and increased by \$5,284 for 2015.

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 them reported as "net position." Over

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by 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 \$4,947,739 as of June 30, 2016.

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.

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 2,743,350	\$ 1,504,348	82.36 %
Restricted assets	108,262	668,255	(83.80) %
Capital assets, net	5,471,785	5,671,593	(3.52) %
Total assets	8,323,397	7,844,196	6.11 %
 Deferred outflows of resources	 3,309,439	 997,184	 231.88 %
Current liabilities	527,033	104,668	403.53 %
Long-term debt outstanding	1,302,893	1,547,962	(15.83) %
Net pension liability	12,366,422	10,924,352	13.20 %
Total liabilities	14,196,348	12,576,982	12.88 %
 Deferred inflows of resources	 2,384,227	 1,583,565	 50.56 %
 Net position:			
Net investment in capital assets	4,231,455	4,261,516	(0.71) %
Restricted	803,983	664,653	20.96 %
Unrestricted	(9,983,177)	(10,245,336)	2.56 %
Total net position	\$ (4,947,739)	\$ (5,319,167)	6.98 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$9,983,177)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	11,441,210
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,458,033</u>

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

- Decrease in net capital assets in the amount of \$199,808.
- The principal retirement of \$245,000 of long-term debt.
- The decrease in net pension liability of \$1,442,070.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$9,781,529 and \$9,865,028, respectively. The total cost of all programs and services was \$9,432,991 for 2016 and \$9,522,323 for 2015.

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 163,732	\$ 156,667	4.51 %
Operating grants and contributions	2,021,956	2,053,913	(1.56) %
General revenues:			
Property taxes	2,311,357	2,265,977	2.00 %
Grants and contributions not restricted	5,008,185	5,159,301	(2.93) %
Investment earnings	1,590	1,124	41.46 %
Sixteenth section sources	163,502	228,046	(28.30) %
Other	111,207	-	N/A %
Total revenues	9,781,529	9,865,028	(0.85) %
Expenses:			
Instruction	4,128,041	4,412,204	(6.44) %
Support services	3,881,757	3,785,896	2.53 %
Non-instructional	589,230	504,494	16.80 %
Sixteenth section	4,142	24,983	(83.42) %
Pension expense	789,810	739,864	6.75 %
Interest on long-term liabilities	40,011	54,882	(27.10) %
Total expenses	9,432,991	9,522,323	(0.94) %
Increase (Decrease) in net position	348,538	342,705	1.70 %
Net Position, July 1, as previously reported	(5,319,167)	5,791,701	(191.84) %
Prior Period Adjustment	22,890	(11,453,573)	100.20 %
Net Position, July 1, as restated	(5,296,277)	(5,661,872)	6.46 %
Net Position, June 30	\$ (4,947,739)	\$ (5,319,167)	6.98 %

Governmental activities

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

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 4,128,041	\$ 4,412,204	(6.44) %
Support services	3,881,757	3,785,896	2.53 %
Non-instructional	589,230	504,494	16.80 %
Sixteenth section	4,142	24,983	(83.42) %
Pension expense	789,810	739,864	6.75 %
Interest on long-term liabilities	40,011	54,882	(27.10) %
Total expenses	\$ 9,432,991	\$ 9,522,323	(0.94) %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (3,583,977)	\$ (3,223,535)	(11.18) %
Support services	(2,887,925)	(3,439,051)	16.03 %
Non-instructional	33,787	170,572	(80.19) %
Sixteenth section	20,633	(24,983)	182.59 %
Pension expense	(789,810)	(739,864)	(6.75) %
Interest on long-term liabilities	(40,011)	(54,882)	27.10 %
Total net (expense) revenue	\$ (7,247,303)	\$ (7,311,743)	0.88 %

- Net cost of governmental activities [(\$7,247,303) for 2016 and (\$7,311,743) for 2015] was financed by general revenue, which is primarily made up of property taxes (\$2,311,357 for 2016 and \$2,265,977 for 2015) and state and federal revenues (\$5,008,185 for 2016 and \$5,159,301 for 2015).
- Investment earnings amounted to \$1,590 for 2016 and \$1,124 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,350,857, an increase of \$253,532, which includes a decrease in inventory of \$407 and a prior period adjustment of \$385. \$1,458,474 or 62% 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 \$892,383 or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned. The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$181,433, including a prior period adjustment of (\$15,658). The fund balance of other governmental funds showed an increase in the amount of \$72,099, including a decrease in inventory of

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

\$407 and a prior period adjustment of \$8,426. 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 Fund	No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$10,386,111, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$42,320 from 2015. Total accumulated depreciation as of June 30, 2016, was \$4,914,326, and total depreciation expense for the year was \$233,512, resulting in total net capital assets of \$5,471,785.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 42,306	42,306	0.00 %
Buildings	4,880,057	5,018,059	(2.75) %
Building improvements	79,052	79,052	0.00 %
Improvements other than buildings	74,934	77,677	(3.53) %
Mobile equipment	320,191	353,561	(9.44) %
Furniture and equipment	75,245	100,938	(25.45) %
Total	\$ 5,471,785	\$ 5,671,593	(3.52) %

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

NEWTON MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration. At June 30, 2016, the District had \$1,302,893 in outstanding long-term debt, of which \$245,000 is due within one year. The liability for compensated absences decreased \$1,625 from the prior year. Principal payments of \$245,000 were made during the year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 510,000	\$ 670,000	(23.88) %
Bond discounts	(4,670)	(6,226)	24.99 %
Three mill notes payable	735,000	820,000	(10.37) %
Compensated absences payable	62,563	64,188	(2.53) %
Total	<u>\$ 1,302,893</u>	<u>\$ 1,547,962</u>	<u>(15.83) %</u>

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

CURRENT ISSUES

The Newton Municipal School District is financially stable. The District is proud of its community support of the public schools. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Newton Municipal School District, 205 School Street, Newton, MS 39345.

FINANCIAL STATEMENTS

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,375,966
Due from other governments	339,754
Other receivables, net	194
Prepaid items	6,618
Inventories	20,818
Restricted assets	108,262
Capital assets, net of accumulated depreciation	5,471,785
Total Assets	<u>8,323,397</u>
Deferred Outflows of Resources	
Pensions	<u>3,309,439</u>
Total deferred inflows of resources	<u>3,309,439</u>
Liabilities	
Accounts payable and accrued liabilities	500,755
Interest payable on long-term liabilities	26,278
Long-term liabilities, due within one year:	
Capital related liabilities	245,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,000,000
Non-capital related liabilities	62,563
Unamortized bond discount	(4,670)
Net pension liability	12,366,422
Total Liabilities	<u>14,196,348</u>
Deferred Inflows of Resources	
Pensions	<u>2,384,227</u>
Total deferred inflows of resources	<u>2,384,227</u>
Net Position	
Net investment in capital assets	4,231,455
Restricted for:	
Expendable:	
School-based activities	322,182
Debt service	300,838
Forestry improvements	159,117
Unemployment benefits	13,200
Non-expendable:	
Sixteenth section	8,646
Unrestricted	(9,983,177)
Total Net Position	<u>\$ (4,947,739)</u>

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 4,128,041	94,537	449,527		(3,583,977)
Support services	3,881,757		993,832		(2,887,925)
Non-instructional	589,230	44,420	578,597		33,787
Sixteenth section	4,142	24,775			20,633
Pension expense	789,810				(789,810)
Interest on long-term liabilities	40,011				(40,011)
Total Governmental Activities	\$ 9,432,991	163,732	2,021,956	0	(7,247,303)
General Revenues:					
Taxes:					
General purpose levies					
					2,196,998
Debt service levies					
					114,359
Unrestricted grants and contributions:					
State					
					4,870,857
Federal					
					137,328
Unrestricted investment earnings					
					1,590
Sixteenth section sources					
					163,502
Other					
					111,207
Total General Revenues					7,595,841
Change in Net Position					348,538
Net Position - Beginning, as originally presented					(5,319,167)
Prior period adjustment					22,890
Net Position - Beginning, as restated					(5,296,277)
Net Position - Ending					\$ (4,947,739)

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Balance Sheet
June 30, 2016

Exhibit C

	<u>Major Funds</u>		Other	Total
	General	Title I-A	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 1,691,798	22,140	679,669	2,393,607
Cash with fiscal agents			90,621	90,621
Other receivables			125	125
Due from other governments	95,245	66,684	177,825	339,754
Due from other funds	123,964		1,314	125,278
Prepaid items	6,618			6,618
Inventories			20,818	20,818
Total assets	<u>1,917,625</u>	<u>88,824</u>	<u>970,372</u>	<u>2,976,821</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	405,293	16,076	79,386	500,755
Due to other funds	1,314	72,748	51,147	125,209
Total Liabilities	<u>406,607</u>	<u>88,824</u>	<u>130,533</u>	<u>625,964</u>
Fund Balances:				
Nonspendable:				
Inventory			20,818	20,818
Prepaid items	6,618			6,618
Permanent fund principal			8,646	8,646
Restricted:				
Debt service			327,116	327,116
Forestry improvement purposes			159,117	159,117
Grant activities			301,364	301,364
Unemployment benefits			13,200	13,200
Assigned:				
Student activities	45,926			45,926
Unemployment benefits			9,578	9,578
Unassigned	<u>1,458,474</u>			<u>1,458,474</u>
Total Fund Balances	<u>1,511,018</u>	<u>0</u>	<u>839,839</u>	<u>2,350,857</u>
Total Liabilities and Fund Balances	<u>\$ 1,917,625</u>	<u>88,824</u>	<u>970,372</u>	<u>2,976,821</u>

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 2,350,857

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	\$ 42,306	
Buildings	8,356,020	
Building improvements	395,273	
Improvements other than buildings	141,480	
Mobile equipment	1,046,020	
Furniture and equipment	405,012	
Accumulated depreciation	<u>(4,914,326)</u>	5,471,785

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

Net pension liability	(12,366,422)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	3,309,439	
Deferred inflows of resources related to pensions	<u>(2,384,227)</u>	(11,441,210)

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

Limited obligation refunding bonds	(510,000)	
Three mill notes payable	(735,000)	
Unamortized bond discount	4,670	
Compensated absences	(62,563)	
Accrued interest payable	<u>(26,278)</u>	(1,329,171)

Net Position of governmental activities		<u><u>\$ (4,947,739)</u></u>
--	--	------------------------------

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit D

	Major Funds			
	General Fund	Title I-A Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 2,378,459		159,819	2,538,278
State sources	4,731,503		449,925	5,181,428
Federal sources	169,363	359,594	1,319,756	1,848,713
Sixteenth section sources	157,125		31,151	188,276
Total Revenues	7,436,450	359,594	1,960,651	9,756,695
Expenditures:				
Instruction	4,016,099	107,917	516,122	4,640,138
Support services	2,870,136	258,459	874,064	4,002,659
Noninstructional services	9,672		583,447	593,119
Sixteenth section	4,142			4,142
Debt service:				
Principal			245,000	245,000
Interest			41,567	41,567
Other			1,350	1,350
Total Expenditures	6,900,049	366,376	2,261,550	9,527,975
Excess (Deficiency) of Revenues over (under) Expenditures	536,401	(6,782)	(300,899)	228,720
Other Financing Sources (Uses):				
Insurance loss recoveries	6,145			6,145
Operating transfers in	4,474		368,618	373,092
Other financing sources	18,689			18,689
Operating transfers out	(368,618)	(835)	(3,639)	(373,092)
Total Other Financing Sources (Uses)	(339,310)	(835)	364,979	24,834
Net Change in Fund Balances	197,091	(7,617)	64,080	253,554
Fund Balances:				
July 1, 2015, as originally reported	1,329,585	0	767,740	2,097,325
Adjustments	(15,658)	7,617	8,426	385
July 1, 2015, as restated	1,313,927	7,617	776,166	2,097,710
Increase (Decrease) in reserve for inventory			(407)	(407)
June 30, 2016	\$ 1,511,018	0	839,839	2,350,857

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 253,554

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	\$ 11,199	
Depreciation expense	<u>(233,512)</u>	(222,313)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	245,000	
Accrued interest payable	3,112	
Amortization of bond discount	<u>(1,556)</u>	246,556

3. 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 - current year	(789,810)	
Deferred outflows - pensions	<u>859,333</u>	69,523

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	1,625	
Change in inventory reserve	<u>(407)</u>	1,218

Change in Net Position of governmental activities	<u><u>\$ 348,538</u></u>
--	--------------------------

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 24,121
Total Assets	<u>24,121</u>
Liabilities	
Accounts payable and accrued liabilities	2,946
Due to other funds	69
Due to student clubs	<u>21,106</u>
Total Liabilities	<u>24,121</u>

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

This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 "stand-alone government." The school district is a related organization of, but not a component unit of, the city of Newton, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. 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.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

The school district reports the following major governmental funds:

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

Title I-A Fund – This special revenue fund accounts for the expenditures and related revenues of the federal grant Title I grants to local educational agencies. This grant provides supplemental learning opportunities for the district's students.

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

The school district also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are reported for governmental fund types since the costs of such items are accounted for as expenditures in the period in which the assets are consumed.

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Pension contributions

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 periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 12 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).

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the school board. Currently the district has no committed fund balances.

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 business manager pursuant to authorization established by formal school board policy.

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,393,607 and \$24,121, 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.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents reported in the governmental funds was \$90,621.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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 I-A Fund	\$ 72,748
	Other governmental funds	51,147
	Fiduciary funds	69
Other governmental funds	General Fund	1,314
		<u>\$ 125,278</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Also included are amounts due from the General Fund to the Forestry Escrow Fund (special revenue fund) and miscellaneous amounts held in imprest clearing funds and due to the General Fund.

B. Inter-fund Transfers

Transfers out	Transfers in	Amount
General Fund	Other governmental funds	\$ 368,618
Title I-A Fund	General Fund	835
Other governmental funds	General Fund	3,639
		<u>\$ 373,092</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents balance (\$8,646) of the 16th Section Principal Fund (permanent fund), which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash and cash equivalents balance (\$8,995) and the cash with fiscal agents balance (\$90,621) of the MAEP Debt Retirement Fund (debt service fund), all of which are legally restricted for debt retirement and may not be used for purposes that support the programs of the district. Total restricted assets are \$108,262.

Note 5 – Capital Assets

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 42,306				42,306
Total non-depreciable capital assets	42,306	-	-	-	42,306
<u>Depreciable capital assets:</u>					
Buildings	8,356,020				8,356,020
Building improvements	395,273				395,273
Improvements other than buildings	141,480				141,480
Mobile equipment	1,012,720	11,199		22,101	1,046,020
Furniture and equipment	395,992			9,020	405,012
Total depreciable capital assets	10,301,485	11,199	-	31,121	10,343,805
<u>Less accumulated depreciation for:</u>					
Buildings	3,337,961	138,002			3,475,963
Building improvements	316,221				316,221
Improvements other than buildings	63,803	2,743			66,546
Mobile equipment	659,159	60,554		6,116	725,829
Furniture and equipment	295,054	32,213		2,500	329,767
Total accumulated depreciation	4,672,198	233,512	-	8,616	4,914,326
Total depreciable capital assets, net	5,629,287	(222,313)	-	22,505	5,429,479
Governmental activities capital assets, net	\$ 5,671,593	(222,313)	-	22,505	5,471,785

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Support services	\$ 218,826
Non-instructional	14,686
Total depreciation expense	\$ 233,512

Note 6 – Long-term Liabilities

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 670,000		160,000	510,000	160,000
Bond Discounts	(6,226)		(1,556)	(4,670)	-
B. Three mill notes payable	820,000		85,000	735,000	85,000
C. Compensated absences payable	64,188		1,625	62,563	-
	\$ 1,547,962	-	245,069	1,302,893	245,000

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

A. Limited obligation refunding bonds payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2011	3.25%	1-Aug-11	1-Aug-18	\$ 1,245,000	510,000
				<u>\$ 1,245,000</u>	<u>510,000</u>

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

Year Ending		Principal	Interest	Total
<u>June 30</u>				
2017	\$	160,000	12,675	172,675
2018		175,000	8,181	183,181
2019		175,000	2,844	177,844
	\$	<u>510,000</u>	<u>23,700</u>	<u>533,700</u>

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

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

B. Three mill notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, Series 2013	3.06%	15-Sep-13	15-Sep-23	\$ 900,000	735,000
				<u>\$ 900,000</u>	<u>735,000</u>

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

Year Ending		Principal	Interest	Total
<u>June 30</u>				
2017	\$	85,000	22,491	107,491
2018		90,000	19,890	109,890
2019		90,000	17,136	107,136
2020		90,000	14,382	104,382
2021		95,000	11,628	106,628
2022-2024		285,000	17,442	302,442
	\$	<u>735,000</u>	<u>102,969</u>	<u>837,969</u>

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

C. Compensated absences payable

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

7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% 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, 2016, 2015 and 2014 were \$859,333, \$826,766 and \$858,719, 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, 2016, the school district reported a liability of \$12,366,422 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

the June 30, 2016 net pension liability was 0.08 percent, which was based on a measurement date of June 30, 2015. There was a 0.01 percent decrease from the proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$789,810. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 299,429	\$
Net difference between projected and actual earnings on pension plan investments	1,085,352	1,187,673
Changes of assumptions	1,065,325	
Changes in proportion and differences between District contributions and proportionate share of contributions		1,196,554
District contributions subsequent to the measurement date	859,333	
Total	\$ <u>3,309,439</u>	\$ <u>2,384,227</u>

\$859,333 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ (41,530)
2018	(55,016)
2019	(108,913)
2020	<u>271,338</u>
Total	\$ <u>65,879</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 16,300,078	\$ 12,366,422	\$ 9,102,224

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

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all the 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.

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

<u>Year Ending</u>		<u>Amount</u>
<u>June 30</u>		
2017	\$	14,918
2018		14,895
2019		13,359
2020		13,359
2021		10,593
2022-2026		33,645
2027-2031		28,718
Thereafter		48,548
	\$	<u>178,035</u>

Note 9 – Prior period adjustments

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

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct prior period errors in recording assets and liabilities	\$ 385
2. To correct prior period errors in recording capital assets/depreciation	22,505
Total	<u>\$ 22,890</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct prior period error in recording assets	\$ (15,658)
Title I-A Fund	To correct prior period error in recording assets	7,617
Other governmental funds	To correct prior period error in recording liabilities	8,426
		<u>\$ 385</u>

Note 10 – Contingencies

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

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 11 – Risk Management

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Note 12 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,983,177) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,309,439 balance of deferred outflow of resources at June 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next four (4) years.

The unrestricted net position amount of (\$9,983,177) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$2,384,227 balance of deferred inflow of resources at June 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next three (3) years.

Note 13 - 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 Municipal School District evaluated the activity of the district through March 10, 2017, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

(This page left blank intentionally)

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,409,259	2,385,838	2,378,459	(23,421)	(7,379)
State sources	4,746,383	4,732,032	4,731,503	(14,351)	(529)
Federal sources	168,199	161,455	169,363	(6,744)	7,908
Sixteenth section sources	139,700	149,681	157,125	9,981	7,444
Total Revenues	7,463,541	7,429,006	7,436,450	(34,535)	7,444
Expenditures:					
Instruction	4,166,686	4,016,099	4,016,099	150,587	0
Support services	2,788,269	2,870,136	2,870,136	(81,867)	0
Noninstructional services	17,315	9,672	9,672	7,643	0
Sixteenth section	25,150	4,142	4,142	21,008	0
Total Expenditures	6,997,420	6,900,049	6,900,049	97,371	0
Excess (Deficiency) of Revenues over (under) Expenditures	466,121	528,957	536,401	62,836	7,444
Other Financing Sources (Uses):					
Insurance loss recoveries	0	6,145	6,145	6,145	0
Operating transfers in	1,147,746	1,179,732	4,474	31,986	(1,175,258)
Other financing sources	0	18,689	18,689	18,689	0
Operating transfers out	(1,440,263)	(1,543,877)	(368,618)	(103,614)	1,175,259
Total Other Financing Sources (Uses)	(292,517)	(339,311)	(339,310)	(46,794)	1
Net Change in Fund Balances	173,604	189,646	197,091	16,042	7,445
Fund Balances:					
July 1, 2015, as previously reported	1,285,768	1,315,592	1,329,585	29,824	13,993
Prior period adjustments	0	(9,197)	(15,658)	(9,197)	(6,461)
July 1, 2015, as restated	1,285,768	1,306,395	1,313,927	20,627	7,532
June 30, 2016	\$ 1,459,372	1,496,041	1,511,018	36,669	14,977

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 376,974	367,210	359,594	(9,764)	(7,616)
Total Revenues	376,974	367,210	359,594	(9,764)	(7,616)
Expenditures:					
Instruction	149,436	107,917	107,917	41,519	0
Support services	227,138	258,458	258,459	(31,320)	(1)
Noninstructional services	400	0	0	400	0
Total Expenditures	376,974	366,375	366,376	10,599	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	0	835	(6,782)	835	(7,617)
Other Financing Sources (Uses):					
Operating transfers out	0	(835)	(835)	(835)	0
Total Other Financing Sources (Uses)	0	(835)	(835)	(835)	0
Net Change in Fund Balances	0	0	(7,617)	0	(7,617)
Fund Balances:					
July 1, 2015, as previously reported	0	0	0	0	0
Prior period adjustments	0	0	7,617	0	7,617
July 1, 2015, as restated	0	0	7,617	0	7,617
June 30, 2016	\$ 0	0	0	0	0

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.08%	0.09%
District's proportionate share of the net pension liability (asset)	\$ 12,366,422	10,924,352
District's covered-employee payroll	5,249,307	5,452,184
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	235.58%	200.37%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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

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

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 859,333	826,766								
Contributions in relation to the contractually required contribution	859,333	826,766								
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered-employee payroll	5,456,083	5,249,307								
Contributions as a percentage of covered-employee payroll	15.75%	15.75%								

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

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 172,110
National school lunch program	10.555	483,302
Summer food service program for children	10.559	11,352
Total child nutrition cluster		<u>666,764</u>
Fresh Fruits and Vegetables Grant	10.582	5,815
Total passed-through Mississippi Department of Education		<u>672,579</u>
Total U.S. Department of Agriculture		<u>672,579</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	31,507
Total U.S. Department of Defense		<u>31,507</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	359,594
TRIO - talent search	84.044	326,096
Career and technical education - basic grants to states	84.048	12,711
Rural education	84.358	7,967
Improving teacher quality-State Grants	84.367	77,578
Subtotal		<u>783,946</u>
Special education cluster:		
Special education - grants to states	84.027	212,752
Special education - preschool grants	84.173	10,601
Total special education cluster		<u>223,353</u>
Total passed-through Mississippi Department of Education		<u>1,007,299</u>
Total U.S. Department of Education		<u>1,007,299</u>
Total for All Federal Awards		<u>\$ 1,711,385</u>

NOTES TO SCHEDULE

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

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,477,268	5,313,993	711,346	622,407	829,522
Other	2,050,707	640,837	152,541	16,260	1,241,069
Total	<u>\$ 9,527,975</u>	<u>5,954,830</u>	<u>863,887</u>	<u>638,667</u>	<u>2,070,591</u>
Total number of students *	<u>941</u>				
Cost per student	<u>\$ 10,125</u>	<u>6,328</u>	<u>918</u>	<u>679</u>	<u>2,200</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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,378,459	2,258,503	2,228,862	2,150,233
State sources	4,731,503	4,875,128	4,378,108	4,459,974
Federal sources	169,363	95,557	99,723	101,867
Sixteenth section sources	157,125	220,679		
Total Revenues	7,436,450	7,449,867	6,706,693	6,712,074
Expenditures:				
Instruction	4,016,099	4,043,363	3,924,870	3,978,439
Support services	2,870,136	2,626,771	3,038,031	3,040,622
Noninstructional services	9,672	17,259	15,992	22,432
Sixteenth section	4,142	2,051		
Total Expenditures	6,900,049	6,689,444	6,978,893	7,041,493
Excess (Deficiency) of Revenues over (under) Expenditures	536,401	760,423	(272,200)	(329,419)
Other Financing Sources (Uses):				
Insurance loss recoveries	6,145			
Operating transfers in	4,474	163,361	376,399	572,023
Other financing sources	18,689			
Operating transfers out	(368,618)	(346,665)	(216,066)	(223,972)
Total Other Financing Sources (Uses)	(339,310)	(183,304)	160,333	348,051
Net Change in Fund Balances	197,091	577,119	(111,867)	18,632
Fund Balances:				
Beginning of period, as previously reported	1,329,585	752,466	861,275	888,047
Prior period adjustments	(15,658)		3,058	(45,404)
Beginning of period, as restated	1,313,927	752,466	864,333	842,643
End of Period	\$ 1,511,018	1,329,585	752,466	861,275

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,538,278	2,428,071	2,403,957	2,231,244
State sources	5,181,428	5,343,960	5,050,457	5,119,151
Federal sources	1,848,713	1,830,924	1,949,328	1,933,793
Sixteenth section sources	188,276	262,073	31,441	144,535
Total Revenues	9,756,695	9,865,028	9,435,183	9,428,723
Expenditures:				
Instruction	4,640,138	4,796,425	4,733,853	4,722,758
Support services	4,002,659	3,910,571	4,727,765	4,213,684
Noninstructional services	593,119	583,932	595,364	614,695
Sixteenth section	4,142	24,983	14,574	18,204
Debt service:				
Principal	245,000	240,000	194,721	193,750
Interest	41,567	47,215	23,359	26,585
Other	1,350	7,891	1,000	
Total Expenditures	9,527,975	9,611,017	10,290,636	9,789,676
Excess (Deficiency) of Revenues over (under) Expenditures	228,720	254,011	(855,453)	(360,953)
Other Financing Sources (Uses):				
Proceeds of loans			900,000	
Insurance loss recoveries	6,145			
Operating transfers in	373,092	568,655	592,465	795,995
Other financing sources	18,689			
Operating transfers out	(373,092)	(568,655)	(592,465)	(795,995)
Other financing uses				(1,000)
Total Other Financing Sources (Uses)	24,834	0	900,000	(1,000)
Net Change in Fund Balances	253,554	254,011	44,547	(361,953)
Fund Balances:				
Beginning of period, as previously reported	2,097,325	1,835,845	1,791,447	2,200,197
Prior period adjustments	385		3,058	(45,404)
Beginning of period, as restated	2,097,710	1,835,845	1,794,505	2,154,793
Increase (Decrease) in reserve for inventory	(407)	7,469	(3,207)	(1,393)
End of Period	\$ 2,350,857	2,097,325	1,835,845	1,791,447

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Superintendent and School Board
Newton Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Municipal School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Newton Municipal School District's basic financial statements, and have issued our report thereon dated March 10, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 that we consider to be significant deficiencies. **(Finding 2016-001, Finding 2016-002, and Finding 2016-003)**

Compliance and Other Matters

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

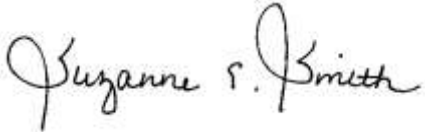
**POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717**

School District's Response to Findings

Newton Municipal School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. The district's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, reading "Suzanne E. Smith". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 10, 2017

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the
Uniform Guidance

Superintendent and School Board
Newton Municipal School District

Report on Compliance for Each Major Federal Program

We have audited Newton Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2016. Newton Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on CFDA 84.044 TRIO -Talent Search

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Newton Municipal School District with the CFDA 84.044 TRIO – Talent Search federal program as described in Finding 2016-004 for eligibility, consequently we were unable to determine whether Newton Municipal School District complied with those requirements applicable to that program.

Qualified Opinion on CFDA 84.044 TRIO – Talent Search

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, Newton Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.044 TRIO – Talent Search for the year ended June 30, 2016.

Unmodified Opinion on Each other Major Federal Program

In our opinion, Newton Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-005, Finding 2016-006, Finding 2016-007, Finding 2016-008, Finding 2016-009, Finding 2016-010, and Finding 2016-011. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-004 to be a material weakness.

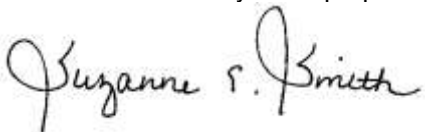
A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-005, Finding 2016-006, Finding 2016-007, Finding 2016-008, Finding 2016-009, Finding 2016-010, and Finding 2016-011 to be significant deficiencies.

School District's Response to Findings

Newton Municipal School District's responses to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Newton Municipal School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of the Report

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 10, 2017

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

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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

Superintendent and School Board
Newton Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2016, which collectively comprise Newton Municipal School District's basic financial statements and have issued our report thereon dated March 10, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instances of noncompliance related to incorrect or inappropriate functional level expenditure coding and shown as **Finding SL2016-01**.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations shown as Findings **SL2016-02, SL2016-03, SL2016-04, SL2016-05, SL2016-06, and SL2016-07**.

Finding SL2016-01: Appropriate coding at the functional expenditure level. During our testing of non-payroll expenditures we noted two (2) instances where the incorrect functional expenditure code was applied to purchases made by the district. The total of these two purchases was \$9,099.12. This caused an overstatement of support services expenditures and an understatement of instructional services expenditures in the amount of \$9,099.12. The district failed to consider the appropriate expenditure category when coding the two purchases.

Recommendation: We recommend that the district review all accounting codes used for district expenditures and align those accounting codes with the definitions outlined in the Accounting Manual for Mississippi Public School Districts, developed by the Mississippi Department of Education.

District Response: We will review and code all expenditures appropriately.

Finding SL2016-02: Purchasing. During our testing of non-payroll expenditures we noted one (1) instance where the district failed to show that district personnel secured competitive quotes on the purchase of 85 computer tablets in the total amount of \$8,499.15. State purchasing laws require that a purchase of this amount be made competitively by obtaining an adequate number of quotes from vendors offering computer tablets.

Recommendation: We recommend that the district review its purchasing procedures to identify the breakdown in the system of controls surrounding the requirements of state purchasing laws.

District Response: We will review our procedures to make sure that we are in compliance with state purchasing.

Finding SL2016-03: Monthly financial statements. Code Section 37-9-18, Miss. Code Ann. (1972), requires that certain financial statements be presented to the school board each month, covering the activity from the previous month. Of the five (5) financial reports being submitted to the board, eight (8) months had at least one report that was not submitted timely. Four (4) months had reports that were never submitted to the board.

Recommendation: We recommend that all required reports be submitted to the school board in a timely manner.

District Response: We are now submitting all required reports to the school board monthly in a timely manner.

Finding SL2016-04: Sixteenth section revenues. Out of a sample size of eight (8) leases collected by the district during the year, we found that four (4) leases were paid in excess of 60 days of the due date. Late payments that exceed 60 days are required to be put before the school board for action in terminating the leases. We found no evidence that either of these four (4) leases were considered for termination. District personnel were unable to identify current leases that had not been paid as of the date of fieldwork. District personnel assigned the responsibility for collecting leases on sixteenth section lands are not adequately trained.

Recommendation: We recommend that the district begin the process of identifying delinquent leases and taking action to terminate the leases. We further recommend that district personnel assigned the responsibility for collecting leases and managing leases on sixteenth section lands receive appropriate training.

District Response: We will be enlisting the services of a 3rd party consultant upon approval of the services by the school board to help us to get our leases in order and to assist in training.

Finding SL2016-05: Forestry escrow required deposits. State law requires that 15% of the sale of forest products on sixteenth section lands is to be credited to the Forestry Escrow Fund. Our review of revenues derived from the sale of forest products revealed that the district did not deposit the full 15% of such sales in the Forestry Escrow Fund. The deposits into this fund were short by \$1,313.76. The deposits were instead placed in the 16th Section Interest fund. This was caused by a computation error.

Recommendation: We recommend that \$1,313.76 be transferred from the 16th Section Interest Fund to the Forestry Escrow Fund. We further recommend that computations be reviewed for accuracy before such deposits are made.

District Response: We will make corrections, and the business manager will review all deposits for accuracy in the future.

Finding SL2016-06: Administrative limitation – budgeting. The school district budgeted and expended \$180,511.96 more in administrative salaries and benefits than outlined in Code Section 37-61-9(4), Miss. Code Ann. (1972). However, there is no penalty associated with the violation.

Recommendation: We recommend that the district begin a review of salaries and benefits paid from the functional categories defined in Code Section 37-61-9(4), Miss. Code Ann. (1972), as administrative expenditures and begin the process of bringing budgeted expenditures into line with the limitation outlined in the statute.

District Response: The TRIO-Talent Search grant has ended. There were administrative expenditures in that grant that added to our total administrative costs. The ending of that grant should reduce those costs greatly. We will review other administrative expenditures to make sure that all personnel are coded appropriately.

Finding SL2016-07: Capital Assets Management. Our testing revealed four instances where purchases of equipment meeting the threshold for tagging and inclusion in the subsidiary records were not found listed in the district's subsidiary equipment records. The total of these four purchases was \$4,903.22. Also, there was no evidence to support that the district had performed a complete inventory of its capital assets for the 2015-2016 year.

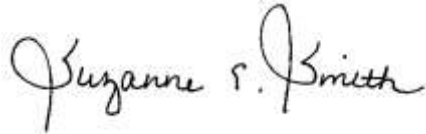
Recommendation: We recommend that the district secure training for the employee designated to oversee the capital assets inventory and begin the process of tagging all items meeting the threshold for inclusion in its subsidiary records and adding those items to the records. A complete physical inventory should be completed each year that reconciles the actual physical count with the district's subsidiary records.

District Response: We are in the process of recommending a 3rd party consultant for approval by the school board to help us correct the deficiencies in capital assets management and to assist in training for new personnel. We plan to do a minimum of one complete inventory per year.

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

The school district's responses to the findings included in this report were not audited and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
March 10, 2017

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

NEWTON MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ending June 30, 2016

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? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|--|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | Yes |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Modified – TRIO
– Talent Search

Unmodified –
Title I – grants to
local educational
agencies |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.010 | Title I – grants to local educational agencies |
| | 84.044 | TRIO – talent search |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | No |

Section II: Financial Statement Findings

Findings that are considered Significant Deficiencies:

Finding 2016-001. Controls surrounding Student Activity Fund Receipts.

CONDITION: Our review of ten (10) athletic gate receipt deposits showed that five (5) out of the ten (10) events were not supported by a ticket reconciliation form. Two (2) of the ten (10) deposits were not considered timely. Finally, one (1) of the five (5) forms reviewed was not properly completed. The sample was chosen non-statistically.

There is a general lack of central office oversight surrounding school fundraisers and reasonableness of school store profits. There is no systematic independent review of the reasonableness of fundraiser profits or school store profits at the school level.

Controls surrounding cash deposits at the Middle School are not sufficient. Deposits are being made only once or twice a month even though school personnel interviewed stated that a school store is opened on a daily basis and that cash and coins are receipted daily.

These conditions constitute a deficiency in the control cycle surrounding student activity fund receipts.

CRITERIA: A ticket reconciliation form has been designed as part of the district's internal controls surrounding this revenue cycle to provide a high level of assurance that receipts/revenues for gate receipts are adequately controlled. Central office should develop an oversight system to monitor the reasonableness of fundraisers and school store profits. Cash deposits should be made daily.

CAUSE OF CONDITION: A lack attention to prescribed controls and inadequately designed controls caused this control deficiency.

EFFECT OF CONDITION: Deficiencies in this control cycle could result in misappropriation of district assets.

RECOMMENDATION: We recommend that the district review its existing controls in this area and strengthen the processes in the student activity fund receipts control cycle to provide assurances that such assets are protected and that financial information resulting from the transactions is complete and accurate.

Finding 2016-002. Controls surrounding Non-payroll expenditures and related payables.

CONDITION: Our review of seventy-five (75) non-payroll expenditures revealed 9 purchases that were not supported by either a purchase order or an invoice, fifteen (15) purchases with inadequate receiving documentation for the goods/services received, and three (3) instances where the transactions were mis-coded at the functional or object level. These deviations from district prescribed controls constitute a significant deficiency in this control cycle. The sample of non-payroll expenditures was chosen non-statistically.

CRITERIA: An adequately designed system of internal controls in the area of non-payroll expenditures will provide a high level of assurance as to the approval of purchases, verification of the actual receipt of goods/services, and appropriate coding at both the functional and object levels. Such controls will also ensure that appropriate invoices are secured before payment is made.

CAUSE OF CONDITION: A lack attention to prescribed controls and inadequately designed controls caused this control deficiency.

EFFECT OF CONDITION: Deficiencies in this control cycle could result in misappropriation of district assets and/or misstatements in the district's financial accounting records.

RECOMMENDATION: We recommend that the district review its existing controls in this area and strengthen the processes in the non-payroll expenditures and related payables control cycle to provide assurance that such transactions are complete and accurately recorded and that assets provided for or resulting from the transactions are protected.

Finding 2016-003. Repeat Finding. Controls surrounding Capital Assets and related expenditures.

CONDITION: Our testing of seventy-five (75) non-payroll expenditures (non-statistical sample) revealed 4 purchases of equipment that were not appropriately added to the district's subsidiary equipment records. None of the items were depreciable; however, the items met the criteria established by the district for inclusion in the district's subsidiary equipment records.

Our efforts to document that a complete capital assets inventory was performed for the year were not successful. While we saw evidence that a physical inventory was started, we saw no concrete evidence that it was finished and reconciled to the district's subsidiary equipment records.

CRITERIA: Assets acquired by the district whose costs exceed the minimum threshold established by the Mississippi Department of Education in the Financial Accounting Manual for Mississippi Public School Districts must be capitalized, appropriately depreciated, and inventoried. The depreciable assets and related transactions are included in the entity-wide financial statements.

CAUSE OF CONDITION: A lack attention to prescribed controls and inadequately designed controls caused this control deficiency.

EFFECT OF CONDITION: Deficiencies in this control cycle could result in misappropriation of district assets and/or misstatements in the district's financial accounting records.

RECOMMENDATION: We recommend that the district review its existing controls in this area and strengthen the processes in the Capital Assets and related expenditures control cycle to provide assurances that such transactions are complete and accurately recorded and that assets are appropriately capitalized, inventoried, and depreciated.

Section III: Federal Award Findings and Questioned Costs

Findings that are considered Material Weaknesses:

Finding 2016-004. CFDA 84.044 TRIO – Talent Search. Eligibility.

CONDITION: We chose a sample size of forty (40) from a total population of 836 students served in the program (non-statistical selection of test items). The district was unable to locate eighteen (18) of the forty (40) files to substantiate that the program participants were eligible for participation. Therefore we were unable to determine that the school district met the eligibility requirements on the eighteen (18) participants we were unable to test.

CRITERIA: The district is responsible for developing a system of internal controls over compliance in the area of record keeping and retention to ensure that program eligibility can be shown. This includes preserving documents that will show that participants served were eligible to be served.

CAUSE OF CONDITION: The grant ended prior to the date of fieldwork. Files from two satellite centers were moved from the centers and later unable to be located by district personnel.

EFFECT OF CONDITION: We were unable to determine eligibility on the eighteen (18) participants, resulting in a scope limitation and modified opinion over compliance. The district was unable to show that all participants were eligible for services.

RECOMMENDATION: We recommend that the district take steps to develop record retention policies and procedures for grants that have ended. The records should be retained until the year is audited and audit reports issued. All records should be maintained in accordance with grant agreements.

Findings that are considered Significant Deficiencies:

Finding 2016-005. CFDA 84.044 TRIO – Talent Search. Activities Allowed or Unallowed/Cost Principles.

CONDITION: Our testing of non-payroll expenditures from the grant revealed two instances where the director of the grant did not approve the purchase prior to the purchase being made. We noted one instance where there was no documentation to support a purchase made in the amount of \$43.73. The school district did not align the financial accounting budgeting software to the approved expenditure amounts in the grant agreement.

CRITERIA: The district is responsible for developing a system of internal controls over compliance that will ensure approval for all grant expenditures by a person knowledgeable of program requirements and that will ensure that cost principles of the grant are met for all grant expenditures. A sound system of control should align accounting software budget amounts with approved amounts found in the approved grant agreement.

CAUSE OF CONDITION: The cause is a deviation from standard practice. The reason for the deviation is not known.

EFFECT OF CONDITION: Two expenditures were made without director approval. One of those expenditures was paid without evidence of approval or invoice to substantiate the purchase and its correlation to the grant activities.

RECOMMENDATION: We recommend that the district review its policies and procedures in the area of grant spending and strengthen the process to ensure that all grant award expenditures are approved by appropriate personnel. We further recommend that all paid claims be supported by records documenting this approval and by invoices and receiving documentation to substantiate the goods/services received and to show their correlation to grant activities. The budgets in the accounting software should be matched with the approved grant agreement for all grant years.

Finding 2016-006. CFDA 84.044 TRIO – Talent Search. Equipment and Inventory Management.

CONDITION: There was no documentation to show that a complete inventory of program equipment was performed during the year.

CRITERIA: Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, the acquisition date, the cost of the property, the location, use, and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. While federal requirements mandate that a physical inventory of the property must be taken and the results be reconciled with the property records at least once every 2 years, state requirements mandate that such an inventory and reconciliation be made annually. Since the state requirement is more stringent, the program inventory must be performed annually.

CAUSE OF CONDITION: The cause is a deviation from state requirements that an inventory be performed annually and reconciled to the subsidiary records and/or a failure of the district to document the inventory.

EFFECT OF CONDITION: A periodic physical inventory is a good control that helps to ensure that assets are accounted for and being used for grant activities. The absence of this control increases the chance that assets may be misappropriated or used for other activities outside of the grant.

RECOMMENDATION: We recommend that the district review its policies and procedures in the area of equipment and inventory management and strengthen the process to ensure that a physical inventory of all capital and inventoried equipment is performed at least once a year. Documentation to show that that the inventory actually took place should be maintained on file.

Finding 2016-007. CFDA 84.010 – Title I – grants to local educational agencies. Activities allowed and unallowed/Cost Principles.

CONDITION: Our testing of non-payroll expenditures revealed two expenditures that were unallowable. Consulting services in the amount of \$3,297.74 for director training in the area of program compliance were paid from the elementary school per pupil allocation. Services should have been paid from administrative set-asides. Director's travel (\$350.00) was paid from professional development set-asides instead of being charged to administrative set-asides. The school district did not track the grant between grant years and delineate the budget according to grant year. The district did not align the current year award approved budget with the accounting software budget module.

CRITERIA: The district is responsible for developing a system of internal controls over compliance that will ensure approval for all grant expenditures by a person knowledgeable of program requirements and to ensure that cost principles of the grant are met for all grant expenditures. A sound system of control should align accounting software budget amounts with approved amounts found in the approved grant application.

CAUSE OF CONDITION: The cause is a lack of alignment between the grant expenditure and the appropriate expenditure category within the approved application budget. The reason for the deviation is not known.

EFFECT OF CONDITION: Two expenditures were made and charged to the wrong expenditure category within the grant award budget. This constitutes unallowable expenditures.

RECOMMENDATION: We recommend that the district review its policies and procedures in the area of grant spending and strengthen the process to ensure that all grant award expenditures are approved by appropriate personnel and are coded to the appropriate expenditure categories within the approved budget. The budgets in the accounting software should be matched with the approved grant awards for all grant years, and the district should be able to track grant expenditures by grant award year.

Finding 2016-008. CFDA 84.010 – Title I – grants to local educational agencies. Equipment and Inventory Management.

CONDITION: We revealed one (1) instance where a smart projector was purchased but not added to the equipment subsidiary records. We noted where a second smart projector (Asset #5053) being shown on a particular classroom's inventory listing was not actually in the classroom noted. There was a projector in that classroom, but the projector in the classroom had no tag on it and did not match the serial number of the item selected for testing. There was no evidence that an annual physical inventory was performed for the Title I grant equipment.

CRITERIA: Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, the acquisition date, the cost of the property, the location, use, and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. While federal requirements mandate that a physical inventory of the property must be taken and the results be reconciled with the property records at least once every 2 years, state requirements mandate that such an inventory and reconciliation be made annually. Since the state requirement is more stringent, the program inventory must be performed annually.

CAUSE OF CONDITION: The cause is a deviation from state requirements that an inventory be performed annually and reconciled to the subsidiary records and/or a failure of the district to document the inventory. The cause is further a failure of the district to properly tag and inventory newly purchased items and to reconcile differences between a physical inventory and the district's subsidiary equipment records on at least an annual basis.

EFFECT OF CONDITION: The absence of this control or deviation from prescribed procedures increases the chance that assets may be misappropriated or used for other activities outside of the grant.

RECOMMENDATION: We recommend that the district review its policies and procedures in the area of equipment and inventory management and strengthen the process to ensure that a physical inventory of all capital and inventoried equipment is performed at least once a year. Documentation to show that that the inventory actually took place should be maintained on file. We further recommend that the district identify the reasons for the failure of the controls in place to capture information on and place inventory tags on new property purchased with grant awards.

Finding 2016-009. CFDA 84.010 – Title I – grants to local educational agencies. Earmarking.

CONDITION: A review of the Title I grant budget in the accounting software failed to show where the district budgeted for set-asides totaling \$4,129.40 for the current year. Required set-asides of 1% for parental involvement (\$584), \$300 for homeless students, and \$3,245.40 for professional development were not noted in the budgetary categories.

CRITERIA: The district should budget required set-asides in a way that will show a direct correlation between each set-aside in the grant award agreement and the line item used to category the expenditure for that particular set-aside.

CAUSE OF CONDITON: The cause is a failure by the district to align the grant budget in the financial accounting software with the approved budget in the award agreement.

EFFECT OF CONDITION: The district is not able to show that required set-asides were budgeted and expended.

RECOMMENDATION: We recommend that the district budget each grant in such a way as to ensure a direct alignment between the budget found in the financial accounting software and the approved grant agreement.

Finding 2016-010. CFDA 84.010 – Title I – grants to local educational agencies. Special Tests and Provisions – Schoolwide Schools.

CONDITION: There was no evidence that the school district reviewed and revised the Schoolwide plans for the 2015-2016 year.

CRITERIA: To operate a schoolwide program, a school must develop a schoolwide plan that contains three core elements: (1) Comprehensive needs assessment of the entire school, (2) Comprehensive plan based on data from the needs assessment, and (3) Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation.

CAUSE OF CONDITION: The cause is not fully known. The condition relates to a breakdown in controls established to ensure compliance in this area.

EFFECT OF CONDITION: The effect is noncompliance with this requirement.

RECOMMENDATION: We recommend that the district review its controls over compliance in this area and strengthen the controls to ensure that all schoolwide plans are reviewed and revised each year.

Finding 2016-011. CFDA 84.010 – Title I – grants to local educational agencies. Special Tests and Provisions – Comparability.

CONDITION: The district does not have a written policy to ensure equivalence among the schools in the provision of curriculum materials and instructional supplies. The district does not have a written policy to ensure equivalence among the schools in teachers, administrators, and auxiliary personnel.

CRITERIA: A local educational authority (school district) is considered to have met the statutory comparability requirements if it filed with the state educational authority a written assurance that the school district has implemented (1) a district-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

CAUSE OF CONDITION: The cause is likely oversight or lack of knowledge of program requirements.

RECOMMENDATION: We recommend that the two policies be developed and approved by the school board.

Newton Municipal School District*P.O. Box 150**205 School Street**Newton, Mississippi 39345**Phone 601-683-2451 / Fax 601-683-7131**Virginia M. Young, Ph.D., Superintendent***FOLLOW UP ON PRIOR YEAR FINDINGS****Section II: Financial Statement Findings**

Finding 2015-01. Corrected

Finding 2015-02. Corrected

Finding 2015-03. Corrected

Finding 2015-04. Repeat finding at Finding 2016-003.

(This page left blank intentionally)

Newton Municipal School District

*P.O. Box 150
205 School Street
Newton, Mississippi 39345
Phone 601-683-2451 / Fax 601-683-7131*

Virginia M. Young, Ph.D., Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

Finding 2016-001. Controls Surrounding Student Activity Fund Receipts.

Corrective Action: The gate box will be prepared with the proper form put in the bag. All administrative personnel have been trained on how to complete the form.

Who is Responsible for Implementation: Dianne Duke, Business Administrator

When the Corrective Action will begin: Immediately

Finding 2016-002. Controls Surrounding Non-payroll expenditures and related payables.

Corrective Action: AP clerk has been instructed not to process anything without any documentation of goods and services. Business Administrator will review for correct coding.

Who is Responsible for Implementation: Dianne Duke, Business Administrator

When Corrective Action will begin: Immediately

Finding 2016-003. Repeat Finding. Controls Surrounding Capital Assets and Related Expenditures.

Corrective Action: We are in the process of having a third party consultant to come and help us to catch up and develop proper procedures necessary. Will also train our fixed asset employee.

Who is Responsible for Implementation: Dianne Duke, Business Administrator

When Corrective Action will begin: Immediately

Finding 2016-004. CFDA 84.044 TRIO-Talent Search. Eligibility.

Corrective Action: We will review the districts policies on retention and compliance.

Who is Responsible for Implementation: Dianne Duke, Business Administrator, MRS Shelby, Assistant Superintendent/Federal Programs Director.

When Corrective Action will begin: Immediately.

Finding 2016-005. CFDA 84.044 TRIO-Talent Search. Activities Allowed and Unallowed/Cost Principles.

Corrective Action: We will work together and enter applications for Federal Programs and we will cross reference and review expenditure reports monthly to make sure they comply with grant.

Who is Responsible for Implementation: Dianne Duke, Business Administrator and MRS Shelby, Assistant Superintendent/Federal Programs Director.

When Corrective Action will begin: Immediately.

Finding 2016-006. CFDA 84.044 TRIO-Talent Search. Equipment an Inventory Management.

Corrective Action: We are in the process of having a third party consultant come and help us catch up and develop the proper procedures necessary to be able to manage the inventory. The fixed asset employee will also be trained on how to do inventory.

Who is Responsible for Implementation: Dianne Duke, Business Administrator
When Corrective Action will begin: Immediately.

Finding 2016-007. CFDA 84.010-Title I – Grants to local educational agencies. Activities Allowed and Unallowed/Cost Principles.

Corrective Action: We will work together to enter application for Federal Programs and will cross reference with information entered in our accounting system to make sure everything is correct and will review monthly.

Who is Responsible: Dianne Duke, Business Administrator and MRS Shelby, Assistant Superintendent/Federal Programs Director.
When Corrective Action will Begin: Immediately.

Finding 2016-008. CFDA 84.010-Title I grants to local educational agencies. Equipment and Inventory Management.

Corrective Action: We are in the process of having a third party consultant to come and help us to catch up and to develop proper procedures necessary to maintain inventory. Our fixed asset employee will also be trained on what needs to be done.

Who is Responsible for Implementation: Dianne Duke, business Administrator, MRS Shelby, Assistant Superintendent/Federal Programs Director, and MS Hall, our fixed asset employee.
When Corrective Action will Begin: Immediately.

Finding 2016-009. CFDA 84.010-Title I-grants to local education agencies. Earmarking.

Corrective Action: We will make sure and review that all expenditures are coded correctly and easily identified by proper coding.

Who is Responsible for Implementation: Dianne Duke, Business Administrator, and MRS Shelby, Assistant Superintendent/Federal Programs Director.
When Corrective Action will Begin: Immediately.

Finding 2016-010. CFDA 84.010-Title I grants to local Educational agencies. Special Tests and Provisions-Schoolwide Schools.

Corrective Action: We will review policies and comply with school wide plans.

Who is Responsible for Implementation: MRS Shelby, Assistant Superintendent/Federal Programs Director.
When Corrective Action will Begin: Immediately.

Finding 2016-011. CFDA 84.010-Title I-grants to local education agencies. Special Tests and Provision-Comparability.

Corrective Action: The School Board just approval the policy on March 23. It will be implemented immediately.

Who is Responsible for Implementation: MRS Shelby, Assistant Superintendent/Federal Programs Director.
When Corrective Action will Begin: Immediately.