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NEWTON MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2019

NEWTON MUNICIPAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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### 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, 2019, 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 our 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 opinion.

#### ***Opinion***

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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the

District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 4-12 and 42-52 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 September 22, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newton Municipal School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton Municipal School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
September 22, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS



NEWTON MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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, 2019. 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 2019 increased \$479,180, including a prior period adjustment of (\$61,174), which represents a 6% increase from fiscal year 2018. Total net position for 2018 decreased \$1,485,195, including a prior period adjustment of (\$927,658), which represents a 24% decrease from fiscal year 2017.
- General revenues amounted to \$8,546,991 and \$8,239,962, or 79% and 79% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,299,559, or 21% of total revenues for 2019, and \$2,226,144, or 21% of total revenues for 2018.
- The District had \$10,306,196 and \$11,023,643 in expenses for fiscal years 2019 and 2018; only \$2,299,559 for 2019 and \$2,226,144 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,546,991 for 2019 were adequate to provide for these programs. General revenues of \$8,239,962 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,361,923 in revenues and \$7,544,648 in expenditures for 2019, and \$7,946,410 in revenues and \$7,959,587 in expenditures in 2018. The General Fund's fund balance increased by \$351,081 from 2018 to 2019, including a prior period adjustment of (\$61,174), and decreased by \$216,143 from 2017 to 2018, including a prior period adjustment of (\$24,529).
- Capital assets, net of accumulated depreciation, decreased by \$208,685 for 2019 and increased by \$304,543 for 2018. The decrease for 2019 was due to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable, decreased by \$229,675 for 2019 and decreased by \$256,409 for 2018. The decrease for 2019 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$35,325 for 2019 and increased by \$8,591 for 2018.

## **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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Additionally, 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 \$7,217,926 as of June 30, 2019.

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.

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Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

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

	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>Percentage Change</b>
Current assets	\$ 2,561,204	\$ 1,770,365	44.67 %
Restricted assets	8,898	222,543	(96.00) %
Capital assets, net	5,500,957	5,709,642	(3.65) %
<b>Total assets</b>	<b>8,071,059</b>	<b>7,702,550</b>	<b>4.78 %</b>
 <b>Deferred outflows of resources</b>	 <b>1,240,697</b>	 <b>2,037,240</b>	 <b>(39.10) %</b>
Current liabilities	152,596	181,909	(16.11) %
Long-term debt outstanding	573,935	802,054	(28.44) %
Net OPEB liability	928,499	936,386	(0.84) %
Net pension liability	13,306,377	14,961,055	(11.06) %
<b>Total liabilities</b>	<b>14,961,407</b>	<b>16,881,404</b>	<b>(11.37) %</b>
 <b>Deferred inflows of resources</b>	 <b>1,568,275</b>	 <b>555,492</b>	 <b>182.32 %</b>
 <b>Net position:</b>			
Net investment in capital assets	5,030,957	4,976,198	1.10 %
Restricted	1,162,728	886,502	31.16 %
Unrestricted	(13,411,611)	(13,559,806)	1.09 %
<b>Total net position</b>	<b>\$ (7,217,926)</b>	<b>\$ (7,697,106)</b>	<b>6.23 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (13,411,611)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	14,562,454
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,150,843</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 \$208,685.
- The principal retirement of \$265,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$10,846,550 and \$10,466,106, respectively. The total cost of all programs and services was \$10,306,196 for 2019 and \$11,023,643 for 2018.

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

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June 30, 2018.

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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 149,099	\$ 126,646	17.73 %
Operating grants and contributions	2,150,460	2,054,768	4.66 %
Capital Grants and Contributions	-	44,730	(100.00) %
General revenues:			
Property taxes	3,117,025	3,175,514	(1.84) %
Grants and contributions not restricted	5,238,683	4,999,546	4.78 %
Investment earnings	4,922	4,281	14.97 %
Sixteenth section sources	146,246	23,207	530.18 %
Other	40,115	37,414	7.22 %
<b>Total revenues</b>	<b>10,846,550</b>	<b>10,466,106</b>	<b>3.64 %</b>
<b>Expenses:</b>			
Instruction	4,549,208	4,502,044	1.05 %
Support services	4,008,730	3,941,238	1.71 %
Non-instructional	633,660	659,116	(3.86) %
Sixteenth section	23,019	9,036	154.75 %
Pension expense	1,025,970	1,835,933	(44.12) %
OPEB expense	48,505	51,140	(5.15) %
Interest on long-term liabilities	17,104	25,136	(31.95) %
<b>Total expenses</b>	<b>10,306,196</b>	<b>11,023,643</b>	<b>(6.51) %</b>
<b>Increase (Decrease) in net position</b>	<b>540,354</b>	<b>(557,537)</b>	<b>196.92 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(7,697,106)</b>	<b>(6,211,911)</b>	<b>(23.91) %</b>
<b>Prior Period Adjustment</b>	<b>(61,174)</b>	<b>(927,658)</b>	<b>93.41 %</b>
<b>Net Position, July 1, as restated</b>	<b>(7,758,280)</b>	<b>(7,139,569)</b>	<b>(8.67) %</b>
<b>Net Position, June 30</b>	<b>\$ (7,217,926)</b>	<b>\$ (7,697,106)</b>	<b>6.23 %</b>

**Governmental activities**

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

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

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	Total Expenses		Percentage Change
	2019	2018	
Instruction	\$ 4,549,208	\$ 4,502,044	1.05 %
Support services	4,008,730	3,941,238	1.71 %
Non-instructional	633,660	659,116	(3.86) %
Sixteenth section	23,019	9,036	154.75 %
Pension Expense	1,025,970	1,835,933	(44.12) %
OPEB Expense	48,505	51,140	(5.15) %
Interest on long-term liabilities	17,104	25,136	(31.95) %
<b>Total expenses</b>	<b>\$ 10,306,196</b>	<b>\$ 11,023,643</b>	<b>(6.51) %</b>

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (3,858,028)	\$ (3,837,673)	(0.53) %
Support services	(3,210,809)	(3,163,576)	(1.49) %
Non-instructional	154,786	124,995	23.83 %
Sixteenth section	(1,007)	(9,036)	88.86 %
Pension Expense	(1,025,970)	(1,835,933)	44.12 %
OPEB Expense	(48,505)	(51,140)	5.15 %
Interest on long-term liabilities	(17,104)	(25,136)	31.95 %
<b>Total net (expense) revenue</b>	<b>\$ (8,006,637)</b>	<b>\$ (8,797,499)</b>	<b>8.99 %</b>

- Net cost of governmental activities (\$8,006,637 for 2019 and \$8,797,499 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$3,117,025 for 2019 and \$3,175,514 for 2018) and state and federal revenues (\$5,238,683 for 2019 and \$4,999,546 for 2018). In addition, there was \$146,246 and \$23,207 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$4,922 for 2019 and \$4,281 for 2018.

## 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 \$2,430,075, an increase of \$601,636, which includes a prior period adjustment of (\$61,174) and a decrease in inventory of \$8,233. \$1,208,018, or 50% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,222,057, or 50% is either non-spendable, 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 \$351,081, which includes a prior period adjustment of (\$61,174). The fund

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Management's Discussion and Analysis  
For the Year Ended June 30, 2019

balance of Other Governmental Funds showed a decrease in the amount of \$115,471. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	140,043
Title I-A Fund		no increase or decrease
Title V Fund		no increase or decrease
Title II-A Fund		no increase or decrease
EHA Part B Fund		no increase or decrease
2013 School Bond Issue Fund	\$	225,983

## 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 each major special revenue fund is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$11,217,297, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$18,187 from 2018. Total accumulated depreciation as of June 30, 2019, was \$5,716,340, and total depreciation expense for the year was \$243,146, resulting in total net capital assets of \$5,500,957.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 42,306	\$ 42,306	0.00 %
Construction in Progress	22,709	435,590	(94.79) %
Buildings	4,466,050	4,604,053	(3.00) %
Building improvements	500,881	79,052	533.61 %
Improvements other than buildings	66,704	69,448	(3.95) %
Mobile equipment	325,877	372,778	(12.58) %
Furniture and equipment	76,430	106,415	(28.18) %
<b>Total</b>	<b>\$ 5,500,957</b>	<b>\$ 5,709,642</b>	<b>(3.65) %</b>

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

**Debt Administration.** At June 30, 2019, the District had \$573,935 in outstanding long-term debt, of which \$95,197 is due within one year. During the fiscal year, the District made principal payments totaling \$265,000 on outstanding long-term debt. The liability for compensated absences increased \$35,325 from the prior year.

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ -	\$ 175,000	(100.00) %
Three mill notes payable	470,000	560,000	(16.07) %
Compensated absences payable	103,935	68,610	51.49 %
<b>Total</b>	<b><u>\$ 573,935</u></b>	<b><u>\$ 803,610</u></b>	<b><u>(28.58) %</u></b>

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

## CURRENT ISSUES

The Newton Municipal School District is financially stable. The District is proud of its community support of the public schools.

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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



## FINANCIAL STATEMENTS

**NEWTON MUNICIPAL SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2019**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,048,330
Due from other governments	510,053
Inventories	2,821
Restricted assets	8,898
Capital assets, non-depreciable:	
Land	42,306
Construction in progress	22,709
Capital assets, net of accumulated depreciation:	
Buildings	4,466,050
Building improvements	500,881
Improvements other than buildings	66,704
Mobile equipment	325,877
Furniture and equipment	76,430
Total Assets	<u>8,071,059</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,170,694
Deferred outflows - OPEB	70,003
Total Deferred Outflows of Resources	<u>1,240,697</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	42,193
Due to other governments	65,594
Unearned revenue	32,240
Interest payable on long-term liabilities	12,569
Long-term liabilities, due within one year:	
Capital related liabilities	90,000
Non-capital related liabilities	5,197
Net OPEB liability	39,471
Long-term liabilities, due beyond one year:	
Capital related liabilities	380,000
Non-capital related liabilities	98,738
Net pension liability	13,306,377
Net OPEB liability	889,028
Total Liabilities	<u>14,961,407</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,502,118
Deferred inflows - OPEB	66,157
Total Deferred Inflows of Resources	<u>1,568,275</u>
<b>Net Position</b>	
Net investment in capital assets	5,030,957
Restricted for:	
Expendable:	
School-based activities	578,426
Debt service	402,313
Forestry improvements	151,794
Unemployment benefits	21,297
Non-expendable:	
Sixteenth section	8,898
Unrestricted	(13,411,611)
Total Net Position (deficit)	<u>\$ (7,217,926)</u>

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

# NEWTON MUNICIPAL SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2019

## Exhibit B

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	\$ 4,549,208	\$ 57,581	\$ 633,599	\$ -	\$ (3,858,028)
Support services	4,008,730	-	797,921	-	(3,210,809)
Non-instructional	633,660	69,506	718,940	-	154,786
Sixteenth section	23,019	22,012	-	-	(1,007)
Pension expense	1,025,970	-	-	-	(1,025,970)
OPEB expense	48,505	-	-	-	(48,505)
Interest on long-term liabilities	17,104	-	-	-	(17,104)
Total Governmental Activities	<u>\$ 10,306,196</u>	<u>\$ 149,099</u>	<u>\$ 2,150,460</u>	<u>\$ -</u>	<u>\$ (8,006,637)</u>

### General Revenues:

#### Taxes:

General purpose levies 2,783,906

Debt purpose levies 333,119

#### Unrestricted grants and contributions:

State 5,215,953

Federal 22,730

Unrestricted investment earnings 4,922

Sixteenth section sources 146,246

Other 40,115

Total General Revenues 8,546,991

Change in Net Position 540,354

Net Position - Beginning, as previously reported (7,697,106)

Prior Period Adjustments (61,174)

Net Position - Beginning, as restated (7,758,280)

Net Position (deficit) - Ending \$ (7,217,926)

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2019**

**Exhibit C**

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I-A Fund	Title V Fund	Title II-A Fund	EHA Part B Fund	2013 School Bond Issue Fund		
<b>Assets</b>									
Cash and cash equivalents	\$ 837,298	\$ 492,111	\$ -	\$ -	\$ 43,072	\$ -	\$ 378,985	\$ 305,762	\$ 2,057,228
Due from other governments	233,261	459	90,967	35,133	-	50,280	-	55,309	465,409
Due from other funds	238,814	2,062	636	-	-	-	-	1,511	243,023
Inventories	-	2,821	-	-	-	-	-	-	2,821
Total assets	<u>\$ 1,309,373</u>	<u>\$ 497,453</u>	<u>\$ 91,603</u>	<u>\$ 35,133</u>	<u>\$ 43,072</u>	<u>\$ 50,280</u>	<u>\$ 378,985</u>	<u>\$ 362,582</u>	<u>\$ 2,768,481</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 17,028	\$ -	\$ 25,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,193
Due to other funds	37,567	2,036	66,438	35,133	10,832	50,280	-	61,687	263,973
Unearned revenue	-	-	-	-	32,240	-	-	-	32,240
Total Liabilities	<u>54,595</u>	<u>2,036</u>	<u>91,603</u>	<u>35,133</u>	<u>43,072</u>	<u>50,280</u>	<u>-</u>	<u>61,687</u>	<u>338,406</u>
<b>Fund Balances:</b>									
<b>Nonspendable:</b>									
Inventory	-	2,821	-	-	-	-	-	-	2,821
Permanent fund principal	-	-	-	-	-	-	-	8,898	8,898
<b>Restricted:</b>									
Debt service	-	-	-	-	-	-	378,985	35,897	414,882
Forestry improvement purposes	-	-	-	-	-	-	-	151,794	151,794
Grant activities	-	492,596	-	-	-	-	-	83,009	575,605
Unemployment benefits	-	-	-	-	-	-	-	21,297	21,297
<b>Assigned:</b>									
Student activities	46,760	-	-	-	-	-	-	-	46,760
<b>Unassigned</b>	<u>1,208,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,208,018</u>
Total Fund Balances	<u>1,254,778</u>	<u>495,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,985</u>	<u>300,895</u>	<u>2,430,075</u>
Total Liabilities and Fund Balances	<u>\$ 1,309,373</u>	<u>\$ 497,453</u>	<u>\$ 91,603</u>	<u>\$ 35,133</u>	<u>\$ 43,072</u>	<u>\$ 50,280</u>	<u>\$ 378,985</u>	<u>\$ 362,582</u>	<u>\$ 2,768,481</u>

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2019**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 2,430,075**

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	
Construction in progress	22,709	
Buildings	8,356,020	
Building improvements	834,678	
Improvements other than buildings	141,480	
Mobile equipment	1,230,706	
Furniture and equipment	589,398	
Accumulated depreciation	<u>(5,716,340)</u>	5,500,957

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

Net pension liability	(13,306,377)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	1,170,694	
Deferred inflows of resources related to pensions	<u>(1,502,118)</u>	(13,637,801)

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

Net OPEB liability	(928,499)	
--------------------	-----------	--

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

Deferred outflows of resources related to OPEB	70,003	
Deferred inflows of resources related to OPEB	<u>(66,157)</u>	(924,653)

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

Notes payable	(470,000)	
Compensated absences	(103,935)	
Accrued interest payable	<u>(12,569)</u>	(586,504)

<b>Net Position of governmental activities</b>		<b><u>\$ (7,217,926)</u></b>
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The notes to the financial statements are an integral part of this statement.

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2019**

**Exhibit D**

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I-A Fund	Title V Fund	Title II-A Fund	EHA Part B Fund	2013 School Bond Issue Fund		
<b>Revenues:</b>									
Local sources	\$ 2,877,246	\$ 73,251	\$ -	\$ -	\$ -	\$ -	\$ 333,119	\$ 5,533	\$ 3,289,149
State sources	5,260,693	25,152	-	-	-	-	-	275,845	5,561,690
Federal sources	77,738	793,307	466,603	51,229	66,173	205,585	-	166,817	1,827,452
Sixteenth section sources	146,246	-	-	-	-	-	-	22,013	168,259
Total Revenues	8,361,923	891,710	466,603	51,229	66,173	205,585	333,119	470,208	10,846,550
<b>Expenditures:</b>									
Instruction	4,309,417	-	187,140	-	-	79,693	-	593,405	5,169,655
Support services	3,176,413	134,327	276,416	51,229	66,173	125,677	-	197,025	4,027,260
Noninstructional services	12,005	611,690	3,047	-	-	215	-	16,673	643,630
Sixteenth section	20,289	-	-	-	-	-	-	2,730	23,019
Facilities acquisition and construction	26,524	-	-	-	-	-	-	-	26,524
Debt service:									
Principal	-	-	-	-	-	-	90,000	175,000	265,000
Interest	-	-	-	-	-	-	17,136	2,844	19,980
Other	-	-	-	-	-	-	-	439	439
Total Expenditures	7,544,648	746,017	466,603	51,229	66,173	205,585	107,136	988,116	10,175,507
Excess (Deficiency) of Revenues over (under) Expenditures	817,275	145,693	-	-	-	-	225,983	(517,908)	671,043
<b>Other Financing Sources (Uses):</b>									
Operating transfers in	-	2,583	-	-	-	-	-	405,020	407,603
Operating transfers out	(405,020)	-	-	-	-	-	-	(2,583)	(407,603)
Total Other Financing Sources (Uses)	(405,020)	2,583	-	-	-	-	-	402,437	-
Net Change in Fund Balances	412,255	148,276	-	-	-	-	225,983	(115,471)	671,043
<b>Fund Balances:</b>									
July 1, 2018, as previously reported	903,697	355,374	-	-	-	-	153,002	416,366	1,828,439
Prior period adjustments	(61,174)	-	-	-	-	-	-	-	(61,174)
July 1, 2018, as restated	842,523	355,374	-	-	-	-	153,002	416,366	1,767,265
Increase (Decrease) in inventory	-	(8,233)	-	-	-	-	-	-	(8,233)
June 30, 2019	\$ 1,254,778	\$ 495,417	\$ -	\$ -	\$ -	\$ -	\$ 378,985	\$ 300,895	\$ 2,430,075

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

**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, 2019**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 671,043**

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	\$ 34,993	
Depreciation expense	<u>(243,146)</u>	(208,153)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(532)

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

Payments of debt principal	265,000	
Accrued interest payable	<u>4,871</u>	269,871

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

Pension expense	(1,025,970)	
Contributions subsequent to the measurement date	<u>886,295</u>	(139,675)

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

OPEB expense	(48,505)	
Contributions subsequent to the measurement date	<u>41,419</u>	(7,086)

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

Change in compensated absences	(35,325)	
Change in inventory	(8,233)	
Amortization of discounts	<u>(1,556)</u>	(45,114)

**Change in Net Position of governmental activities** **\$ 540,354**

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Fiduciary Funds**

**Statement of Fiduciary Net Position**  
**June 30, 2019**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 399,993
Due from other funds	20,000	56,285
Total Assets	<u>20,000</u>	<u>\$ 456,278</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 394,221
Due to other funds	7,373	47,962
Due to student clubs	2,625	14,095
Total Liabilities	<u>9,998</u>	<u>\$ 456,278</u>
<b>Net Position</b>		
Reserved for endowments	10,002	
Total Net Position	<u>\$ 10,002</u>	

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



**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 2
Contributions and donations from private sources	10,000
Total Additions	10,002
<b>Deductions</b>	
Scholarships awarded	-
Total Deductions	-
Change in Net Position	10,002
<b>Net Position</b>	
July 1, 2018	-
June 30, 2019	\$ 10,002

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Newton, 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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This special revenue fund is used to account for and report all financial resources associated with the federal child nutrition cluster of grant awards.

Title I-A Fund - This special revenue fund is used to account for and report all financial resources associated with the federal Title I grants to local educational agencies.

Title V Fund - This special revenue fund is used to account for and report all financial resources associated with the federal Title V Rural Education grant.

Title II-A Fund - This special revenue fund is used to account for and report all financial resources associated with the federal Title II-A Supporting Effective Instruction state grant.

EHA Part B Fund - This special revenue fund is used to account for and report all financial resources associated with the federal Special Education grants to states.

2013 School Bond Issue Fund - This debt service fund accounts for and reports all financial resources associated with servicing the district's Series 2013 three mill notes payable.

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:

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 the results of operations.

Student Club Funds - These funds account for the monies raised through school club activities.

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 the results of operations.

Arrington and Payne Scholarship Fund - This fund is used to account for and report resources that are restricted for scholarship purposes.

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

#### FIDUCIARY FUNDS

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

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

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

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

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

sources.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

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

**Cash and cash equivalents**

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

**Investments**

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

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reported as “due to/from other funds.”

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

7. Deferred outflows/inflows of resources

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

Deferred outflows - Pensions

Deferred outflows - Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred inflows - Pensions

Deferred inflows - Postemployment Benefits Other Than Pensions (OPEB)

See Note 14 for further details.

8. Compensated Absences

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

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

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

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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. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's



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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**

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,057,228 and \$399,993, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$2,716,669 was exposed to custodial credit risk.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

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Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Fund	\$ 62,569
	Title V Fund	35,133
	EHA Part B Fund	48,355
	Other governmental funds	52,143
	Fiduciary funds	40,614
School Food Service Fund	General Fund	178
	Fiduciary funds	1,884
Title I-A Fund	Fiduciary funds	636
Other governmental funds	Fiduciary funds	1,511
Fiduciary funds	General Fund	37,389
	School Food Service Fund	2,036
	Title I-A Fund	3,869
	Title II-A Fund	10,832
	EHA Part B Fund	1,925
	Other governmental funds	9,544
	Fiduciary funds	10,690
Total		<u>\$ 319,308</u>

The amounts 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. Amounts also included are amounts due to and from the governmental funds to and from clearing funds at June 30, 2019.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 405,020
Other governmental funds	School Food Service Fund	2,583
Total		<u>\$ 407,603</u>

Transfers represent operational transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$8,898 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

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	Balance 7/1/2018	Increases	Decreases	Completed Construction	Balance 6/30/2019
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 42,306	\$	\$	\$	\$ 42,306
Construction-in-progress	435,590	26,524		(439,405)	22,709
Total non-depreciable capital assets	477,896	26,524	-	(439,405)	65,015
<u>Depreciable capital assets:</u>					
Buildings	8,356,020				8,356,020
Building improvements	395,273			439,405	834,678
Improvements other than buildings	141,480				141,480
Mobile equipment	1,222,237	8,469			1,230,706
Furniture and equipment	642,578		53,180		589,398
Total depreciable capital assets	10,757,588	8,469	53,180	439,405	11,152,282
<u>Less accumulated depreciation for:</u>					
Buildings	3,751,967	138,003			3,889,970
Building improvements	316,221	17,576			333,797
Improvements other than buildings	72,032	2,744			74,776
Mobile equipment	849,459	55,370			904,829
Furniture and equipment	536,163	29,453	52,648		512,968
Total accumulated depreciation	5,525,842	243,146	52,648	-	5,716,340
Total depreciable capital assets, net	5,231,746	(234,677)	532	439,405	5,435,942
Governmental activities capital assets, net	\$ 5,709,642	\$ (208,153)	\$ 532	\$ -	\$ 5,500,957

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 4,224
Support services	212,505
Non-instructional	26,417
Total depreciation expense - Governmental activities	<u>\$ 243,146</u>

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

	Spent to June 30, 2019	Remaining Commitment
<b>Governmental Activities:</b>		
NH Pilate Reroofing Project	\$ 22,709	\$ -
Total construction in progress	<u>\$ 22,709</u>	<u>\$ -</u>

The remaining commitment could not be determined because a contract had not been approved at fiscal year end.

Construction projects included in governmental activities are funded with unassigned fund balance in the General Fund.

## Note 6 – Long-term Liabilities

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

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	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 175,000	\$	\$ 175,000	\$ -	\$ -
B. Three mill notes payable	560,000		90,000	470,000	90,000
C. Compensated absences payable	68,610	35,325		103,935	5,197
Total	\$ 803,610	\$ 35,325	\$ 265,000	\$ 573,935	\$ 95,197
Bond discount	(1,556)		(1,556)	-	
Total	\$ 802,054	\$ 35,325	\$ 263,444	\$ 573,935	

**A. Limited obligation refunding bonds payable**

The State Aid Capital Improvement Refunding Bonds, Series 2011, were fully retired during the fiscal year from the MAEP Debt Retirement Fund (Debt Service Fund).

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, Series 2013	3.06%	8/15/2013	8/15/2023	\$ 900,000	\$ 470,000
Total				\$ 900,000	\$ 470,000

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 90,000	\$ 14,382	\$ 104,382
2021	95,000	11,628	106,628
2022	95,000	8,721	103,721
2023	95,000	5,814	100,814
2024	95,000	2,907	97,907
Total	\$ 470,000	\$ 43,452	\$ 513,452

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.

**Note 7 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. One (1) Toshiba e-studio 557 Copier System

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2. Three (3) Ricoh MP7001 Copiers
3. One (1) Toshiba e-studio 6508 Copier System

Lease expenditures for the year ended June 30, 2019, amounted to \$10,462.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 6,417
2021	2,122
2022	531
Total	<u>\$ 9,070</u>

## Note 8 – Defined Benefit Pension Plan

### General Information about the Pension Plan

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to

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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, 2019, 2018 and 2017 were \$886,295, \$821,486 and \$933,323, 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, 2019, the school district reported a liability of \$13,306,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was .08 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.01 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,025,970. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 64,037	\$ 63,105
Net difference between projected and actual earnings on pension plan investments		199,820
Changes of assumptions	8,832	8,268
Changes in proportion and differences between District contributions and proportionate share of contributions	211,530	1,230,925
District contributions subsequent to the measurement date	886,295	
Total	\$ <u>1,170,694</u>	\$ <u>1,502,118</u>

\$886,295 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, 2020. 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:	
2020	\$ 33,224
2021	(464,202)
2022	(726,900)
2023	(59,841)

*Actuarial assumptions.* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<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	\$ 17,520,680	\$ 13,306,377	\$ 9,803,734

*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 9 – Other Postemployment Benefits (OPEB)

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**General Information about the OPEB Plan.**

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

*Benefits provided.*

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

*Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$41,419 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$928,499 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.12003095 percent. This was an increase of 0.00068664 percent from the proportionate share as of the measurement date of June 30, 2017.



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For the year ended June 30, 2019, the District recognized OPEB expense of \$48,505. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,890	\$
Changes of assumptions		66,157
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	26,694	
District contributions subsequent to the measurement date	41,419	
<b>Total</b>	<b>\$ 70,003</b>	<b>\$ 66,157</b>

\$41,419 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2020	\$ (7,444)
2021	(7,444)
2022	(7,444)
2023	(7,444)
2024	(6,319)
Thereafter	(1,478)

*Actuarial assumptions.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net	

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

of OPEB plan investment expense,  
including inflation

Measurement Date	3.89%
Prior Measurement Date	3.56%

Health Care Cost Trends

Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,029,219	\$ 928,499	\$ 841,878

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

	Healthcare Cost Trend Rates Current	
1% Decrease		1% Increase

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

Net OPEB liability	\$ 860,097	\$ 928,499	\$ 1,006,185
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*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

#### Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2020	\$ 15,560
2021	14,595
2022	12,592
2023	8,445
2024	8,186
2025 – 2029	39,652
2030 – 2034	34,548
Total	<u>\$ 133,578</u>

#### Note 11 – Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

Explanation	Amount
Error in recording a prior period asset or liability	\$ (61,174)
Total	<u>\$ (61,174)</u>

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

Fund	Explanation	Amount
General Fund	Error in recording a prior period asset or liability	\$ (61,174)
Total		<u>\$ (61,174)</u>

#### Note 12 – 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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

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 13 – Risk Management**

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

#### **Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 58 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 49 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 49 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2019

**Note 14 - Alternative School Consortium**

The school district entered into an Alternative School Agreement dated August 19, 1994 creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Forest Municipal School District, Philadelphia Public School District, Scott County School District, Newton Municipal School District, Enterprise Public School District and Kemper County School District. Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students. The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

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

The unrestricted net position amount of (\$13,411,611) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$886,295 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$284,399 balance of deferred outflow of resources related to pensions at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$13,411,611) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,502,118 balance of deferred inflow of resources related to pensions at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$13,411,611) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$41,419 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$28,584 balance of deferred outflow of resources related to OPEB at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$13,411,611) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$66,157 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

**Note 16 - 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 September 22, 2020, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,210,381	\$ 2,877,246	\$ 2,877,246	\$ (333,135)	\$ -
State sources	5,016,029	5,260,693	5,260,693	244,664	-
Federal sources	102,027	77,738	77,738	(24,289)	-
Sixteenth section sources	136,350	146,246	146,246	9,896	-
Total Revenues	8,464,787	8,361,923	8,361,923	(102,864)	-
<b>Expenditures:</b>					
Instruction	4,588,715	4,309,417	4,309,417	279,298	-
Support services	3,401,864	3,176,413	3,176,413	225,451	-
Noninstructional services	17,960	12,005	12,005	5,955	-
Sixteenth section	28,478	20,289	20,289	8,189	-
Facilities acquisition and construction	101,291	26,524	26,524	74,767	-
Total Expenditures	8,138,308	7,544,648	7,544,648	593,660	-
Excess (Deficiency) of Revenues over (under) Expenditures	326,479	817,275	817,275	490,796	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	6,500	-	-	(6,500)	-
Operating transfers in	462,114	622,395	-	160,281	(622,395)
Operating transfers out	(956,419)	(1,027,415)	(405,020)	(70,996)	622,395
Total Other Financing Sources (Uses)	(487,805)	(405,020)	(405,020)	82,785	-
Net Change in Fund Balances	(161,326)	412,255	412,255	573,581	-
<b>Fund Balances:</b>					
July 1, 2018, as previously reported	903,697	903,697	903,697	-	-
Prior period adjustments	(61,774)	(184,722)	(61,174)	(122,948)	123,548
July 1, 2018, as restated	841,923	718,975	842,523	(122,948)	123,548
June 30, 2019	\$ 680,597	\$ 1,131,230	\$ 1,254,778	\$ 450,633	\$ 123,548

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**School Food Service Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 64,400	\$ 73,251	\$ 73,251	\$ 8,851	\$ -
State sources	6,700	25,152	25,152	18,452	-
Federal sources	750,000	793,307	793,307	43,307	-
Total Revenues	821,100	891,710	891,710	70,610	-
<b>Expenditures:</b>					
Support services	136,538	134,327	134,327	2,211	-
Noninstructional services	680,225	611,690	611,690	68,535	-
Total Expenditures	816,763	746,017	746,017	70,746	-
Excess (Deficiency) of Revenues over (under) Expenditures	4,337	145,693	145,693	141,356	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	2,583	2,583	2,583	-
Total Other Financing Sources (Uses)	-	2,583	2,583	2,583	-
Net Change in Fund Balances	4,337	148,276	148,276	143,939	-
Fund Balances:					
July 1, 2018	355,374	355,374	355,374	-	-
Increase (Decrease) in inventory	-	(8,233)	(8,233)	(8,233)	-
June 30, 2019	\$ 359,711	\$ 495,417	\$ 495,417	\$ 135,706	\$ -

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



**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I-A Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 521,036	\$ 466,603	\$ 466,603	\$ (54,433)	\$ -
Total Revenues	521,036	466,603	466,603	(54,433)	-
<b>Expenditures:</b>					
Instruction	297,827	187,140	187,140	110,687	-
Support services	281,937	276,416	276,416	5,521	-
Noninstructional services	10,469	3,047	3,047	7,422	-
Total Expenditures	590,233	466,603	466,603	123,630	-
Excess (Deficiency) of Revenues over (under) Expenditures	(69,197)	-	-	69,197	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(69,197)	-	-	69,197	-
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ (69,197)	\$ -	\$ -	\$ 69,197	\$ -

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title V Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 21,625	\$ 51,229	\$ 51,229	\$ 29,604	\$ -
Total Revenues	21,625	51,229	51,229	29,604	-
<b>Expenditures:</b>					
Support services	28,819	51,229	51,229	(22,410)	-
Total Expenditures	28,819	51,229	51,229	(22,410)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(7,194)	-	-	7,194	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(7,194)	-	-	7,194	-
<b>Fund Balances:</b>					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ (7,194)	\$ -	\$ -	\$ 7,194	\$ -

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title II-A Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 74,387	\$ 66,173	\$ 66,173	\$ (8,214)	\$ -
Total Revenues	74,387	66,173	66,173	(8,214)	-
<b>Expenditures:</b>					
Support services	139,958	66,173	66,173	73,785	-
Total Expenditures	139,958	66,173	66,173	73,785	-
Excess (Deficiency) of Revenues over (under) Expenditures	(65,571)	-	-	65,571	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(65,571)	-	-	65,571	-
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ (65,571)	\$ -	\$ -	\$ 65,571	\$ -

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

**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**EHA Part B Fund**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 238,576	\$ 205,585	\$ 205,585	\$ (32,991)	\$ -
Total Revenues	238,576	205,585	205,585	(32,991)	-
<b>Expenditures:</b>					
Instruction	114,372	79,693	79,693	34,679	-
Support services	159,446	125,677	125,677	33,769	-
Noninstructional services	1,000	215	215	785	-
Total Expenditures	274,818	205,585	205,585	69,233	-
Excess (Deficiency) of Revenues over (under) Expenditures	(36,242)	-	-	36,242	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(36,242)	-	-	36,242	-
<b>Fund Balances:</b>					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ (36,242)	\$ -	\$ -	\$ 36,242	\$ -

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

**Newton Municipal School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**

**PERS**

**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.08%	0.09%	0.09%	0.08%	0.09%
District's proportionate share of the net pension liability	\$ 13,306,377	\$ 14,961,055	\$ 16,076,247	\$ 12,366,422	\$ 10,924,352
District's covered payroll	5,215,784	5,925,860	5,456,083	5,249,307	5,452,184
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	255.12%	252.47%	294.65%	235.58%	200.37%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	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.

**Newton Municipal School District**  
**Required Supplementary Information**

**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 886,295	\$ 821,486	\$ 933,323	\$ 859,333	\$ 826,766
Contributions in relation to the contractually required contribution	886,295	821,486	933,323	859,333	826,766
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	5,627,270	5,215,784	5,925,860	5,456,083	5,249,308
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	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.

**Newton Municipal School District  
Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.12003095%	0.11934431%
District's proportionate share of the net OPEB liability	\$ 928,499	\$ 936,386
District's covered-employee payroll	5,215,784	5,925,860
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0%

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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Newton Municipal School District  
Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 41,419	\$ 39,920
Contributions in relation to the actuarially determined contribution	41,419	39,920
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	5,627,270	5,215,784
Contributions as a percentage of covered-employee payroll	0.74%	0.77%

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 Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.



NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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

2015:

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

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

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

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

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

2016:

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

2017:

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NEWTON MUNICIPAL SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

OPEB Schedules

(1) *Changes of assumptions*

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

## SUPPLEMENTARY INFORMATION

**Newton Municipal School District  
Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 222,826
National school lunch program	10.555	195MS326N1099	449,454
Summer food service program for children	10.559	195MS326N1099	17,343
Total child nutrition cluster			<u>689,623</u>
Total passed-through Mississippi Department of Education			<u>689,623</u>
Passed-through Newton County, Mississippi			
Schools and Roads - grants to states	10.665	*	6,856
Total passed-through Newton County, Mississippi			<u>6,856</u>
<b>Total U.S. Department of Agriculture</b>			<u>696,479</u>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX	*	55,008
<b>Total U.S. Department of Defense</b>			<u>55,008</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024	558,332
Career and technical education - basic grants to states	84.048	V048A180024	17,764
Rural Education	84.358	S3588180024	51,229
Supporting Effective Instruction State Grants	84.367	S367A180023	66,173
Student Support and Academic Enrichment Program	84.424A	S424A180025	11,400
Subtotal			<u>704,898</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	205,585
Special education - preschool grants	84.173	H173A180113	5,430
Total special education cluster			<u>211,015</u>
Total passed-through Mississippi Department of Education			<u>915,913</u>
<b>Total U.S. Department of Education</b>			<u>915,913</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	11,913
Total passed-through Mississippi Department of Education			<u>11,913</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>11,913</u>
Total for All Federal Awards			<u>\$ 1,679,313</u>

The notes to the Supplementary Information are an integral part of this schedule.

# NEWTON MUNICIPAL SCHOOL DISTRICT

## Notes to the Supplementary Information

For the Year Ended June 30, 2019

### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Newton Municipal School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Newton Municipal School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton Municipal School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$60,229 are included in the National School Lunch Program.

\* - pass through entity identifying number not provided.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

### Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

**Newton Municipal School District  
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2019**

<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	\$ 7,784,518	5,308,968	722,374	777,605	975,571
Other	2,390,989	909,914	130,277	6,764	1,344,034
Total	<u>\$ 10,175,507</u>	<u>6,218,882</u>	<u>852,651</u>	<u>784,369</u>	<u>2,319,605</u>
Total number of students *	<u>934</u>				
Cost per student	<u>\$ 10,895</u>	<u>6,658</u>	<u>913</u>	<u>840</u>	<u>2,484</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

## OTHER INFORMATION



**NEWTON MUNICIPAL SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 2,877,246	\$ 3,156,484	\$ 2,406,646	\$ 2,378,459
State sources	5,260,693	4,672,638	4,638,696	4,731,503
Federal sources	77,738	94,483	86,476	169,363
Sixteenth Section sources	146,246	22,805	17,141	157,125
Total Revenues	8,361,923	7,946,410	7,148,959	7,436,450
<b>Expenditures:</b>				
Instruction	4,309,417	4,297,280	4,334,916	4,016,099
Support services	3,176,413	3,205,905	2,983,875	2,870,136
Noninstructional services	12,005	12,026	16,017	9,672
Sixteenth section	20,289	8,786	17,271	4,142
Facilities acquisition and construction	26,524	435,590		
Total Expenditures	7,544,648	7,959,587	7,352,079	6,900,049
Excess (Deficiency) of Revenues over (under) Expenditures	817,275	(13,177)	(203,120)	536,401
<b>Other Financing Sources (Uses):</b>				
Insurance recovery				6,145
Other financing sources				18,689
Operating transfers in		39,821	22,260	4,474
Operating transfers out	(405,020)	(218,258)	(162,498)	(368,618)
Total Other Financing Sources (Uses)	(405,020)	(178,437)	(140,238)	(339,310)
Net Change in Fund Balances	412,255	(191,614)	(343,358)	197,091
<b>Fund Balances:</b>				
Beginning of period, as previously reported	903,697	1,119,840	1,511,018	1,329,585
'Prior period adjustments	(61,174)	(24,529)	(47,820)	(15,658)
Beginning of period, as restated	842,523	1,095,311	1,463,198	1,313,927
End of Period	\$ 1,254,778	\$ 903,697	\$ 1,119,840	\$ 1,511,018

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NEWTON MUNICIPAL SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 3,289,149	\$ 3,343,855	\$ 2,581,988	\$ 2,538,278
State sources	5,561,690	5,320,323	5,309,495	5,181,428
Federal sources	1,827,452	1,778,722	1,628,048	1,848,713
Sixteenth section sources	168,259	23,206	18,433	188,276
Total Revenues	10,846,550	10,466,106	9,537,964	9,756,695
<b>Expenditures:</b>				
Instruction	5,169,655	5,098,137	4,916,909	4,640,138
Support services	4,027,260	4,009,152	4,005,096	4,002,659
Noninstructional services	643,630	713,741	632,960	593,119
Sixteenth section	23,019	9,036	45,355	4,142
Facilities acquisition and construction	26,524	435,590		
Debt service:				
Principal	265,000	265,000	245,000	245,000
Interest	19,980	28,071	35,166	41,567
Other	439	1,350	1,350	1,350
Total Expenditures	10,175,507	10,560,077	9,881,836	9,527,975
Excess (Deficiency) of Revenues over (under) Expenditures	671,043	(93,971)	(343,872)	228,720
<b>Other Financing Sources (Uses):</b>				
Insurance recovery				6,145
Other financing sources				18,689
Operating transfers in	407,603	271,792	229,908	373,092
Operating transfers out	(407,603)	(271,792)	(229,908)	(373,092)
Total Other Financing Sources (Uses)	0	0	0	24,834
Net Change in Fund Balances	671,043	(93,971)	(343,872)	253,554
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,828,439	1,945,507	2,350,857	2,097,325
Prior period adjustments	(61,174)	(24,499)	(50,312)	385
Beginning of period, as restated	1,767,265	1,921,008	2,300,545	2,097,710
Increase (Decrease) in reserve for inventory	(8,233)	1,402	(11,166)	(407)
End of Period	\$ 2,430,075	\$ 1,828,439	\$ 1,945,507	\$ 2,350,857

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board  
Newton 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, 2019, 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 September 22, 2020.

#### **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 opinion 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.

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 and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost in which the findings are reported, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as **Finding 2019-001 and 2019-002** to be material weaknesses. We consider **2019-003, 2019-004, and 2019-005** to be significant deficiencies.

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are described in the accompanying Schedule of Findings and Questioned Cost as **Finding 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005.**

## **Newton Municipal School District's Responses 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. Newton Municipal School 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 them.

## **Purpose of this Report**

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
September 22, 2020

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC".



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**Independent Auditor's Report  
on Compliance For Each Major Federal Program; 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 Newton Municipal School District's major federal programs for the year ended June 30, 2019. 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newton 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 legal determination of Newton Municipal School District's compliance.

***Opinion on Each 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 major federal programs for the year ended June 30, 2019.

## Other Matters

The results of our auditing procedures disclosed 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 items **2019-006 and 2019-007**. Our opinion on each major federal program is not modified with respect to these matters.

Newton Municipal School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Newton Municipal School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding **2019-006 and 2019-007** that we consider to be significant deficiencies.

Newton Municipal School District's response to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Newton Municipal School District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

## Purpose of this 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC  
Brandon, Mississippi  
September 22, 2020



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





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

Superintendent and School Board  
Newton 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, 2019, which collectively comprise Newton Municipal School District's basic financial statements and have issued our report thereon dated September 22, 2020. 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.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

#### **State Legal Finding 01 – Depository Bids**

Section 37-7-333, Miss. Code Ann. (1972) requires that School boards shall advertise and accept bids for depositories, no less than once every three (3) years, when such board determines that it can obtain a more favorable rate of interest and less administrative processing.

During our test of depository compliance, we found that the district could not provide support for a depository bid to cover the 2019 fiscal year. It appears due to no support the district didn't do depositories bids and had just continued with their current bank from the most recent bid that had expired.

### Recommendation

We recommend that a bid for depositories be prepared and submitted to the board for approval to cover each fiscal year.

### Response

The district will implement procedures to ensure depository bids are prepared and submitted to the board for approval and properly recorded in the minutes for each year.

## **State Legal Finding 02 – Monthly Financial Statements**

### **Repeat Finding**

Monthly financials are required by Code Section 37-9-18, Mississippi Code Ann. (1972), to be presented to the School Board at each regular meeting for the financial activity that occurred during the previous month. The Mississippi Department of Education is charged with promulgating the types of reports and reporting requirements, including a requirement that the reports be listed as an agenda item for discussion, a requirement that the minutes of the board meeting reflect that the reports were discussed, a requirement that each board member be presented with a copy of all required reports, and a requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed.

Our review of the reports presented to the school board disclosed that reports were not presented to the board in a timely manner for the 2018-2019 year. Bank statements were not reconciled in a timely manner during the year for all accounts, meaning the board was being provided with unreconciled information. The district had not prepared a set of financial statements at the time its financial information was transmitted to the Mississippi Department of Education in October 2019. This is a violation of Code Section 37-61-21(2), Miss. Code Ann. (1972). A complete set of financial statements was not available until September 2020.

### Recommendation

We recommend that the administration provide accurate, timely reports to the school board at each regular meeting. We further recommend that all bank statements be reconciled monthly and that all adjustments and other general ledger closing entries be completed prior to the time that financial information is submitted to the Mississippi Department of Education or by October 15 following the June 30 fiscal year end. Financial statements should be ready for audit at this same date.

### Response

The Newton Municipal School District will comply with Section 37-9-18 by issuing monthly financial reports to the Board in a timely fashion.

## **State Legal Finding 03 – Sixteenth Section Late Rental Collections**

### **Repeat Finding**

Code Section 29-3-57, Mississippi Code Ann. (1972), states it shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease.

During our testing of leases, we found three (3) instances where the leases were not paid during the 60-day period and where such leases were not presented to the school board for consideration of termination.

### Recommendation

We recommend that the district identify all delinquent leases and start termination proceedings on those leases. When lease payments are collected by the district, a timely notification of the collection amounts should be made to the outside consultant who is currently assisting in the management of leases for the district. We recommend that a monthly accounting for all leases received during each month be made at

the end of the month to this outside consultant. This will assist in identifying late rental payments in a timely manner. A copy of official board action on all sixteenth section matters should also be provided to the outside consultant for each month. Board approved leases should be filed at the Office of the Chancery clerk immediately after board approval.

#### Response

The Newton Municipal School District will comply with Section 29-3-57 by ensuring that all late lease payments are identified promptly and reported to the outside consultant. The Board will take action to cancel any lease that remains unpaid after 60 days.

### **State Legal Finding 04 – Sixteenth Section Shared Revenue Repeat Finding**

Code Section 29-3-119, Miss. Code Ann. (1972), governs the method used by school districts who share 16th Section expendable revenues in cases where a township is occupied by students from two or more school districts.

The Newton Municipal School District shares certain revenues with the Newton County School District. During review the auditor was unable to find where a shared payment was made to Newton County School District within the 2019 fiscal year. It appears that Newton Municipal has not paid Newton County the shared revenues for the 2019 fiscal year.

#### Recommendation

We recommend that the district strengthen controls in the area of shared revenues owed to other school districts to ensure that all shared revenues are promptly remitted at the end of the fiscal year.

#### Response

The Newton Municipal School District will comply with Section 29-3-119 by implementing a tighter control system in computing the shared revenue amount.

### **State Legal Finding 05 – Sixteenth Section Interest Transfers Repeat Finding**

Code Section 29-3-117, Miss. Code Ann. (1972), governs the transfer of expendable sixteenth section revenues to governmental funds. All expendable sixteenth section revenues to which a school district shall become entitled, as provided in Sections 29-3-115 through 29-3-123, from 95 annual rents, interest and other sources may be transferred to governmental funds upon an order of the school board.

The school district transferred \$2,313.58 from the 16<sup>th</sup> Section Interest Fund to the general fund without formal approval of the school board. The total amount was transferred in one transaction of \$2,313.58 on September 21, 2018. The transfer constitutes a violation of Code Section 29-3-117.

#### Recommendation

We recommend that all transfers of expendable sixteenth section revenues be made only after formal school board approval for the transfers.

#### Response

The Newton Municipal School District will comply with Section 29-3-117 by obtaining Board approval on all transfers.

### **State Legal Finding 06 – Investment of Sixteenth Section Principals Funds Repeat Finding**

Code Section 29-3-113, Miss. Code Ann. (1972), requires that the principal fund shall be a permanent fund which shall be invested and, except as otherwise provided in the section, only the interest income derived from such funds shall be expendable by the school district.

During the 2018-2019 year, this fund was maintained in a pooled bank account, which was credited with interest at an annual rate of 0.25%. However, the district failed to credit the interest income to the

Sixteenth Section Principal Fund for entire fiscal year. The interest was credited instead to the general fund.

#### Recommendation

We recommend that monthly interest attributable to the fund be credited to the 16<sup>th</sup> Section Principal Fund each month. Interest income can then be transferred to the general fund upon a formal order of the school board.

#### Response

The Newton Municipal School District will comply with Section 29-3-113 by crediting all interest earned on Principal Funds into the 16<sup>th</sup> Section Principal account promptly.

### **State Legal Finding 07 – Allocation of Interest income in Pooled bank accounts**

#### **Repeat Finding**

The school district maintains certain funds in a pooled bank account with the general fund. The funds are maintained in an interest-bearing checking account, and Code Section 37-59-43, Mississippi Code (1972), governs how interest income is to be credited to the funds within the pooled account. The code section states that all earnings from funds other than bond funds or bond sinking funds in excess of one hundred dollars (\$100.00) in any fiscal year shall be deposited in the district fund from which the investment was made. Earnings from such school district funds which are less than one hundred dollars (\$100.00) in any fiscal year may be deposited in the school district maintenance fund, or in the district fund from which the investment was made, in the discretion of the school board. Earnings from funds invested out of bond funds or bond sinking funds, together with the principal thereof, shall be deposited in the fund from which the investment was made.

We found that the district did not allocate interest earned in excess of one hundred dollars (\$100) to the 16<sup>th</sup> Section Interest Fund or the Forestry Escrow Fund. The district instead credited the interest income for these two funds directly to the general fund (District Maintenance Fund) for the entire year.

#### Recommendation

We recommend that the district follow the methods outlined in Code Section 37-59-43, Miss. Code (1972), when allocating interest to funds in a pooled bank account.

#### Response

The Newton Municipal School District will allocate interest earned to all applicable funds to comply with Section 37-59-43.

### **State Legal Finding 08 – Compliance with state Purchasing Laws**

#### **Repeat Finding**

Code Section 31-7-13, Miss. Code Ann. (1972), sets forth requirements for obtaining competitive quotes or bids for commodities when the amount encumbered by a single purchase order exceeds \$5,000.

During our testing of non-payroll expenditures, we noted one instance where quotes were either outdated and no longer a valid quote at the time of the purchase, quotes were obtained for the same equipment but for varying quantities and therefore were not identical quotes, and instances where the purchase was awarded to the higher quote without detailed explanation outlined in the official board minutes stating why the higher quote was the best quote.

#### Recommendation

We recommend that the district carefully review all expenditures for commodities and ensure that competitive quotes or bids are obtained when the amount of the purchase falls above the threshold for quotes and/or bids. Quotes should be secured that are identical in nature and should be valid through the issuance of a purchase order. When the low quote is not chosen, a detailed explanation as to why, including computations that show why the low quote is not the best quote, should be spread across the official board minutes.

### Response

The Newton Municipal School District will comply with Section 31-7-13 by obtaining competitive quotes for all required purchases. The district will ensure that quotes are timely and consistent with state purchasing law. Any purchase awarded for other than the lowest bid will be documented through board minutes.

### **State Legal Finding 09 - PERS Form 4B's**

#### **Section 25-11-127.**

Section 25-11-127 MS Code Ann. (1972) addresses reemployment of PERS retirees by an entity covered under the PERS System. Before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits.

During review of the form 4B's, we found that the district had over paid one retiree working for the district.

### Recommendation

We recommend that the district review each retiree's form PERS 4B to ensure that the district does not overpay a retiree. This could cause the retiree's retirement to be affected.

### Response

The district will implement procedures to ensure the PERS Form 4B's are reviewed and ensure retirees are not overpaid.

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

The Newton Municipal School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
September 22, 2020

*McKenzie CPA, PLLC*

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

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 weaknesses identified?                       | Yes        |
| b. | Significant deficiencies identified?                  | Yes        |
| 3. | Noncompliance material to financial statements noted? | Yes        |

Federal Awards:

- |                        |  |                     |   |        |  |                        |                         |  |
|------------------------|--|---------------------|---|--------|--|------------------------|-------------------------|--|
| 4.                     | Internal control over major programs:  |                     |   |        |  |                        |                         |  |
| a.                     | Material weakness identified?  | No                  |   |        |  |                        |                         |  |
| b.                     | Significant deficiency identified?   | Yes                 |   |        |  |                        |                         |  |
| 5.                     | Type of auditor's report issued on compliance for major programs:  | Unmodified          |   |        |  |                        |                         |  |
| 6.                     | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   | Yes                 |   |        |  |                        |                         |  |
| 7.                     | Identification of major programs:  |                     |   |        |  |                        |                         |  |
|                        | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>84.010</td> <td>Title I Grants to local educational agencies</td> </tr> <tr> <td>10.553; 10.555; 10.559</td> <td>Child Nutrition Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title I Grants to local educational agencies | 10.553; 10.555; 10.559 | Child Nutrition Cluster |  |
| <u>CFDA Numbers</u>    | <u>Name of Federal Program or Cluster</u>  |                     |   |        |  |                        |                         |  |
| 84.010                 | Title I Grants to local educational agencies   |                     |   |        |  |                        |                         |  |
| 10.553; 10.555; 10.559 | Child Nutrition Cluster  |                     |   |        |  |                        |                         |  |
| 8.                     | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000           |   |        |  |                        |                         |  |
| 9.                     | Auditee qualified as low-risk auditee?   | No                  |   |        |  |                        |                         |  |
| 10.                    | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b).   | Yes                 |   |        |  |                        |                         |  |

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

**Material Weaknesses and Material Noncompliance**

**2019-001 Finding**  
**Repeat Finding 2018-001**

**Lack of Segregation of Duties**

**Criteria:**

The district is charged with developing a system of accounting controls that will ensure the correctness and completeness of financial information and that will protect district assets. At the center of a well-designed control system is the concept of segregation of duties. When duties are segregated, no single person is responsible for asset handling, recording of transactions, and reconciliation of transactions to asset balances within a given control cycle.

**Condition:**

For the first half of the 2018-2019 fiscal year, the business manager functioned both as the business manager and the payroll clerk. During this time the review and reconciliation of bank statements to the general ledger were included in her duties as business manager. Her duties included preparing personnel contracts, issuing payrolls, maintaining the general ledger, moving monies to clearing accounts, and reconciling the payroll clearing account to the general ledger. The business manager was also responsible for recording receipts and reconciling bank statements for the pooled bank account and preparing and posting journal entries. There was no person assigned who could review the adjusting journal entries for correctness or reasonableness.

**Cause:**

The cause is a lack of understanding of control systems and the need for sound control systems.

**Effect:**

The effect is a control deficiency that would allow errors or irregularities in the payroll expenditure and related payables control cycle and the cash receipts, revenues, and related receivables control cycle to occur and not be detected. The month end and year end closing routines are also exposed to a greater risk when there is no review or other controls over the formulating and posting of adjusting journal entries.

**Recommendation:**

We recommend that the district review its current control structure and segregate duties to the fullest extent possible.



NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**2019-002 Finding**  
**Repeat Finding 2018-002**

**Bank Reconciliations not timely**

**Criteria:**

A well-designed control system includes controls to make sure that all bank statements are reconciled to general ledger cash balance accounts on a regular basis. This process should be assigned to an individual who does not have transaction authority for or physical access to the assets in the bank account being reconciled if possible.

**Condition:**

All bank statements for all months of the 2018-2019 fiscal year were not fully reconciled at June 30, 2019. For the payroll clearing bank account, the accounts payable bank account, and the pooled account, complete bank reconciliations were not performed until after June 30, 2020, a complete fiscal year later. An outside consultant was hired to bring reconciliations up to date in order to prepare the district's accounting records for audit.

**Cause:**

The cause is likely an inability on the part of business office staff to organize and prepare bank statement reconciliations on a timely basis.

**Effect:**

The effect is a control deficiency that will allow errors or irregularities to occur and go undetected. General ledger cash accounts may be misstated because of incomplete entries or erroneous entries made to the general ledger. Missing or incomplete deposits have less of a chance of being discovered.

**Recommendation:**

We recommend that the district review the process of providing complete, accurate bank statement reconciliations on a timely basis. Duties should be segregated among staff members to achieve the greatest segregation of duties possible.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**Significant Deficiencies and Material Noncompliance**

**2019-003 Finding**  
**Repeat Finding 2018-004**

**Deficiencies in controls surrounding payroll expenditures and related payables.**

**Criteria:**

The school district is charged with developing controls surrounding the payroll expenditure cycle that will provide for authorization of pay transactions through school board approval and the existence of time and attendance records. Controls should also include policies and procedures that will ensure compliance with the record-keeping requirements of federal wage and hour law. Finally, assignments for new employees should align to board approved duties and contracted descriptions.

**Condition:**

In our review of the controls surrounding payroll expenditures, we noted that the school board did not approve several supplemental amounts paid to district employees, including supplements for extra duties assigned and supplements associated with the School Recognition award. We also noted several instances where hourly time records were not available to support compliance with wage and hour laws for non-exempt employees. The district did not list employee names along with the corresponding amount that employees should be paid within the minutes. Time sheets were not being reconciled.

**Cause:**

The cause is likely an oversight or lack of controls to ensure items were reconciled and approved appropriately.

**Effect:**

The effect is a breakdown in the controls surrounding the payroll expenditure cycle and exposure to risk of noncompliance with federal wage and hour law. Further, employees who are approved for one position are actually serving in a different capacity.

**Recommendation:**

We recommend that the school district comply with the recordkeeping requirements of the federal wage and hour law. We further recommend that all supplemental pay amounts be approved by the school board and that all employees be approved for the position/title that corresponds to their actual work assignments.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**2019-004 Finding**

**Capital assets should be properly documented and reported in the district's financial statements.**

**Criteria:**

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. This includes reviewing and updating the capital assets and depreciation reports to reflect the physical inventory. Proper documentation should also be filed for asset transfers, disposals, and tagging.

**Condition:**

We noted the following items while testing capital assets:

1. Two assets were not able to be found by auditor for inspection to view.
2. Capital assets are not being reconciled monthly to the ledger.

**Cause:**

The district lacks appropriate controls to ensure all asset procedures are implemented and properly recorded.

**Effect:**

This caused the district to misstate the capital asset balances at year end. As a result, proposed adjustments were made during the audit and accepted by the district to properly present the capital asset balances.

**Recommendation:**

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**2019-005 Finding**  
**Repeat Finding 2018-005**

**Receipting of revenues and Athletic gate receipts.**

**Criteria:**

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. Daily receipts of revenues are an important part of this process. Athletic event ticket reconciliation forms are an important part of the controls surrounding the cash deposits flowing from ticket sales at athletic events. The proper use of these forms serves to provide assurance that cash deposits from ticket sales are complete and that deposits are made on a timely basis. The forms also act as documentation of the chain of custody of change cash and ticket sales proceeds throughout the process of athletic event ticket sales transactions.

**Condition:**

We noted the following items while testing receipts:

1. District could not provide support/documentation for three items requested in sample.
2. One athletic event form reviewed was not completed properly or reconciled.

**Cause:**

The district lacks appropriate controls to ensure all receipt procedures are implemented and properly recorded.

**Effect:**

This could cause the district to misstate the receipt balances at year end.

**Recommendation:**

The district should implement procedures and internal controls with regard to the receipt of funds and reconciliation of athletic event forms.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiencies and Material Noncompliance**

**2019-006 Finding**

**Non-Payroll expenditures should be supported by adequate documentation and approval.**

Program:

Title I grant to local educational agencies, CFDA # 84.010  
Child Nutrition Cluster, CFDA # 10.553; 10.555, 10.559

Compliance Requirement: Allowable Cost  
Questioned Cost: \$0

**Criteria:**

Management is responsible for ensuring that all non-payroll expenditures made by the district are adequately documented and approved by the governing board.

**Condition:**

We noted the following items while testing non-payroll expenditures:

- Invoices were not signed or dated noting items received
- Invoices not properly canceled indicating payment
- Several invoices reviewed were dated before the purchase order date
- Quotes for one item was not comparable and had different quantities
- District accepted a higher quote without justification or board approval

**Cause:**

The district did not have the proper controls and procedures in place to ensure non-payroll expenditures and applicable processes are properly board approved. Controls were also not in place to ensure that all approvals were properly recorded accurately in the minutes.

**Effect:**

Omitting documentation of approval or receipt of items could result in payments of unauthorized amounts to vendors without receiving the requested goods.

**Recommendation:**

We recommend the district implement procedures and internal controls to ensure that all invoices are properly canceled and that higher quotes be approved by the school board.

**View of Responsible Officials:**

The district will implement controls to ensure that all invoices are canceled and higher quotes are approved and documented within the board minutes.

NEWTON MUNICIPAL SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**2019-007 Finding**

**Internal controls surrounding cash management should be strengthened.**

Program:

Title I grant to local educational agencies, CFDA # 84.010

Supporting Effective Instruction State Grants, CFDA # 84.367

Passed-through the Mississippi Department of Education

Compliance Requirement: Cash Management

Questioned Cost: \$32,240

**Criteria:**

Management is responsible for complying with the requirements of the Mississippi Department of Education Special Education Policy and Procedures Manual, which recommends that expenditures should be expended before the reimbursements are requested.

**Condition:**

We noted the following items during our cash management review:

1. The cash balance was excessive for Title I local educational agencies throughout several month within the fiscal year but was cleared up by the end of the fiscal year. These funds had been carried forward from a previous period.
2. The cash balance was excessive for the Supporting Effective Instruction State Grants by \$32,240 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.

**Cause:**

Improper internal controls resulted in the district not requesting reimbursements accurately.

**Effect:**

By requiring more than one staff member to review the reimbursement request reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning grant funding allocations could result in questioned cost by the federal agencies.

**Recommendation:**

The district should implement stronger internal controls to ensure that all reimbursements are requested accurately in each area when the expenditure is actually expended by the district.

**View of Responsible Officials:**

The district will implement a better system of internal controls to prevent this issue in the future.

AUDITEE'S CORRECTIVE ACTION PLAN  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Newton Municipal School District  
P. O. Box 150  
Office of the Superintendent  
Newton, Mississippi 39345  
Dr. Glenda Nickson, Superintendent  
Angela Hicks, Business Manager**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by the Uniform Guidance, The Newton Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019:

Finding

Corrective Action Plan Details

**2019-001**

**Lack of Segregation of Duties**

A. Name of contact person responsible for corrective action:

Name: Dr. Glenda Nickson

Title: Superintendent

B. Corrective action planned:

District will implement a new system to improve the responsibilities of staff so that there is a system of checks and balances.

C. Anticipated completion date:

June 30, 2021.

**2019-002**

**Bank Reconciliations not timely**

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

District has outsourced the reconciliation of its bank statements to ensure they are done timely.

C. Anticipated completion date:

June 30, 2021



**Newton Municipal School District  
P. O. Box 150  
Office of the Superintendent  
Newton, Mississippi 39345  
Dr. Glenda Nickson, Superintendent  
Angela Hicks, Business Manager**

**2019-003**

**Deficiencies in controls surrounding payroll expenditures and related payables.**

D. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

E. Corrective action planned:

District will improve internal controls to ensure all payroll expenditures are adequately supported and board approved.

F. Anticipated completion date:

June 30, 2021

**2019-004**

**Capital Assets should be properly documented and reported in the district's financial statements.**

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure all capital assets are reconciled monthly and regular audits are done to ensure accuracy of asset locations.

C. Anticipated completion date:

June 30, 2021

**Newton Municipal School District  
P. O. Box 150  
Office of the Superintendent  
Newton, Mississippi 39345  
Dr. Glenda Nickson, Superintendent  
Angela Hicks, Business Manager**

**2019-005**

**Receipting of Revenues and Athletic gate receipts**

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure all receipts are entered correctly and are reconciled monthly and regular audits are done on event forms.

C. Anticipated completion date:

June 30, 2021

**2019-006**

**Non-Payroll Expenditures should be supported by adequate documentation and approval.**

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure all non-payroll expenditures are signed and dated received, properly canceled indicating payment, and purchase orders are done before items are ordered.

C. Anticipated completion date:

June 30, 2021

**Newton Municipal School District  
P. O. Box 150  
Office of the Superintendent  
Newton, Mississippi 39345  
Dr. Glenda Nickson, Superintendent  
Angela Hicks, Business Manager**

**2019-007**

**Internal controls surrounding cash management should be strengthened**

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

The business manager will strengthen controls to ensure all request for reimbursement are done timely and after the funds have been expended.

C. Anticipated completion date:

June 30, 2021

**Newton Municipal School District**  
**P. O. Box 150**  
**Office of the Superintendent**  
**Newton, Mississippi 39345**  
**Dr. Glenda Nickson, Superintendent**  
**Angela Hicks, Business Manager**

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Newton Municipal School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2019:

Finding Status

2018-001	Not Corrected (See Finding 2019-001)
2018-002	Not Corrected (See Finding 2019-002)
2018-003	Corrected
2018-004	Not Corrected (See Finding 2019-003)
2018-005	Not Corrected (See Finding 2019-005)
2018-006	Corrected
2018-007	Corrected
2018-008	Corrected
2018-009	Corrected
2018-010	Corrected
2018-011	Corrected
2018-012	Corrected
2018-013	Corrected