

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

**CITY OF NEWTON, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**CITY OF NEWTON, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
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### **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Newton, Mississippi

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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.

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinion on the Governmental and Business-type Activities

As discussed in Note 3 to the financial statements, management has not maintained adequate subsidiary records of capital assets. Accounting principles generally accepted in the United States of America require that assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities and business-type activities is not reasonably determinable.

### Qualified Opinion

In our opinion, because of the effects of the matter discussed in the previous section, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental and business-type activities of the City of Newton, Mississippi, as of September 30, 2020, and the changes in financial position thereof for the year then ended.

### Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Newton, Mississippi, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows 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 Budgetary Comparison Schedule-Budget and Actual (Non-GAAP basis)-General Fund, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and corresponding notes 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.

### Omission of Required Supplementary Information

The City of Newton, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### Supplementary and Other Information

The Schedule of Surety Bonds for Municipal Officials 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Newton's basic financial statements. The 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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, is the responsibility of management and was derived from and relates 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2022, on our consideration of the City of Newton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Mississippi's internal control over financial reporting and compliance.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**

Hattiesburg, Mississippi

July 5, 2022

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

**EXHIBIT 1**

<b>Assets</b>	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
Cash and cash equivalents	\$ 1,258,775	\$ 308,915	\$ 1,567,690
Restricted cash	97,277	112,050	209,327
Receivables (net of uncollectibles):			
Property taxes	954,500	-	954,500
Accounts	315,374	135,013	450,387
Fines	22,853	-	22,853
Prepaid items	17,787	4,048	21,835
Internal balances	(1,559,385)	1,559,385	-
Inventory of supplies, at cost	-	25,188	25,188
Capital assets:			
Land	618,592	119,051	737,643
Construction in process	579,231	-	579,231
Buildings	1,541,966	-	1,541,966
Improvements other than buildings	2,298,050	-	2,298,050
Mobile equipment	1,941,436	841,644	2,783,080
Leased property under capital leases	202,691	265,553	468,244
Other furniture and equipment	169,618	-	169,618
Water and sewer lines and facilities	-	8,349,210	8,349,210
Infrastructure	8,996,470	-	8,996,470
Less: accumulated depreciation	(5,208,667)	(6,355,285)	(11,563,952)
Net capital assets	<u>11,139,387</u>	<u>3,220,173</u>	<u>14,359,560</u>
<b>Total Assets</b>	<u>12,246,568</u>	<u>5,364,772</u>	<u>17,611,340</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	<u>272,204</u>	<u>31,875</u>	<u>304,079</u>
<b>Total Deferred Outflows of Resources</b>	<u>272,204</u>	<u>31,875</u>	<u>304,079</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 12,518,772</u>	<u>\$ 5,396,647</u>	<u>\$17,915,419</u>

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

**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

**EXHIBIT 1**

**Page 2**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Liabilities and Net Position</b>			
Accounts payable	\$ 124,949	\$ 56,629	\$ 181,578
Other accrued liabilities	50,371	4,836	55,207
Customer deposits	-	112,050	112,050
Seized funds escrow	97,277	-	97,277
Long-term liabilities:			
Due within one year:			
Capital debt	274,666	179,172	453,838
Due in more than one year			
Non-capital debt	35,955	2,184	38,139
Capital debt	861,753	1,993,127	2,854,880
Net Pension Liability	3,572,485	418,339	3,990,824
<b>Total Liabilities</b>	<b>5,017,456</b>	<b>2,766,337</b>	<b>7,783,793</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	85,484	10,010	95,494
Property tax for future reporting period	954,500	-	954,500
<b>Total Deferred Inflows of Resources</b>	<b>1,039,984</b>	<b>10,010</b>	<b>1,049,994</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>6,057,440</b>	<b>2,776,347</b>	<b>8,833,787</b>
<b>Net Position:</b>			
Net investment in capital assets	10,002,968	1,047,874	11,050,842
Unrestricted	(3,541,636)	1,572,426	(1,969,210)
<b>Total Net Position</b>	<b>6,461,332</b>	<b>2,620,300</b>	<b>9,081,632</b>
<b>Total Liabilities , Deferred Inflows of Resources, and Net Position</b>	<b>\$ 12,518,772</b>	<b>\$ 5,396,647</b>	<b>\$17,915,419</b>

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



**CITY OF NEWTON, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT 2**

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants	Capital Grants			
Governmental Activities:							
General government	\$ (565,830)	\$ -	\$ 8,644	\$ 1,000,000	\$ 442,814	\$ -	\$ 442,814
Public safety	(1,167,975)	41,509	-	-	(1,126,466)	-	(1,126,466)
Public works	(893,873)	281,680	-	990,703	378,510	-	378,510
Culture and recreation	(394,905)	20,617	-	9,485	(364,803)	-	(364,803)
Economic Development and Assistance	(60,269)	-	-	-	(60,269)	-	(60,269)
Interest and fiscal charges on long-term debt	(29,443)	-	-	-	(29,443)	-	(29,443)
Pension expense	(407,488)	-	-	-	(407,488)	-	(407,488)
Total Governmental Activities	<u>(3,519,783)</u>	<u>343,806</u>	<u>8,644</u>	<u>2,000,188</u>	<u>(1,167,145)</u>	<u>-</u>	<u>(1,167,145)</u>
Business-Type Activities:							
Water, sewer, and garbage	(987,207)	971,839	-	-	-	(15,368)	(15,368)
Total Functions/Programs	<u>\$ (4,506,990)</u>	<u>\$ 1,315,645</u>	<u>\$ 8,644</u>	<u>\$ 2,000,188</u>	<u>\$ (1,167,145)</u>	<u>\$ (15,368)</u>	<u>\$ (1,182,513)</u>
General Revenues:							
Property tax					\$ 1,234,820	\$ -	\$ 1,234,820
Sales tax					961,289	104,713	1,066,002
Licenses and permits					292,575	-	292,575
Intergovernmental, not restricted to specific functions/programs					204,125	-	204,125
Use of money and property					6,853	1,486	8,339
Other revenue					79,017	42,586	121,603
Transfer in (out)					219,548	(219,548)	-
Total General Revenues and Transfers					<u>2,998,227</u>	<u>(70,763)</u>	<u>2,927,464</u>
Change in Net Position					<u>1,831,082</u>	<u>(86,131)</u>	<u>1,744,951</u>
Net Position - Beginning of Year					<u>4,630,250</u>	<u>2,706,431</u>	<u>7,336,681</u>
Net Position- End of Year					<u>\$ 6,461,332</u>	<u>\$ 2,620,300</u>	<u>\$ 9,081,632</u>

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

**CITY OF NEWTON, MISSISSIPPI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

**EXHIBIT 3**

	<b>General Fund</b>	<b>City Hall Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 498,857	\$ 421,448	\$ 338,470	\$ 1,258,775
Property tax receivable	878,750	-	75,750	954,500
Accounts receivable	214,424	-	100,950	315,374
Fines receivable, net uncollectibles of \$434,198	22,853	-	-	22,853
Due from other funds	356,180	-	475,469	831,649
Prepaid expenses	17,787			17,787
Restricted Cash	-	-	97,277	97,277
<b>Total Assets</b>	<u>\$ 1,988,851</u>	<u>\$ 421,448</u>	<u>\$ 1,087,916</u>	<u>\$ 3,498,215</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 104,885	\$ -	\$ 20,064	\$ 124,949
Other accrued liabilities	50,371	-	-	50,371
Due to other funds	1,675,999	-	715,035	2,391,034
Seized funds escrow	-	-	97,277	97,277
<b>Total Liabilities</b>	<u>1,831,255</u>	<u>-</u>	<u>832,376</u>	<u>2,663,631</u>
<b>Deferred Inflows of Resources:</b>				
Property tax for future reporting period	878,750	-	75,750	954,500
Unavailable revenue-fines	22,853	-	-	22,853
Total Deferred Inflows of Resources	<u>901,603</u>	<u>-</u>	<u>75,750</u>	<u>977,353</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>2,732,858</u>	<u>-</u>	<u>908,126</u>	<u>3,640,984</u>
Fund Balances:				
Nonspendable	17,787	-	-	17,787
Committed:				
Capital Projects	-	421,448	-	421,448
Debt service	-	-	992,656	992,656
Unassigned	(761,794)	-	(812,866)	(1,574,660)
<b>Total Fund Balances (Deficit)</b>	<u>(744,007)</u>	<u>421,448</u>	<u>179,790</u>	<u>(142,769)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	<u>\$ 1,988,851</u>	<u>\$ 421,448</u>	<u>\$ 1,087,916</u>	<u>\$ 3,498,215</u>

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

**CITY OF NEWTON, MISSISSIPPI  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

**EXHIBIT 3.1**

<b>Fund Balance - Total Governmental Funds</b>		\$ (142,769)
Amounts reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental Capital Assets	16,348,054	
Less: Accumulated Depreciation	<u>(5,208,667)</u>	11,139,387
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.		
		22,853
Deferred outflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.		
		272,204
Deferred inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.		
		(85,484)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds.		
		(3,572,485)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds Payable	(910,000)	
Notes Payable	(116,934)	
Capital Leases Payable	(109,485)	
Compensated Absences	<u>(35,955)</u>	<u>(1,172,374)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 6,461,332</u></u>

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

**CITY OF NEWTON, MISSISSIPPI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Exhibit 4**

	<b>General Fund</b>	<b>City Hall Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ 1,056,674	\$ -	\$ 178,146	\$ 1,234,820
Licenses and permits	292,575	-	-	292,575
Intergovernmental	1,142,268	1,000,000	1,031,978	3,174,246
Charges for services	302,297	-	-	302,297
Fines and forfeitures	40,026	-	1,338	41,364
Use of money and property	2,210	3,621	1,022	6,853
Miscellaneous	79,017	-	-	79,017
<b>Total Revenues</b>	<u>2,915,067</u>	<u>1,003,621</u>	<u>1,212,484</u>	<u>5,131,172</u>
<b>Expenditures</b>				
Current:				
General government	457,408	-	-	457,408
Public safety	1,297,924	-	-	1,297,924
Public works	843,925	-	15,062	858,987
Culture and recreation	340,318	-	-	340,318
Capital projects	-	582,173	1,141,304	1,723,477
Debt service:				
Principal	150,885	-	215,000	365,885
Interest and fiscal charges	8,397	-	21,046	29,443
<b>Total Expenditures</b>	<u>3,098,857</u>	<u>582,173</u>	<u>1,392,412</u>	<u>5,073,442</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(183,790)</u>	<u>421,448</u>	<u>(179,928)</u>	<u>57,730</u>
<b>Other Financing Sources</b>				
Proceeds from debt	32,400	-	-	32,400
Transfers in (out)	(1,688)	-	221,236	219,548
<b>Total Other Financing Sources</b>	<u>30,712</u>	<u>-</u>	<u>221,236</u>	<u>251,948</u>
<b>Net Change in Fund Balances</b>	(153,078)	421,448	41,308	309,678
<b>Fund Balances - Beginning</b>	<u>(590,929)</u>	<u>-</u>	<u>138,482</u>	<u>(452,447)</u>
<b>Fund Balances (Deficits)-Ending</b>	<u>\$ (744,007)</u>	<u>\$ 421,448</u>	<u>\$ 179,790</u>	<u>\$ (142,769)</u>

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

**CITY OF NEWTON, MISSISSIPPI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT 4.1**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>		<b>\$ 309,678</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are depreciated over their estimated useful lives.		
Plus: Capital Outlays	1,752,935	
Less: Current Year Depreciation	<u>(397,795)</u>	1,355,140
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		
		145
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balance by the following item:		
Deferred Compensation	<u>(2,796)</u>	(2,796)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt Proceeds	(32,400)	
Principal Payments	<u>365,885</u>	333,485
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities includes:		
Recording of pension expense for the current period		(407,488)
Recording of contributions made subsequent to the measurement date		60,706
Recording of reduction in pension expense for amounts included in net pension liability.		<u>182,212</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 1,831,082</u></b>

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

**CITY OF NEWTON, MISSISSIPPI  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020**

**EXHIBIT 5**

	Enterprise Funds			
	Water & Sewer	ARRA	Wastewater Treatment Project	Total Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 308,915	\$ -	\$ -	\$ 308,915
Restricted cash	112,050	-	-	112,050
Accounts receivable (net of allowance of \$186,008)	135,013	-	-	135,013
Inventories	25,188	-	-	25,188
Due from other funds	1,559,385	-	-	1,559,385
Prepaid Items	4,048	-	-	4,048
Total Current Assets	2,144,599	-	-	2,144,599
Noncurrent Assets:				
Capital Assets:				
Property, plant, and equipment	7,562,626	894,813	1,118,019	9,575,458
Less: Accumulated depreciation	(5,550,152)	(357,925)	(447,208)	(6,355,285)
Total Noncurrent Assets	2,012,474	536,888	670,811	3,220,173
Total Assets	4,157,073	536,888	670,811	5,364,772
Deferred Outflows of Resources				
Deferred outflows related to pension	31,875	-	-	31,875
Total Deferred Outflows of Resources	31,875	-	-	31,875
Total Assets and Deferred Outflows of Resources	\$ 4,188,948	\$ 536,888	\$ 670,811	\$ 5,396,647

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

**CITY OF NEWTON, MISSISSIPPI  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020**

**EXHIBIT 5**

**Page 2**

	<b>Enterprise Funds</b>			
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	<b>Total Enterprise Funds</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 56,629	\$ -	\$ -	\$ 56,629
Other accrued liabilities	4,836	-	-	4,836
Customer deposits	112,050	-	-	112,050
Revenue bonds payable - current portion	20,357	-	-	20,357
Other loans-current portion	10,334	43,107	54,662	108,103
Capital leases payable - current portion	50,712	-	-	50,712
Total Current Liabilities	<u>254,918</u>	<u>43,107</u>	<u>54,662</u>	<u>352,687</u>
Noncurrent Liabilities:				
Compensated absences payable	2,184	-	-	2,184
Capital leases payable	206,511	-	-	206,511
Long-term debt	758,465	403,636	624,515	1,786,616
Net pension liability	418,339	-	-	418,339
Total Noncurrent Liabilities	<u>1,385,499</u>	<u>403,636</u>	<u>624,515</u>	<u>2,413,650</u>
Total Liabilities	<u>1,640,417</u>	<u>446,743</u>	<u>679,177</u>	<u>2,766,337</u>
Deferred Inflows of Resources:				
Deferred inflows related to pension	10,010	-	-	10,010
Total Deferred Inflows of Resources	<u>10,010</u>	<u>-</u>	<u>-</u>	<u>10,010</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,650,427</u>	<u>446,743</u>	<u>679,177</u>	<u>2,776,347</u>
<b>NET POSITION</b>				
Net investment in capital assets	966,095	90,145	(8,366)	1,047,874
Unrestricted	1,572,426	-	-	1,572,426
Total Net Position	<u>2,538,521</u>	<u>90,145</u>	<u>(8,366)</u>	<u>2,620,300</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,188,948</u>	<u>\$ 536,888</u>	<u>\$ 670,811</u>	<u>\$ 5,396,647</u>

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

**CITY OF NEWTON, MISSISSIPPI**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT 6**

	<b>Enterprise Funds</b>			
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	<b>Total Enterprise Funds</b>
Operating Revenues:				
Charges for services	\$ 971,839	\$ -	\$ -	\$ 971,839
Intergovernmental	-	44,112	60,601	104,713
Total Operating Revenues	971,839	44,112	60,601	1,076,552
Operating Expenses:				
Personnel services	165,980	-	-	165,980
Contractual services, materials, and supplies	479,656	-	-	479,656
Depreciation	159,882	44,741	55,901	260,524
Pension expense	47,717	-	-	47,717
Total Operating Expenses	853,235	44,741	55,901	953,877
Operating Income	118,604	(629)	4,700	122,675
Nonoperating Revenues (Expenses):				
Interest income	1,486	-	-	1,486
Interest expense	(18,113)	(8,330)	(6,887)	(33,330)
Gain on sale of assets	34,043	-	-	34,043
Miscellaneous revenue	8,543	-	-	8,543
Total Nonoperating Revenues (Expenses)	25,959	(8,330)	(6,887)	10,742
Income (Loss) Before Transfers	144,563	(8,959)	(2,187)	133,417
Transfers out	(219,548)	-	-	(219,548)
Total Transfers	(219,548)	-	-	(219,548)
Change in Net Position	(74,985)	(8,959)	(2,187)	(86,131)
Total Net Position - Beginning	2,613,506	99,104	(6,179)	2,706,431
Total Net Position - Ending	\$ 2,538,521	\$ 90,145	\$ (8,366)	\$ 2,620,300

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



**CITY OF NEWTON, MISSISSIPPI  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT 7**

	<b>Enterprise Fund</b>			
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and users	\$ 952,565	\$ 44,112	\$ 60,601	\$1,057,278
Cash payments to suppliers	(623,068)	-	-	(623,068)
Cash payments to employees	(257,421)	-	-	(257,421)
Net cash provided by operating activities	<u>72,076</u>	<u>44,112</u>	<u>60,601</u>	<u>176,789</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Other receipts	8,543	-	-	8,543
Transfers to other funds	(96,008)	-	-	(96,008)
Net cash (used) by noncapital financing activities	<u>(87,465)</u>	<u>-</u>	<u>-</u>	<u>(87,465)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on long-term debt	(295,461)	(35,782)	(53,714)	(384,957)
Interest expense	(18,113)	(8,330)	(6,887)	(33,330)
Proceeds from debt issuance	265,552	-	-	265,552
Net cash (used) by capital and related financing activities	<u>\$ (48,022)</u>	<u>\$ (44,112)</u>	<u>\$ (60,601)</u>	<u>\$ (152,735)</u>

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

**CITY OF NEWTON, MISSISSIPPI  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT 7**

**Page 2**

	<b>Enterprise Fund</b>			<b>Total Enterprise Funds</b>
	<b>Water &amp; Sewer</b>	<b>ARRA</b>	<b>Wastewater Treatment Project</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sale of assets	\$ 148,000	\$ -	\$ -	\$ 148,000
Purchase of fixed assets	(266,553)	-	-	(266,553)
Interest received on money market account	1,486	-	-	1,486
Net cash provided by investing activities	<u>(117,067)</u>	<u>-</u>	<u>-</u>	<u>(117,067)</u>
Net decrease in cash and cash equivalents	(180,478)	-	-	(180,478)
Cash and cash equivalents, October 1, 2019	601,443	-	-	601,443
Cash and cash equivalents, September 30, 2020	<u>\$ 420,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420,965</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 118,604</u>	<u>\$ (629)</u>	<u>\$ 4,700</u>	<u>\$ 122,675</u>
Adjustments:				
Depreciation expense	159,882	44,741	55,901	260,524
Gain in sale of assets	(34,043)	-	-	(34,043)
Changes in assets and liabilities:				
(Increase) in accounts receivable	(16,684)	-	-	(16,684)
Decrease in inventory	111	-	-	111
Decrease in prepaid items	613	-	-	613
(Increase) in due from other funds	(168,905)	-	-	(168,905)
(Increase) in deferred outflows of resources	(2,990)	-	-	(2,990)
Increase in accounts payable	24,880	-	-	24,880
Increase in customer deposits	2,590	-	-	2,590
Increase in other accrued liabilities	38	-	-	38
(Decrease) in compensated absences payable	(2,286)	-	-	(2,286)
(Decrease) in net pension liability	(8,176)	-	-	(8,176)
(Decrease) in deferred inflows of resources	(1,558)	-	-	(1,558)
Total adjustments	<u>(46,528)</u>	<u>44,741</u>	<u>55,901</u>	<u>54,114</u>
Net cash provided by operating activities	<u>\$ 72,076</u>	<u>\$ 44,112</u>	<u>\$ 60,601</u>	<u>\$ 176,789</u>

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

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Newton, Mississippi, was incorporated in 1867. The City operates under a Mayor/Aldermen form of government and provides the following services as authorized by its charter: public safety (police and volunteer fire protection), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

**B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

**Government-wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements:**

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into governmental, proprietary, and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus and Basis of Accounting**

The government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the City. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The City's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

City Hall Construction Fund - This fund is used to account for the renovation of the City Hall.

The City reports the following major Proprietary Funds:

Water and Sewer Fund - This fund accounts for the provision of water and sewer services to customers within the service area.

Wastewater Treatment Project Fund - This fund accounts for a wastewater treatment project.

ARRA Fund - This fund accounts for a drinking water grant and the assets purchased with grant funds.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**C. Measurement Focus and Basis of Accounting-continued**

**GOVERNMENTAL FUND TYPES**

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among other, certain federal grant programs, taxes and levied with statutorily defined distributions and other resources restricted as to purpose.

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

**PROPRIETARY FUND TYPES**

Enterprise Funds - These funds are used to Account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

**D. Capital Assets**

Property and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Pursuant to GASB Statement 34, small governmental entities (less than \$10 million in annual revenue) are not required to retroactively state the values of infrastructure purchased or constructed in prior years. Therefore, infrastructure acquired prior to October 1, 2002, has not been recorded, unless the value was already included in the City's inventory of capital assets.

Depreciation has been provided using the straight-line method, which approximates those methods used under Generally Accepted Accounting Principles, over the following estimated useful lives:

Building & Improvements	20-40 Years
Machinery & Equipment	5-10 Years
Other Furniture & Equipment	5-10 Years
Infrastructure	20-50 Years
Water & Sewer Lines & Facilities	5-20 Years

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows for the City's Proprietary Fund, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**F. Allowances for Doubtful Accounts**

The City uses the reserve method for uncollectible accounts.

**G. Inventories**

Inventories for the Proprietary Fund are stated at cost, which approximates market.

**H. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2020, are prepaid items.

**K. Sick and Vacation Leave**

The City allows for five days sick leave per year, with no maximum accumulation of unused leave. All unused sick leave shall be counted as creditable service for the purpose of the retirement system, but employees will not be paid for accumulated sick leave.

Annual leave is accumulated at a rate of one day per month of employment. Annual leave accumulated will be paid to employees upon termination for up to fourteen days' accumulation. Any excess of fourteen days will be counted as creditable service for purposes of the retirement system.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Fund balances for governmental funds are 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.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the city:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of 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. The City has no restricted fund balance at September 30, 2020.

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen as approved in the board minutes.

*Assigned fund balance* includes amounts that are constrained by the City’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 classified as nonspendable and is neither restricted nor committed. The City has no assigned fund balance at September 30, 2020.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Equity Classifications-continued**

Assignments of fund balance are created by the Board of Aldermen pursuant to authorization established by the policy adopted by the City.

*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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures 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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**M. Mississippi Municipal Compliance Questionnaire**

The Mississippi Municipal Compliance Questionnaire was completed and entered into the City's Minute Book as prescribed by law.

**N. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**O. Deferred Outflows 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has incurred deferred outflows that are related to pension reporting.



**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**P. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting, property tax for a future reporting period, and unavailable revenue for fines.

**NOTE 2 – CASH AND INVESTMENTS**

The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes.

Code Sec. 21-33-323 allows municipalities to invest their surplus funds. The City may only invest in direct obligations of the United States, or the State of Mississippi, or certain local Mississippi governments. They may also invest in certificates of deposit from municipal depositories or State of Mississippi depositories located within the municipality. There is no authority to invest in mutual funds or brokerage firm accounts.

All investments of the City throughout the year and at year-end were interest bearing time certificates of deposit which are recorded at cost plus interest earned at September 30, 2020. The market value equals the carrying amount of these investments.

The collateral for public entities' deposits in financial institutions are now 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 City'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 Depository Insurance Corporation. The City's deposits, which include all cash accounts and certificates of deposits, with a carrying value of \$1,777,017 and a bank balance of \$1,879,588 at September 30, 2020, are covered by federal depository insurance and by deposits held in banks that are members of the State of Mississippi's Collateral Pool.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 618,592	\$ -	\$ -	\$ -	\$ 618,592
Construction in process	-	579,231	-	-	579,231
Total capital assets not being depreciated	618,592	579,231	-	-	1,197,823
<i>Capital assets being depreciated:</i>					
Buildings	1,541,966	-	-	-	1,541,966
Improvements other than Buildings	2,298,050	-	-	-	2,298,050
Mobile Equipment	1,941,436	-	-	-	1,941,436
Leased property under capital leases	170,291	32,400	-	-	202,691
Other furniture and equipment	169,618	-	-	-	169,618
Infrastructure	7,855,166	1,141,304	-	-	8,996,470
Total capital assets being depreciated	13,976,527	1,173,704	-	-	15,150,231
Less: Accumulated depreciation	(4,810,872)	(397,795)	-	-	(5,208,667)
Total capital assets being depreciated, net	9,165,655	775,909	-	-	9,941,564
Governmental activities capital assets, net	\$ 9,784,247	\$ 1,355,140	\$ -	\$ -	\$ 11,139,387
<b>Business-type Activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 119,051	\$ -	\$ -	\$ -	\$ 119,051
Total capital assets not being depreciated	119,051	-	-	-	119,051
<i>Capital assets being depreciated:</i>					
Water and sewer lines and facilities	8,349,210	-	-	-	8,349,210
Mobile equipment	646,040	-	-	195,604	841,644
Leases property under capital leases	407,325	266,553	(212,721)	(195,604)	265,553
Total capital assets being depreciated	9,402,575	266,553	(212,721)	-	9,456,407
Less: Accumulated depreciation	(6,193,524)	(260,524)	98,763	-	(6,355,285)
Total capital assets being depreciated, net	3,209,051	6,029	(113,958)	-	3,101,122
Business-type activities capital assets, net	\$ 3,328,102	\$ 6,029	\$ (113,958)	\$ -	\$ 3,220,173

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 152,668
Public safety	27,575
Public works	74,073
Culture and recreation	83,210
Economic Development	60,269
Total Depreciation Expense	<u>\$ 397,795</u>

Business-type Activities:

Water & sewer	<u>\$ 260,524</u>
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During some of the previous years, the subsidiary records of capital assets and depreciation were not maintained.

**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 – LONG-TERM DEBT**

Debt outstanding as of September 30, 2020, consisted of the following:

**Governmental Activities:**

**A. General Obligation Bonds**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/19	Additions	Reductions	Balance Outstanding 9/30/20	Current Maturity
Series 2013	\$ 2,100,000	1.40-2.00	\$ 1,125,000	\$ -	\$ (215,000)	\$ 910,000	\$ 220,000

**B. Capital Leases**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/19	Additions	Reductions	Balance Outstanding 9/30/20	Current Maturity
John Deere Tractor	\$ 88,691	2.24	\$ 48,932	\$ -	\$ (7,161)	\$ 41,771	\$ 10,552
2018 Taurus Patrol Car	25,000	3.24	16,002	-	(5,718)	10,284	6,979
2018 Dodge Ram	18,823	2.49	10,037	-	(3,952)	6,085	5,673
Caterpillar Wheel Loader	164,104	2.00	109,141	-	(109,141)	-	-
4 Mowers	37,777	3.99	31,790	-	(11,291)	20,499	12,796
2020 Dodge Durango	32,400	2.39	-	32,400	(1,554)	30,846	6,206
	<u>\$ 366,795</u>		<u>\$ 215,902</u>	<u>\$ 32,400</u>	<u>\$ (138,817)</u>	<u>\$ 109,485</u>	<u>\$ 42,206</u>

**C. Other Loans**

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/19	Additions	Reductions	Balance Outstanding 9/30/20	Current Maturity
NCB BLDG	\$ 81,124	4.10	\$ 15,569	\$ -	\$ (6,750)	\$ 8,819	\$ 7,034
Cap Loan	124,177	2.00	113,433	-	(5,318)	108,115	5,426
	<u>\$ 205,301</u>		<u>\$ 129,002</u>	<u>\$ -</u>	<u>\$ (12,068)</u>	<u>\$ 116,934</u>	<u>\$ 12,460</u>

**D. Compensated Absences**

	Balance Outstanding 10/01/19	Additions	Reductions	Balance Outstanding 9/30/20	Current Maturity
Compensated Absences	\$ 33,159	\$ 2,796	\$ -	\$ 35,955	\$ -

**E. Net Pension Liability**

	Balance Outstanding 10/01/19	Additions	Reductions	Balance Outstanding 9/30/20	Current Maturity
Net Pension Liability	\$ 3,357,518	\$ 214,967	\$ -	\$ 3,572,485	\$ -

**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 – LONG-TERM DEBT - Continued**

**Business-type Activities:**

**A. General Obligation Bonds**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/19	Additions	Reductions	Outstanding 9/30/20	Current Maturity
Series 2003 RUS Water & Sewer Revenue	\$ 800,000	4.00	\$ 592,790	\$ -	\$ (19,511)	\$ 573,279	\$ 20,357

**B. Capital Leases**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/19	Additions	Reductions	Outstanding 9/30/20	Current Maturity
Dozer	\$ 98,435	2.39	\$ 77,786	\$ -	\$ (77,786)	\$ -	\$ -
Excavator	114,286	2.39	90,311	-	(90,311)	-	-
Dozer	125,884	2.49	-	125,884	(3,948)	121,936	24,040
Excavator	139,668	2.49	-	139,668	(4,381)	135,287	26,672
	<u>\$ 478,273</u>		<u>\$ 168,097</u>	<u>\$ 265,552</u>	<u>\$ (176,426)</u>	<u>\$ 257,223</u>	<u>\$ 50,712</u>

**C. Other Loans**

Description	Original Issue	Int. Rate	Balance			Balance	
			Outstanding 10/01/19	Additions	Reductions	Outstanding 9/30/20	Current Maturity
Water System Improvement	\$ 785,527	1.95	\$ 482,524	\$ -	\$ (35,781)	\$ 446,743	\$ 43,107
Lagoon Improvement	1,095,454	1.75	732,891	-	(53,714)	679,177	54,662
Cap Loan	250,465	3.00	225,906	-	(10,029)	215,877	10,334
	<u>\$ 2,131,446</u>		<u>\$ 1,441,321</u>	<u>\$ -</u>	<u>\$ (99,524)</u>	<u>\$ 1,341,797</u>	<u>\$ 108,103</u>

**D. Compensated Absences**

	Balance			Balance	
	Outstanding 10/01/19	Additions	Reductions	Outstanding 9/30/20	Current Maturity
Compensated Absences	\$ 4,470	\$ -	\$ (2,286)	\$ 2,184	\$ -

**E. Net Pension Liability**

	Balance			Balance	
	Outstanding 10/01/19	Additions	Reductions	Outstanding 9/30/20	Current Maturity
Net Pension Liability	\$ 426,515	\$ -	\$ (8,176)	\$ 418,339	\$ -

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 – LONG-TERM DEBT - Continued**

The following is a schedule by years of the total capital lease payments due as of September 30, 2020:

Year	Governmental-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 42,207	\$ 2,992	\$ 50,712	\$ 5,829
2022	40,148	1,674	51,989	4,551
2023	15,358	952	53,298	3,242
2024	6,667	209	54,641	1,900
2025	5,105	54	46,583	533
	<u>\$ 109,485</u>	<u>\$ 5,881</u>	<u>\$ 257,223</u>	<u>\$ 16,055</u>

Annual debt service requirements to maturity for all long-term debt are as follows:

Year	Governmental-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 232,459	\$ 18,013	\$ 128,460	\$ 50,047
2022	232,321	13,584	128,125	47,103
2023	235,647	8,892	131,150	44,078
2024	240,761	4,127	134,257	40,971
2025	5,877	1,661	137,450	37,778
2026-2030	31,213	6,284	738,331	137,810
2031-2035	48,656	3,198	338,809	62,342
2036-2039	-	285	178,494	13,696
	<u>\$ 1,026,934</u>	<u>\$ 56,044</u>	<u>\$ 1,915,076</u>	<u>\$ 433,825</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a city issues bonds to repair or replace washed out or collapsed bridges on the public roads of the City. As of September 30, 2020, the amount of outstanding debt was within appropriate limits.

**NOTE 5 – INDUSTRIAL REVENUE BOND**

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority §57-3-1 through §57-3-33 of the Mississippi Code of 1972. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms, which provide for transfer of title of the property after all bonds are paid in full.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6 – RISK MANAGEMENT**

The City has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures/expenses. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

**NOTE 7 – PROPERTY TAXES**

Property taxes on real and personal property, exclusive of automobiles, become an enforceable lien on January 1, for the preceding year. Taxes are levied before September 15, and are due before February 1. The City bills and collects its own property taxes, except for automobile ad valorem. The City's levy on automobile taxes is collected by Newton County and remitted to the City monthly. Newton City also remits to the City a pro-rata shares of road and bridge taxes collected by them. The City levies taxes based on 15% of fair value of property. The City may levy taxes as necessary to meet bonded debt retirement. Tax millage levies for the current fiscal year were as follows:

<u>Fund</u>	<u>Millage</u>	<u>Purpose</u>
General Fund	32	General Government
Street Bond Fund	3	Street Paving

**NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS**

General Information about the Pension Plan

Plan Description

The City of Newton 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued**

**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 and 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 before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**Contributions**

At September 30, 2020, PERS members were required to contribute 9% of their annual covered salary, and the City of Newton is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020, was 17.40% of annual covered payroll. This rate increased as of July 1, 2020 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City of Newton's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$248,136, \$220,542 and \$224,268, respectively, equal to the required contributions for each year.

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

At September 30, 2020, the City of Newton reported a liability of \$3,990,824 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, the City of Newton's proportion of the net pension liability was based on employer contributions to PERS for the plan's fiscal year ended June 30, 2020, relative to the total employer contributions of participating employers to PERS. At June 30, 2020, the City of Newton's proportion was 0.020615% which was .000895% less than its proportion measured as of June 30, 2019.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions – continued

For the year ended September 30, 2020, the City of Newton recognized pension expense of \$455,205. At September 30, 2020, the City of Newton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,386	\$ 7,241
Net difference between projected and actual earnings on pension plan investments	172,983	-
Changes of assumptions	35,004	1,326
Changes in the proportion and differences between the City's Contributions and Proportionate Share of Contributions	-	86,927
Contributions subsequent to the measurement date	60,706	-
	<u>\$ 304,079</u>	<u>\$ 95,494</u>

\$60,706 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending September 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:

<u>Year Ending September 30</u>	<u>Amount</u>
2021	\$ 48,991
2022	31,723
2023	42,479
2024	24,686
	<u>\$ 147,879</u>



**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued**

Actuarial Assumptions

The total pension liability used in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

The target 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 Percentage</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	27.00 %	4.90 %
International equity	22.00	4.75
Global equity	12.00	5.00
Debt securities	20.00	0.50
Real estate	10.00	4.00
Private equity	8.00	6.25
Cash equivalents	1.00	-
	<u>100.00 %</u>	

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued**

Discount Rate

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

Sensitivity of the City of Newton's Proportionate Share of the Net Pension Liability to changes in the Discount Rate

The City of Newton's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the City of Newton's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$ 5,165,632	\$ 3,990,824	\$ 3,021,136

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At September 30, 2020, the City of Newton has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2020.

**NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION**

The governmental activities' unrestricted net position amount of \$(3,541,636) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$54,344 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$217,860 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years. The \$85,484 balance of the deferred inflow of resources related to pension at September 30, 2020, will be recognized in pension expense over the next four years.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION - Continued**

The business activities' unrestricted net position amount of \$1,572,426 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$6,362 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$25,513 balance of the deferred outflow of resources related to pensions at September 30, 2020, will be recognized in pension expense over the next four years. The \$10,010 balance of the deferred inflow of resources related to pension at September 30, 2020, will be recognized in pension expense over the next four years.

**NOTE 10 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended September 30, 2020, consisted of the following:

Transfers To	Transfers From	Total
Other Governmental Funds	General Fund	\$ 1,688
Other Governmental Funds	Water and Sewer Fund	219,548
		<u>\$ 221,236</u>

This transfer was made for general operating purposes.

Interfund loans for the year ended September 30, 2020, consisted of the following:

Due from (Receivable) Other Funds	Due to (Payable) Other Funds	Total
General Fund	Other Governmental Funds	\$ 356,180
Other Governmental Funds	General Fund	116,614
Water and Sewer Fund	General Fund	1,559,385
Other Governmental Funds	Other Governmental Funds	358,855
		<u>\$ 2,391,034</u>

This interfund loan was set up to offset cash flow problems.

**NOTE 11 – CONTINGENCIES**

**Federal Grants** – The City 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

**Litigation** – The City is party to legal proceedings, many of which occur in the normal course of governmental operations.

**CITY OF NEWTON, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 12 – 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 City of Newton, Mississippi evaluated the activity of the City through July 5, 2022, (the date the financial statements were available to be issued) and determined that the following subsequent events required disclosure in the notes to the financial statements:

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus has continued to cause some business disruption through reduced revenue. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 6, 2021, the Board approved financing of 2 Dodge Durangos from a local bank for 60 months @ 1.64% interest.

On August 17, 2021, the Board approved receipts of ARP funds in the amount of \$387,821.

On August 17, 2021, the Board approved receipt of CAP loan in the amount of \$542,478 for a fire truck.

On October 5, 2021, the Board approved payment to a local contractor in the amount of \$91,461 for the Highway 15 Project.

On October 5, 2021, the Board approved payment to a local contractor on the AIP Project in the amount of \$53,226.

On November 2, 2021, the Board approved payment to a local contractor on the AIP Project in the amount of \$122,243.

On December 7, 2021, the Board approved the sole source purchase from vendor of water meters in the amount of \$284,935.

On December 7, 2021, the Board approved payment on Project 3-28-0054-020-021 to a local contractor in the amount of \$75,802.

On January 4, 2022, the Board approved payment on the AIP Project to a local contractor in the amount of \$60,956.

On February 1, 2022, the Board approved payment to a local contractor on Project SMLPC #SM20-1020 in the amount of \$100,000.

On February 15, 2022, the Board approved a bid to a local contractor in the amount of \$368,050 on the Sewer Improvement Project.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NEWTON, MISSISSIPPI**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**GENERAL FUND-UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
<b>REVENUES</b>				
Property taxes	\$ 875,000	\$ 1,056,674	\$ 1,056,674	\$ -
Licenses, commissions and other revenue	310,000	303,858	303,858	-
Fines and forfeitures	18,000	40,027	40,027	-
Intergovernmental revenues	1,216,480	1,138,642	1,138,642	-
Charges for services	266,000	302,298	302,298	-
Miscellaneous revenues	80,420	79,017	79,017	-
Total Revenues	<u>2,765,900</u>	<u>2,920,516</u>	<u>2,920,516</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	559,750	462,028	462,028	-
Public safety	1,340,600	1,265,509	1,265,509	-
Public works	954,350	938,452	938,452	-
Culture and recreation	414,400	343,238	343,238	-
Total Expenditures	<u>3,269,100</u>	<u>3,009,227</u>	<u>3,009,227</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(503,200)</u>	<u>(88,711)</u>	<u>(88,711)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in (out)	108,000	(56,006)	(56,006)	-
Total Other Financing Sources	<u>108,000</u>	<u>(56,006)</u>	<u>(56,006)</u>	<u>-</u>
Net Change in Fund Balance	(395,200)	(144,717)	(144,717)	-
Fund Balances - Beginning	450,000	450,000	450,000	-
Fund Balances - Ending	<u>\$ 54,800</u>	<u>\$ 305,283</u>	<u>\$ 305,283</u>	<u>\$ -</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**CITY OF NEWTON, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY-UNAUDITED**  
**LAST 10 FISCAL YEARS\***  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020, 2019, 2018, 2017, 2016, 2015, & 2014**

	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.020615%	0.02151%	.022%	.022%	.022%	.023%	.023%
Employer's proportionate share of the net pension liability (asset)	\$ 3,990,824	\$ 3,784,033	\$ 3,659,254	\$ 3,657,147	\$ 3,929,749	\$ 3,555,346	\$ 2,791,779
Employer's covered payroll	\$ 1,426,069	\$ 1,369,307	\$ 1,423,924	\$ 1,357,619	\$ 1,385,702	\$ 1,428,584	\$ 1,411,898
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.85%	276.35%	256.98%	269.38%	283.59%	248.87%	197.73%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

Information above is presented as of the measurement date of June 30 of the fiscal year presented.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.

**CITY OF NEWTON, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS-UNAUDITED**  
**LAST 10 FISCAL YEARS\***  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020, 2019, 2018, 2017, 2016, 2015, & 2014**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 248,136	\$ 220,542	\$ 224,268	\$ 213,825	\$ 218,248	\$ 225,002	\$ 222,374
Contributions in relation to the contractually required contributions	(248,136)	(220,542)	(224,268)	(213,825)	(218,248)	(225,002)	(222,374)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 1,426,069	\$ 1,369,307	\$ 1,423,924	\$ 1,357,619	\$ 1,385,702	\$ 1,428,584	\$ 1,411,898
Contributions as a percentage of covered payroll	17.40%	16.11%	15.75%	15.75%	15.75%	15.75%	15.75%

Information above is presented as of the Employer's fiscal year.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 9/30/15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

See Notes to the Required Supplementary Information.



**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted at the City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. All budget amendments are approved by the board and are in compliance with the municipal law as determined by the Mississippi Code.

The Board of Aldermen has not taken any official action to authorize anyone to transfer budgeted amounts between departments within any fund. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund. Formal budgetary control is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Mississippi law requires that municipalities budget governmental funds on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year-end. The required budgetary basis is therefore not considered a generally accepted accounting principle.

**B. Basis of Presentation**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

**C. Budget/GAAP Reconciliation**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

<u>Governmental Fund Types</u>	
	General Fund
Budget (Cash Basis)	\$ (144,717)
Increase (Decrease)	
Net adjustments for revenue accruals	(7,513)
Net adjustments for expenditure accruals	(848)
GAAP Basis	<u>\$ (153,078)</u>

**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

D. Pension Schedules.

Changes of Assumptions.

2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
  - For females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages.
  - For females, 115% of female rates at all ages.
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar 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 services 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%.
- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

D. Pension Schedules. (continued)

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.

Change 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 proceeding year with a minimum rate of 1% and a maximum rate of 5%.

**CITY OF NEWTON, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

E. OPEB Schedules

Methods 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, 2018 valuation for the June 30, 2020 fiscal year end.)

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

## **SUPPLEMENTARY INFORMATION**

**CITY OF NEWTON, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**  
**Schedule 1**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>U.S. Department of Commerce</u>			
Passed-through Mississippi Development Authority			
Investments for Public Works and Economic			
Development Facilities	11.300	04-01-07163	\$ 173,737
Total U.S. Department of Commerce			173,737
<u>U. S. Department of Housing and Urban Development</u>			
Passed-through Mississippi Development Authority			
Community Development Block Grants/State's Program*	14.228	1135-18-277-ED-01	496,727
Community Development Block Grants/State's Program*	14.228	1135-18-277-PF-01	399,873
Total U.S. Department of Housing and Urban Development			896,600
<u>U.S. Department of Justice</u>			
Passed-through the Mississippi Department of Public Safety			
Edward Byrne Memorial JAG Program	16.738	18LB3150	3,750
Total U.S. Department of Justice			3,750
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
Airport Improvement Program/COVID 19 Airport Program	20.106	3-28-0054-016-2020	19,968
Airport Improvement Program/COVID 19 Airport Program	20.106	CARES-Newton	8,644
Total U.S. Department of Transportation			28,612
<u>U.S. Department of the Treasury</u>			
Passed-through Mississippi Emergency Management Agency			
Coronavirus Relief Fund	21.019	SB3047-CARES-MERP-Newton	79,002
Total U.S. Department of Treasury			79,002
Total Expenditures of Federal Awards			\$ 1,181,701

\*Denotes major federal award program.

**CITY OF NEWTON, MISSISSIPPI**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**(1) Basis of Presentation**

The accompanying Schedule of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance as required by Title 2 U.S. Code Federal of 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 City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

**(3) Indirect Cost Rate**

The City did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## **OTHER INFORMATION**



**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF THE SURETY BONDS OF MUNICIPAL OFFICIALS AND OTHERS-UNAUDITED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Name</u>	<u>Position</u>	<u>Bond Amount</u>	<u>Bonding Company</u>
Michael Hillie	Alderman	\$ 50,000	Travelers
Bob Bridges	Alderman	50,000	Travelers
Linda Wash	Alderman	50,000	Travelers
Eric McCalphia	Alderman	50,000	Travelers
Romonica Evans	Alderman	50,000	Travelers
Antonio Hoye	Mayor	70,000	Travelers
Charlene Evans	City Clerk	50,000	Travelers
Doris McMillan	Water Clerk	50,000	Travelers
Shelia Jackson	Court Clerk	50,000	Travelers
Barbara Ann Mapp	Deputy Clerk	50,000	Travelers
Savannah Martin	Deputy Clerk	50,000	Travelers
Harvey Curry	Police Chief	50,000	Travelers
Jay Powell	Recreational Director	50,000	Travelers

## **SPECIAL REPORTS**

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

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Newton, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newton, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 5, 2022. The report is qualified on the governmental and business-type activities because the City did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Questioned Costs, 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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2020-002 to be a material weakness.

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 2020-001, 2020-003, 2020-004, and 2020-005 to be significant deficiencies.

#### Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of the City of Newton, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 5, 2022.

#### City of Newton's Responses to Findings

The City of Newton, Mississippi's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Newton, Mississippi'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi  
July 5, 2022

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor, Members of the  
Board of Aldermen, and City Clerk  
City of Newton, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of City of Newton with types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the Summary of Auditors' 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the City's compliance for each major federal program based on our audit of the type 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, City of Newton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

### **Report on Internal Control Over Compliance**

The management of City of Newton 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, we considered the City's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 the City's internal control over compliance.

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

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

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

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi  
July 5, 2022

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## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor, Members of the  
Board of Alderman, and City Clerk  
City of Newton, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities and the major funds of the City of Newton, Mississippi, as of and for year ended September 30, 2020, and have issued our report thereon dated July 5, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 state laws and regulations. Our procedures were substantially less in the scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

2020-002. Finding

Significant Deficiency – Material Weakness

As reported in prior years, controls were not in use requiring accounting personnel to maintain capital assets subsidiary records to establish necessary controls over all transactions.

Repeating Finding: Yes, 2019-002.

Criteria: The City should establish procedures to properly account for capital assets.

Condition: The City does not maintain a comprehensive capital asset listing including depreciation.

Cause: The City does not have the Staff to prepare or maintain capital asset subsidiary records.

Effect: The City is not in compliance with Section 7-7-211.

Recommendation: The City should establish control procedures by developing and maintaining fixed asset subsidiary records.

Views of Responsible Officials: The City will address this issue.

#### 2020-003. Finding

##### Significant Deficiency

As reported in the prior year, the Wastewater Treatment Project Fund had a deficit fund balance at September 30, 2020 and the General Fund also had a deficit fund balance at September 30, 2020.

Repeating Finding: Yes, 2019-003.

Criteria: The City should establish procedures to prevent deficit fund balances.

Condition: The City has two funds with deficit fund balances.

Cause: The City does not have procedures in place to prevent deficit fund balances.

Effect: The City is not in compliance with the requirement to maintain positive fund balances.

Recommendation: A transfer should be made before year end to prevent a negative fund balance.

Views of Responsible Officials: The City will address this issue.

#### 2020-004. Finding

##### Significant Deficiency

As reported in the prior year, the Employee Benefits bank account was not recorded on the general ledger. Therefore, cash, revenue, and expenditures were understated until audit adjustments were made.

Repeating Finding: Yes, 2019-004.

Criteria: The City should establish procedures to ensure that all transactions are posted to the general ledger.

Condition: All transactions for the Employee Benefits bank account were not recorded.

Cause: The City does not have procedures in place to ensure that all transactions are recorded.

Effect: There was no effect due to the fact that an audit entry was made to post the account transactions.

Recommendation: All transactions should follow the City's policies for approval in accordance with state law. The bank statements should be reconciled monthly, and all transactions should be posted to the general ledger.

Views of Responsible Officials: The City will address this issue.



2020-005. Finding

Significant Deficiency

As reported in prior years, the Street Bond Fund was not included in the budget. The City Hall Construction Fund was not included in the budget.

Repeating Finding: Yes, 2019-005.

Criteria: The City should budget all funds.

Condition: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Cause: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Effect: The City is not in compliance with State law.

Recommendation: All funds should be included in the budget.

Views of Responsible Officials: The City will address this issue.

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

This report is intended solely for the information and use of management and the Office of the State Auditor 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.

*Herzog CPA Company, PLLC*

**Herzog CPA Company, PLLC**  
Hattiesburg, Mississippi  
July 5, 2022

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Section 1: Summary of Auditors' Results

***Financial Statements:***

1. Type of auditors' report issued on the financial statements:

Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
City Hall Construction Fund	Unmodified
Water and Sewer Fund	Unmodified
ARRA Fund	Unmodified
Wastewater Treatment Project Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal Control over financial reporting:

A. Material weakness identified?	Yes
B. Significant deficiencies identified that are not considered to be material weaknesses?	Yes

3. Noncompliance material to the financial statements? No

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Section 1: Summary of Auditors' Results - continued

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses? None reported

Type of Auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.228	Community Development Block Grant (1135-18-277-ED-01)
14.228	Community Development Block Grant (1135-18-277-PF-01)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? No

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Section 2: Financial Statement Findings**

2020-001. Finding

Significant Deficiency

As reported in prior years, controls were not in use requiring accounting personnel to maintain various subsidiary records to establish necessary controls over all transactions. There were no subsidiary records in the following areas:

- a. Investments - The City does not maintain a list of investments that allows them to identify amounts invested at any point in time. To determine investment amounts, statements have to be reviewed and/or calls to entity holding investments have to be made.
- b. Debt - The City does not maintain a list of outstanding debt obligations, including bonds, notes, leases, or any other type of debt obligation the City incurs. Debt payments are not posted to correct general ledger accounts. City personnel are not able to determine exactly what the amount of debt is at any point in time. Calls to debt holders are sometimes necessary to determine what is owed. Without such debt records there is a possibility that some debt holders could be overpaid.
- c. Adjusting journal entries - The City does not have a policy approval of adjusting journal entries prior to posting. Without a policy, the balances of general ledger accounts can be over or understated.
- d. Fines receivable – The City does not have proper internal control procedures in place for fines receivable for the police department. This creates an inability to monitor collections for fines.

Repeating Finding: Yes, 2019-001.

Criteria: The City should establish procedures to properly account for investments, debt, adjusting journal entries, and fines receivable.

Condition: The City does not properly account for investments, debt, adjusting journal entries, or fines receivable.

Cause: The City does not have the Staff to prepare or maintain the workpapers for investments, debt, adjusting journal entries, and fines receivable.

Effect: The City does not have adequate subsidiary records.

Recommendation: The City should establish control procedures for investments, debt, adjusting journal entries, and collection of fines receivable.

Views of Responsible Officials: The City will address these issues.

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Section 2: Financial Statement Findings**

2020-002. Finding

Significant Deficiency – Material Weakness

As reported in prior years, controls were not in use requiring accounting personnel to maintain capital assets subsidiary records to establish necessary controls over all transactions.

Repeating Finding: Yes, 2019-002.

Criteria: The City should establish procedures to properly account for capital assets.

Condition: The City does not maintain a comprehensive capital asset listing including depreciation.

Cause: The City does not have the Staff to prepare or maintain capital asset subsidiary records.

Effect: The City is not in compliance with Section 7-7-211.

Recommendation: The City should establish control procedures by developing and maintaining fixed asset subsidiary records.

Views of Responsible Officials: The City will address this issue.

2020-003. Finding

Significant Deficiency

As reported in the prior year, the Wastewater Treatment Project Fund had a deficit fund balance at September 30, 2020 and the General Fund also had a deficit fund balance at September 30, 2020.

Repeating Finding: Yes, 2019-003.

Criteria: The City should establish procedures to prevent deficit fund balances.

Condition: The City has two funds with deficit fund balances.

Cause: The City does not have procedures in place to prevent deficit fund balances.

Effect: The City is not in compliance with the requirement to maintain positive fund balances.

Recommendation: A transfer should be made before year end to prevent a negative fund balance.

Views of Responsible Officials: The City will address this issue.

**CITY OF NEWTON, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Section 2: Financial Statement Findings**

2020-004. Finding

Significant Deficiency

As reported in the prior year, the Employee Benefits bank account was not recorded on the general ledger. Therefore, cash, revenue, and expenditures were understated until audit adjustments were made.

Repeating Finding: Yes, 2019-004.

Criteria: The City should establish procedures to ensure that all transactions are posted to the general ledger.

Condition: All transactions for the Employee Benefits bank account were not recorded.

Cause: The City does not have procedures in place to ensure that all transactions are recorded.

Effect: There was no effect due to the fact that an audit entry was made to post the account transactions.

Recommendation: All transactions should follow the City's policies for approval in accordance with state law. The bank statements should be reconciled monthly, and all transactions should be posted to the general ledger.

Views of Responsible Officials: The City will address this issue.

2020-005. Finding

Significant Deficiency

As reported in prior years, the Street Bond Fund was not included in the budget. The City Hall Construction Fund was also not included in the budget.

Repeating Finding: Yes, 2019-005.

Criteria: The City should budget all funds.

Condition: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Cause: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Effect: The City is not in compliance with State law.

Recommendation: All funds should be included in the budget.

Views of Responsible Officials: The City will address this issue.

Murray Weems  
Mayor

Charlene Evans  
City Clerk

**CITY OF NEWTON  
MISSISSIPPI**

203 East Church Street  
P.O. Box 300  
Newton, Mississippi 39345

City of Newton  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2020

2020-001. Finding

Significant Deficiency

As reported in prior years, controls were not in use requiring accounting personnel to maintain various subsidiary records to establish necessary controls over all transactions. There were no subsidiary records in the following areas:

- a. Investments - The City does not maintain a list of investments that allows them to identify amounts invested at any point in time. To determine investment amounts, statements have to be reviewed and/or calls to entity holding investments have to be made.
- b. Debt - The City does not maintain a list of outstanding debt obligations, including bonds, notes, leases, or any other type of debt obligation the City incurs. Debt payments are not posted to correct general ledger accounts. City personnel are not able to determine exactly what the amount of debt is at any point in time. Calls to debt holders are sometimes necessary to determine what is owed. Without such debt records there is a possibility that some debt holders could be overpaid.
- c. Adjusting journal entries - The City does not have a policy approval of adjusting journal entries prior to posting. Without a policy, the balances of general ledger accounts can be over or understated.
- d. Fines receivable – The City does not have proper internal control procedures in place for fines receivable for the police department. This creates an inability to monitor collections for fines.

Condition: The City does not properly account for investments, debt, adjusting journal entries, or fines receivable.

Recommendation: The City should establish control procedures for investments, debt, adjusting journal entries, and collection of fines receivable.

Current Status: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.



2020-002. Finding

Significant Deficiency – Material Weakness

As reported in prior years, controls were not in use requiring accounting personnel to maintain capital assets subsidiary records to establish necessary controls over all transactions.

Condition: The City does not maintain a comprehensive capital asset listing including depreciation.

Recommendation: The City should establish control procedures by developing and maintaining fixed asset subsidiary records.

Current Status: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

2020-003. Finding

Significant Deficiency

As reported in the prior year, the Wastewater Treatment Project Fund had a deficit fund balance at September 30, 2020 and the General Fund also had a deficit fund balance at September 30, 2020.

Condition: The City has two funds with deficit fund balances.

Recommendation: A transfer should be made before year end to prevent a negative fund balance.

Current Status: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

2020-004. Finding

Significant Deficiency

As reported in the prior year, the Employee Benefits bank account was not recorded on the general ledger. Therefore, cash, revenue, and expenditures were understated until audit adjustments were made.

Condition: All transactions for the Employee Benefits bank account were not recorded.

Recommendation: All transactions should follow the City's policies for approval in accordance with state law. The bank statements should be reconciled monthly, and all transactions should be posted to the general ledger.

Current Status: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

2020-005. Finding

Significant Deficiency

As reported in prior years, the Street Bond Fund was not included in the budget. The City Hall Construction Fund was also not included in the budget.

Condition: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Recommendation: All funds should be included in the budget.

Current Status: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

Murray Weems  
Mayor

Charlene Evans  
City Clerk

**CITY OF NEWTON  
MISSISSIPPI**

203 East Church Street  
P.O. Box 300  
Newton, Mississippi 39345

**Corrective Action Plan**

July 5, 2022

The City of Newton respectively submits the following corrective action plan for the year ended September 30, 2020.

Name and address of independent public accounting firm:

Herzog CPA Company, PLLC  
P.O. Box 17986  
Hattiesburg, MS 39404

Audit Period: Year ended September 30, 2020

2020-001. Finding

Significant Deficiency

As reported in prior years, controls were not in use requiring accounting personnel to maintain various subsidiary records to establish necessary controls over all transactions. There were no subsidiary records in the following areas:

- a. Investments - The City does not maintain a list of investments that allows them to identify amounts invested at any point in time. To determine investment amounts, statements have to be reviewed and/or calls to entity holding investments have to be made.
- b. Debt - The City does not maintain a list of outstanding debt obligations, including bonds, notes, leases, or any other type of debt obligation the City incurs. Debt payments are not posted to correct general ledger accounts. City personnel are not able to determine exactly what the amount of debt is at any point in time. Calls to debt holders are sometimes necessary to determine what is owed. Without such debt records there is a possibility that some debt holders could be overpaid.
- c. Adjusting journal entries - The City does not have a policy approval of adjusting journal entries prior to posting. Without a policy, the balances of general ledger accounts can be over or understated.
- d. Fines receivable – The City does not have proper internal control procedures in place for fines receivable for the police department. This creates an inability to monitor collections for fines.

Repeating Finding: Yes, 2019-001.

Criteria: The City should establish procedures to properly account for investments, debt, adjusting journal entries, and fines receivable.

Condition: The City does not properly account for investments, debt, adjusting journal entries, or fines receivable.

Cause: The City does not have the Staff to prepare or maintain the workpapers for investments, debt, adjusting journal entries, and fines receivable.

Effect: The City does not have adequate subsidiary records.

Recommendation: The City should establish control procedures for investments, debt, adjusting journal entries, and collection of fines receivable.

Action Taken: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

#### 2020-002. Finding

##### Significant Deficiency – Material Weakness

As reported in prior years, controls were not in use requiring accounting personnel to maintain capital assets subsidiary records to establish necessary controls over all transactions.

Repeating Finding: Yes, 2019-002.

Criteria: The City should establish procedures to properly account for capital assets.

Condition: The City does not maintain a comprehensive capital asset listing including depreciation.

Cause: The City does not have the Staff to prepare or maintain capital asset subsidiary records.

Effect: The City is not in compliance with Section 7-7-211.

Recommendation: The City should establish control procedures by developing and maintaining fixed asset subsidiary records.

Action Taken: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

#### 2020-003. Finding

##### Significant Deficiency

As reported in the prior year, the Wastewater Treatment Project Fund had a deficit fund balance at September 30, 2020 and the General Fund also had a deficit fund balance at September 30, 2020.

Repeating Finding: Yes, 2019-003.

Criteria: The City should establish procedures to prevent deficit fund balances.

Condition: The City has two funds with deficit fund balances.

Cause: The City does not have procedures in place to prevent deficit fund balances.

Effect: The City is not in compliance with the requirement to maintain positive fund balances.

Recommendation: A transfer should be made before year end to prevent a negative fund balance.

Action Taken: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

#### 2020-004. Finding

##### Significant Deficiency

As reported in the prior year, the Employee Benefits bank account was not recorded on the general ledger. Therefore, cash, revenue, and expenditures were understated until audit adjustments were made.

Repeating Finding: Yes, 2019-004.

Criteria: The City should establish procedures to ensure that all transactions are posted to the general ledger.

Condition: All transactions for the Employee Benefits bank account were not recorded.

Cause: The City does not have procedures in place to ensure that all transactions are recorded.

Effect: There was no effect due to the fact that an audit entry was made to post the account transactions.

Recommendation: All transactions should follow the City's policies for approval in accordance with state law. The bank statements should be reconciled monthly, and all transactions should be posted to the general ledger.

Action Taken: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

#### 2020-005. Finding

##### Significant Deficiency

As reported in prior years, the Street Bond Fund was not included in the budget. The City Hall Construction Fund was also not included in the budget.

Repeating Finding: Yes, 2019-005.

Criteria: The City should budget all funds.

Condition: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Cause: The City did not budget the Street Bond Fund or the City Hall Construction Fund.

Effect: The City is not in compliance with State law.

Recommendation: All funds should be included in the budget.

Action Taken: The City has limited resources for hiring additional accounting staff. Therefore, the City will make its best effort to improve the procedures related to the finding.

Sincerely,

*Charlene Evans*

Charlene Evans  
City Clerk