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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.

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CITY OF NEWTON, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**CITY OF NEWTON, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
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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, 2021, 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, 2021, 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, 2021, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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

September 29, 2022

**CITY OF NEWTON, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

EXHIBIT 1

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 1,857,375	\$ 749,838	\$ 2,607,213
Restricted cash	26,111	136,475	162,586
Receivables (net of uncollectibles):			
Property taxes	1,066,050	-	1,066,050
Accounts	308,261	135,981	444,242
Fines	22,853	-	22,853
Prepaid items	59,622	7,614	67,236
Internal balances	(1,869,976)	1,869,976	-
Inventory of supplies, at cost	-	25,188	25,188
Capital assets:			
Land	618,592	119,051	737,643
Construction in process	53,227	-	53,227
Buildings	1,541,966	-	1,541,966
Improvements other than buildings	2,899,061	-	2,899,061
Mobile equipment	2,484,015	841,644	3,325,659
Leased property under capital leases	275,760	265,553	541,313
Other furniture and equipment	177,553	-	177,553
Water and sewer lines and facilities	-	8,349,210	8,349,210
Infrastructure	9,067,722	-	9,067,722
Less: accumulated depreciation	(5,703,229)	(6,600,681)	(12,303,910)
Net capital assets	<u>11,414,667</u>	<u>2,974,777</u>	<u>14,389,444</u>
Total Assets	<u>12,884,963</u>	<u>5,899,849</u>	<u>18,784,812</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	<u>311,436</u>	<u>36,383</u>	<u>347,819</u>
Total Deferred Outflows of Resources	<u>311,436</u>	<u>36,383</u>	<u>347,819</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,196,399</u>	<u>\$ 5,936,232</u>	<u>\$19,132,631</u>

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

**CITY OF NEWTON, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

EXHIBIT 1

Page 2

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Liabilities and Net Position			
Accounts payable	\$ 237,217	\$ 45,213	\$ 282,430
Other accrued liabilities	51,717	5,832	57,549
Customer deposits	-	136,475	136,475
Seized funds escrow	21,640	-	21,640
Long-term liabilities:			
Due within one year:			
Capital debt	338,169	177,811	515,980
Due in more than one year			
Non-capital debt	42,812	2,602	45,414
Capital debt	1,236,439	1,715,273	2,951,712
Net Pension Liability	2,944,916	344,027	3,288,943
Total Liabilities	4,872,910	2,427,233	7,300,143
Deferred Inflows of Resources			
Deferred inflows related to pension	586,489	68,514	655,003
Property tax for future reporting period	1,066,050	-	1,066,050
Total Deferred Inflows of Resources	1,652,539	68,514	1,721,053
Total Liabilities and Deferred Inflows of Resources	6,525,449	2,495,747	9,021,196
Net Position:			
Net investment in capital assets	9,840,059	1,081,693	10,921,752
Unrestricted	(3,169,109)	2,358,792	(810,317)
Total Net Position	6,670,950	3,440,485	10,111,435
Total Liabilities , Deferred Inflows of Resources, and Net Position	\$ 13,196,399	\$ 5,936,232	\$19,132,631

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, 2021**

EXHIBIT 2

Function/Programs:	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants	Capital Grants			
Governmental Activities:							
General government	\$ (531,152)	\$ -	\$ -	\$ 51,840	\$ (479,312)	\$ -	\$ (479,312)
Public safety	(1,313,335)	43,184	13,622	-	(1,256,529)	-	(1,256,529)
Public works	(999,559)	287,763	-	285,715	(426,081)	-	(426,081)
Culture and recreation	(313,586)	23,928	-	17,924	(271,734)	-	(271,734)
Economic Development and Assistance	(142,915)	-	-	-	(142,915)	-	(142,915)
Interest and fiscal charges on long-term debt	(29,363)	-	-	-	(29,363)	-	(29,363)
Pension expense	(95,123)	-	-	-	(95,123)	-	(95,123)
Total Governmental Activities	<u>(3,425,033)</u>	<u>354,875</u>	<u>13,622</u>	<u>355,479</u>	<u>(2,701,057)</u>	<u>-</u>	<u>(2,701,057)</u>
Business-Type Activities:							
Water, sewer, and garbage	(880,243)	1,453,707	-	-	-	573,464	573,464
Total Functions/Programs	<u>\$ (4,305,276)</u>	<u>\$ 1,808,582</u>	<u>\$ 13,622</u>	<u>\$ 355,479</u>	<u>\$ (2,701,057)</u>	<u>\$ 573,464</u>	<u>\$ (2,127,593)</u>
General Revenues:							
Property tax					\$ 1,495,293	\$ -	\$ 1,495,293
Sales tax					1,054,192	-	1,054,192
Licenses and permits					286,827	-	286,827
Intergovernmental, not restricted to specific functions/programs					208,966	-	208,966
Use of money and property					14,916	2,435	17,351
Other revenue					88,251	6,516	94,767
Transfer in (out)					(237,770)	237,770	-
Total General Revenues and Transfers					<u>2,910,675</u>	<u>246,721</u>	<u>3,157,396</u>
Change in Net Position					<u>209,618</u>	<u>820,185</u>	<u>1,029,803</u>
Net Position - Beginning of Year					<u>6,461,332</u>	<u>2,620,300</u>	<u>9,081,632</u>
Net Position- End of Year					<u>\$ 6,670,950</u>	<u>\$ 3,440,485</u>	<u>\$ 10,111,435</u>

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

**CITY OF NEWTON, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

EXHIBIT 3

	General Fund	Debt Service Fund	City Hall Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,017,860	\$ 309,940	\$ 372,421	\$ 183,265	\$ 1,883,486
Property tax receivable	990,300	75,750	-	-	1,066,050
Accounts receivable	242,789	-	-	65,472	308,261
Fines receivable, net uncollectibles of \$434,198	22,853	-	-	-	22,853
Due from other funds	510,627	255,274	-	167,196	933,097
Prepaid expenses	59,622	-	-	-	59,622
Restricted Cash	-	-	-	-	-
Total Assets	\$ 2,844,051	\$ 640,964	\$ 372,421	\$ 415,933	\$ 4,273,369
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 183,991	\$ -	\$ -	\$ 53,226	\$ 237,217
Other accrued liabilities	51,717	-	-	-	51,717
Due to other funds	2,058,023	261,606	-	483,444	2,803,073
Seized funds escrow	21,640	-	-	-	21,640
Total Liabilities	2,315,371	261,606	-	536,670	3,113,647
Deferred Inflows of Resources:					
Property tax for future reporting period	990,300	75,750	-	-	1,066,050
Unavailable revenue-fines	22,853	-	-	-	22,853
Total Deferred Inflows of Resources	1,013,153	75,750	-	-	1,088,903
Total Liabilities and Deferred Inflows of Resources	3,328,524	337,356	-	536,670	4,202,550
Fund Balances:					
Nonspendable	59,622	-	-	-	59,622
Committed:					
Capital Projects	-	-	372,421	-	372,421
Debt service	-	303,608	-	-	303,608
Unassigned	(544,095)	-	-	(120,737)	(664,832)
Total Fund Balances (Deficit)	(484,473)	303,608	372,421	(120,737)	70,819
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)	\$ 2,844,051	\$ 640,964	\$ 372,421	\$ 415,933	\$ 4,273,369

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, 2021**

EXHIBIT 3.1

Fund Balance - Total Governmental Funds		\$ 70,819
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	17,117,896	
Less: Accumulated Depreciation	<u>(5,703,229)</u>	11,414,667
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.		
		311,436
Deferred inflows related to pension liability are applicable to future periods, and therefore, are not reported in the funds.		
		(586,489)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the funds.		
		(2,944,916)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.		
Bonds Payable	(690,000)	
Notes Payable	(748,417)	
Capital Leases Payable	(136,191)	
Compensated Absences	<u>(42,812)</u>	<u>(1,617,420)</u>
Net Position of Governmental Activities		\$ 6,670,950

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, 2021

Exhibit 4

	General Fund	Debt Service Fund	City Hall Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 1,238,225	\$ 257,068	\$ -	\$ -	\$ 1,495,293
Licenses and permits	286,827	-	-	-	286,827
Intergovernmental	1,505,857	9,130	-	138,890	1,653,877
Charges for services	311,691	-	-	-	311,691
Fines and forfeitures	43,184	-	-	-	43,184
Use of money and property	9,787	870	3,529	729	14,915
Miscellaneous	88,251	-	-	-	88,251
Total Revenues	3,483,822	267,068	3,529	139,619	3,894,038
Expenditures					
Current:					
General government	457,757	-	-	-	457,757
Public safety	2,021,704	-	-	-	2,021,704
Public works	937,949	-	-	517	938,466
Culture and recreation	256,544	-	-	-	256,544
Capital projects	-	-	52,556	124,479	177,035
Debt service:					
Principal	173,236	220,000	-	-	393,236
Interest and fiscal charges	11,753	17,610	-	-	29,363
Total Expenditures	3,858,943	237,610	52,556	124,996	4,274,105
Excess (Deficiency) of Revenues Over Expenditures	(375,121)	29,458	(49,027)	14,623	(380,067)
Other Financing Sources					
Proceeds from debt	831,425	-	-	-	831,425
Transfers (out)	(196,770)	(35,000)	-	(6,000)	(237,770)
Total Other Financing Sources	634,655	(35,000)	-	(6,000)	593,655
Net Change in Fund Balances	259,534	(5,542)	(49,027)	8,623	213,588
Fund Balances - Beginning	(744,007)	309,150	421,448	(129,360)	(142,769)
Fund Balances (Deficits)-Ending	\$ (484,473)	\$ 303,608	\$ 372,421	\$ (120,737)	\$ 70,819

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, 2021

EXHIBIT 4.1

Net Changes in Fund Balances - Total Governmental Funds	\$	213,588
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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	769,842	
Less: Current Year Depreciation	<u>(494,562)</u>	275,280

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>(6,857)</u>	(6,857)
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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	(831,425)	
Principal Payments	<u>393,236</u>	(438,189)

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		(95,123)
Recording of contributions made subsequent to the measurement date		56,569
Recording of reduction in pension expense for amounts included in net pension liability.		<u>204,350</u>

Change in Net Position of Governmental Activities	\$	<u>209,618</u>
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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, 2021**

EXHIBIT 5

	Enterprise Funds			Total Enterprise Funds
	Water & Sewer	ARRA	Wastewater Treatment Project	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 749,838	\$ -	\$ -	\$ 749,838
Restricted cash	136,475	-	-	136,475
Accounts receivable (net of allowance of \$206,256)	135,981	-	-	135,981
Inventories	25,188	-	-	25,188
Due from other funds	2,110,793	-	-	2,110,793
Prepaid Items	7,614	-	-	7,614
Total Current Assets	<u>3,165,889</u>	<u>-</u>	<u>-</u>	<u>3,165,889</u>
Noncurrent Assets:				
Capital Assets:				
Property, plant, and equipment	7,562,626	894,813	1,118,019	9,575,458
Less: Accumulated depreciation	<u>(5,694,906)</u>	<u>(402,666)</u>	<u>(503,109)</u>	<u>(6,600,681)</u>
Total Noncurrent Assets	<u>1,867,720</u>	<u>492,147</u>	<u>614,910</u>	<u>2,974,777</u>
Total Assets	<u>5,033,609</u>	<u>492,147</u>	<u>614,910</u>	<u>6,140,666</u>
Deferred Outflows of Resources				
Deferred outflows related to pension	32,298	-	-	32,298
Total Deferred Outflows of Resources	<u>32,298</u>	<u>-</u>	<u>-</u>	<u>32,298</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,065,907</u>	<u>\$ 492,147</u>	<u>\$ 614,910</u>	<u>\$ 6,172,964</u>

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, 2021**

EXHIBIT 5

Page 2

	Enterprise Funds			
	Water & Sewer	ARRA	Wastewater Treatment Project	Total Enterprise Funds
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 45,213	\$ -	\$ -	\$ 45,213
Other accrued liabilities	5,832	-	-	5,832
Customer deposits	136,475	-	-	136,475
Due to other funds	240,817	-	-	240,817
Revenue bonds payable - current portion	21,239	-	-	21,239
Other loans-current portion	4,907	43,891	55,785	104,583
Capital leases payable - current portion	51,989	-	-	51,989
Total Current Liabilities	<u>506,472</u>	<u>43,891</u>	<u>55,785</u>	<u>606,148</u>
Noncurrent Liabilities:				
Compensated absences payable	2,602	-	-	2,602
Capital leases payable	154,522	-	-	154,522
Long-term debt	628,837	363,024	568,890	1,560,751
Net pension liability	344,027	-	-	344,027
Total Noncurrent Liabilities	<u>1,129,988</u>	<u>363,024</u>	<u>568,890</u>	<u>2,061,902</u>
Total Liabilities	<u>1,636,460</u>	<u>406,915</u>	<u>624,675</u>	<u>2,668,050</u>
Deferred Inflows of Resources:				
Deferred inflows related to pension	64,429	-	-	64,429
Total Deferred Inflows of Resources	<u>64,429</u>	<u>-</u>	<u>-</u>	<u>64,429</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,700,889</u>	<u>406,915</u>	<u>624,675</u>	<u>2,732,479</u>
NET POSITION				
Net investment in capital assets	1,006,226	85,232	(9,765)	1,081,693
Unrestricted	2,358,792	-	-	2,358,792
Total Net Position	<u>3,365,018</u>	<u>85,232</u>	<u>(9,765)</u>	<u>3,440,485</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,065,907</u>	<u>\$ 492,147</u>	<u>\$ 614,910</u>	<u>\$ 6,172,964</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, 2021

EXHIBIT 6

	Enterprise Funds			
	Water & Sewer	ARRA	Wastewater Treatment Project	Total Enterprise Funds
Operating Revenues:				
Charges for services	\$ 951,655	\$ -	\$ -	\$ 951,655
Intergovernmental	387,821	48,121	66,110	502,052
Total Operating Revenues	<u>1,339,476</u>	<u>48,121</u>	<u>66,110</u>	<u>1,453,707</u>
Operating Expenses:				
Personnel services	188,576	-	-	188,576
Contractual services, materials, and supplies	383,346	-	-	383,346
Depreciation	144,754	44,741	55,901	245,396
Pension expense	11,112	-	-	11,112
Total Operating Expenses	<u>727,788</u>	<u>44,741</u>	<u>55,901</u>	<u>828,430</u>
Operating Income	<u>611,688</u>	<u>3,380</u>	<u>10,209</u>	<u>625,277</u>
Nonoperating Revenues (Expenses):				
Interest income	2,435	-	-	2,435
Interest expense	(31,912)	(8,293)	(11,608)	(51,813)
Miscellaneous revenue	6,516	-	-	6,516
Total Nonoperating Revenues (Expenses)	<u>(22,961)</u>	<u>(8,293)</u>	<u>(11,608)</u>	<u>(42,862)</u>
Income (Loss) Before Transfers	<u>588,727</u>	<u>(4,913)</u>	<u>(1,399)</u>	<u>582,415</u>
Transfers in	237,770	-	-	237,770
Total Transfers	<u>237,770</u>	<u>-</u>	<u>-</u>	<u>237,770</u>
Change in Net Position	826,497	(4,913)	(1,399)	820,185
Total Net Position - Beginning	<u>2,538,521</u>	<u>90,145</u>	<u>(8,366)</u>	<u>2,620,300</u>
Total Net Position - Ending	<u>\$ 3,365,018</u>	<u>\$ 85,232</u>	<u>\$ (9,765)</u>	<u>\$ 3,440,485</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, 2021**

EXHIBIT 7

	Enterprise Fund			Total Enterprise Funds
	Water & Sewer	ARRA	Wastewater Treatment Project	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 1,338,508	\$ 48,121	\$ 66,110	\$ 1,452,739
Cash payments to suppliers	(394,762)	-	-	(394,762)
Cash payments to employees	(508,322)	-	-	(508,322)
Net cash provided by operating activities	<u>435,424</u>	<u>48,121</u>	<u>66,110</u>	<u>549,655</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Other receipts				
Miscellaneous revenue	6,516	-	-	6,516
Transfers to other funds	<u>237,770</u>	<u>-</u>	<u>-</u>	<u>237,770</u>
Net cash provided by noncapital financing activities	<u>244,286</u>	<u>-</u>	<u>-</u>	<u>244,286</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on long-term debt	(293,000)	(39,828)	(54,502)	(387,330)
Interest expense	(31,912)	(8,293)	(11,608)	(51,813)
Proceeds from debt issuance	<u>108,115</u>	<u>-</u>	<u>-</u>	<u>108,115</u>
Net cash (used) by capital and related financing activities	<u>\$ (216,797)</u>	<u>\$ (48,121)</u>	<u>\$ (66,110)</u>	<u>\$ (331,028)</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, 2021**

**EXHIBIT 7
Page 2**

	Enterprise Fund			Total Enterprise Funds
	Water & Sewer	ARRA	Wastewater Treatment Project	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on money market account	\$ 2,435	\$ -	\$ -	\$ 2,435
Net cash provided by investing activities	2,435	-	-	2,435
Net decrease in cash and cash equivalents	465,348	-	-	465,348
Cash and cash equivalents, October 1, 2020	420,965	-	-	420,965
Cash and cash equivalents, September 30, 2021	<u>\$ 886,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 886,313</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 611,688</u>	<u>\$ 3,380</u>	<u>\$ 10,209</u>	<u>\$ 625,277</u>
Adjustments:				
Depreciation expense	144,754	44,741	55,901	245,396
Changes in assets and liabilities:				
(Increase) in accounts receivable	(968)	-	-	(968)
(Increase) in prepaid items	(3,566)	-	-	(3,566)
(Increase) in due from other funds	(551,408)	-	-	(551,408)
(Increase) in deferred outflows of resources	(423)	-	-	(423)
(Decrease) in accounts payable	(11,416)	-	-	(11,416)
Increase in customer deposits	24,425	-	-	24,425
Increase in other accrued liabilities	996	-	-	996
Increase in due to other funds	240,817	-	-	240,817
Increase in compensated absences payable	418	-	-	418
(Decrease) in net pension liability	(74,312)	-	-	(74,312)
Increase in deferred inflows of resources	54,419	-	-	54,419
Total adjustments	<u>(176,264)</u>	<u>44,741</u>	<u>55,901</u>	<u>(75,622)</u>
Net cash provided by operating activities	<u>\$ 435,424</u>	<u>\$ 48,121</u>	<u>\$ 66,110</u>	<u>\$ 549,655</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, 2021**

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, 2021**

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.

Debt Service Fund - This fund is used to account for debt service activities.

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, 2021**

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, 2021**

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, 2021, 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, 2021**

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, 2021.

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, 2021.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021**

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, 2021. 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 \$2,769,799 and a bank balance of \$2,754,446 at September 30, 2021, 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, 2021**

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended September 30, 2021:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 618,592	\$ -	\$ -	\$ -	\$ 618,592
Construction in process	579,231	53,227	-	(579,231)	53,227
Total capital assets not being depreciated	1,197,823	53,227	-	(579,231)	671,819
<i>Capital assets being depreciated:</i>					
Buildings	1,541,966	-	-	-	1,541,966
Improvements other than Buildings	2,298,050	21,780	-	579,231	2,899,061
Mobile Equipment	1,941,436	542,579	-	-	2,484,015
Leased property under capital leases	202,691	73,069	-	-	275,760
Other furniture and equipment	169,618	7,935	-	-	177,553
Infrastructure	8,996,470	71,252	-	-	9,067,722
Total capital assets being depreciated	15,150,231	716,615	-	579,231	16,446,077
Less: Accumulated depreciation	(5,208,667)	(494,562)	-	-	(5,703,229)
Total capital assets being depreciated, net	9,941,564	222,053	-	579,231	10,742,848
Governmental activities capital assets, net	\$ 11,139,387	\$ 275,280	\$ -	\$ -	\$ 11,414,667
Business-type Activities:					
<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	841,644	-	-	-	841,644
Leases property under capital leases	265,553	-	-	-	265,553
Total capital assets being depreciated	9,456,407	-	-	-	9,456,407
Less: Accumulated depreciation	(6,355,285)	(245,396)	-	-	(6,600,681)
Total capital assets being depreciated, net	3,101,122	(245,396)	-	-	2,855,726
Business-type activities capital assets, net	\$ 3,220,173	\$ (245,396)	\$ -	\$ -	\$ 2,974,777
Depreciation expense was charged to the following functions:					
Governmental Activities:					
General government			\$ 117,413		
Public safety			83,600		
Public works			69,639		
Culture and recreation			80,995		
Economic Development			142,915		
Total Depreciation Expense			<u>\$ 494,562</u>		
Business-type Activities:					
Water & sewer			<u>\$ 245,396</u>		

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, 2021

NOTE 4 – LONG-TERM DEBT

Debt outstanding as of September 30, 2021, consisted of the following:

Governmental Activities:

A. General Obligation Bonds

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/20	Additions	Reductions	Adjustments*	Balance Outstanding 9/30/21	Current Maturity
Series 2013	\$ 2,100,000	1.40-2.00	\$ 910,000	\$ -	\$ (220,000)	\$ -	\$ 690,000	\$ 225,000

B. Capital Leases

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/20	Additions	Reductions	Adjustments*	Balance Outstanding 9/30/21	Current Maturity
John Deere Tractor	\$ 88,691	2.24	\$ 41,771	\$ -	\$ (10,552)	\$ -	\$ 31,219	\$ 22,372
2018 Taurus Patrol Car	25,000	3.24	10,284	-	(6,979)	-	3,305	3,305
2018 Dodge Ram	18,823	2.49	6,085	-	(5,143)	-	942	942
4 Mowers	37,777	3.99	20,499	-	(12,796)	-	7,703	7,703
2020 Dodge Durango	32,400	2.39	30,846	-	(6,207)	-	24,639	6,357
2 2021 Dodge Durangos	73,070	1.64	-	73,070	(4,687)	-	68,383	14,216
	<u>\$ 275,761</u>		<u>\$ 109,485</u>	<u>\$ 73,070</u>	<u>\$ (46,364)</u>	<u>\$ -</u>	<u>\$ 136,191</u>	<u>\$ 54,895</u>

C. Other Loans

Description	Original Issue	Int. Rate	Balance Outstanding 10/01/20	Additions	Reductions	Adjustments*	Balance Outstanding 9/30/21	Current Maturity
NCB BLDG	\$ 81,124	4.10	\$ 8,819	\$ -	\$ (7,034)	\$ -	\$ 1,785	\$ 1,785
Cap Loan	124,177	2.00	108,115	-	-	(108,115)	-	-
Cap Loan-Perimeter Road	250,478	3.00	-	-	(11,723)	215,877	204,154	9,259
Cap Loan-Fire Truck	542,478	3.00	-	542,478	-	-	542,478	47,230
	<u>\$ 998,257</u>		<u>\$ 116,934</u>	<u>\$ 542,478</u>	<u>\$ (18,757)</u>	<u>\$ 107,762</u>	<u>\$ 748,417</u>	<u>\$ 58,274</u>

D. Compensated Absences

	Balance Outstanding 10/01/20	Additions	Reductions	Adjustments*	Balance Outstanding 9/30/21	Current Maturity
Compensated Absences	\$ 35,955	\$ 6,857	\$ -	\$ -	\$ 42,812	\$ -

E. Net Pension Liability

	Balance Outstanding 10/01/20	Additions	Reductions	Adjustments*	Balance Outstanding 9/30/21	Current Maturity
Net Pension Liability	\$ 3,572,485	\$ -	\$ (627,569)	\$ -	\$ 2,944,916	\$ -

*-adjustments are a correction between funds responsible for payments on debt.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 4 – LONG-TERM DEBT - Continued

Business-type Activities:

A. General Obligation Bonds

Description	Original Issue	Int. Rate	Balance				Balance	
			Outstanding 10/01/20	Additions	Reductions	Adjustments*	Outstanding 9/30/21	Current Maturity
Series 2003 RUS Water & Sewer Revenue	\$ 800,000	4.00	\$ 573,279	\$ -	\$ (20,357)	\$ -	\$ 552,922	\$ 21,239

B. Capital Leases

Description	Original Issue	Int. Rate	Balance				Balance	
			Outstanding 10/01/20	Additions	Reductions	Adjustments*	Outstanding 9/30/21	Current Maturity
Dozer	125,884	2.49	121,936	-	(24,040)	-	97,896	24,645
Excavator	139,668	2.49	135,287	-	(26,672)	-	108,615	27,344
	<u>\$ 265,552</u>		<u>\$ 257,223</u>	<u>\$ -</u>	<u>\$ (50,712)</u>	<u>\$ -</u>	<u>\$ 206,511</u>	<u>\$ 51,989</u>

C. Other Loans

Description	Original Issue	Int. Rate	Balance				Balance	
			Outstanding 10/01/20	Additions	Reductions	Adjustments*	Outstanding 9/30/21	Current Maturity
Water System Improvement	\$ 785,527	1.95	\$ 446,743	\$ -	\$ (39,828)	\$ -	\$ 406,915	\$ 43,891
Lagoon Improvement	1,095,454	1.75	679,177	-	(54,502)	-	624,675	55,785
Cap Loan	250,465	3.00	215,877	-	-	(215,877)	-	-
Cap Loan	124,177	2.00	-	-	(6,054)	108,115	102,061	4,907
	<u>\$ 2,255,623</u>		<u>\$ 1,341,797</u>	<u>\$ -</u>	<u>\$ (100,384)</u>	<u>\$ (107,762)</u>	<u>\$ 1,133,651</u>	<u>\$ 104,583</u>

D. Compensated Absences

	Balance				Balance	
	Outstanding 10/01/20	Additions	Reductions	Adjustments*	Outstanding 9/30/21	Current Maturity
Compensated Absences	\$ 2,184	\$ 418	\$ -	\$ -	\$ 2,602	\$ -

E. Net Pension Liability

	Balance				Balance	
	Outstanding 10/01/20	Additions	Reductions	Adjustments*	Outstanding 9/30/21	Current Maturity
Net Pension Liability	\$ 418,339	\$ -	\$ (74,312)	\$ -	\$ 344,027	\$ -

*-adjustments are a correction between funds responsible for payments on debt.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 4 – LONG-TERM DEBT - Continued

The following is a schedule by years of the total capital lease payments due as of September 30, 2021:

Year	Governmental-type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 54,895	\$ 2,690	\$ 51,989	\$ 4,551
2023	29,809	1,732	53,298	3,242
2024	21,357	750	54,641	1,900
2025	20,038	352	46,583	533
2026	10,092	14	-	-
	<u>\$ 136,191</u>	<u>\$ 5,538</u>	<u>\$ 206,511</u>	<u>\$ 10,226</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
2022	\$ 283,275	\$ 33,230	\$ 125,822	\$ 43,086
2023	289,639	26,889	125,825	40,273
2024	296,452	20,425	128,712	37,385
2025	63,322	16,205	131,678	34,420
2026	65,248	14,280	134,723	31,375
2027-2031	357,242	40,394	681,885	108,502
2032-2036	76,346	6,998	234,151	47,217
2037-2039	6,893	52	123,777	7,380
	<u>\$ 1,438,417</u>	<u>\$ 158,473</u>	<u>\$ 1,686,573</u>	<u>\$ 349,638</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, 2021, 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, 2021**

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, 2021**

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

Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of the rates is assessed annually by actuarial valuation. For the year ended September 30, 2022, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 17.40 percent of annual covered payroll. The City's employer contributions to PERS for the years ending 2021, 2020, and 2019 were \$253,298, \$248,136 and \$220,542, (employer share). The contributions for the years met the required contributions.

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

At September 30, 2021, the City of Newton reported a liability of \$3,288,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, relative to the total employer contributions of participating employers to PERS. At June 30, 2021, the City of Newton's proportion was 0.022252% which was .001637% greater than its proportion measured as of June 30, 2020.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021, the City of Newton recognized pension expense of \$106,235. At September 30, 2021, 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	\$ 54,287	\$ -
Net difference between projected and actual earnings on pension plan investments	-	655,003
Changes of assumptions	197,914	-
Changes in the proportion and differences between the City's Contributions and Proportionate Share of Contributions	39,049	-
Contributions subsequent to the measurement date	56,569	-
	<u>\$ 347,819</u>	<u>\$ 655,003</u>

\$56,569 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2022	\$ (54,411)
2023	(43,654)
2024	(76,447)
2025	(189,241)
	<u>\$ (363,753)</u>

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued

Actuarial Assumptions

The total pension liability used in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Inflation	2.40%
Salary increases	2.65%-17.90%, average, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

The most recent target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity	27.00 %	4.60 %
International equity	22.00	4.50
Global equity	12.00	4.80
Fixed income	20.00	(0.25)
Real estate	10.00	3.75
Private equity	8.00	6.25
Cash equivalents	1.00	(1.00)
	<u>100.00 %</u>	

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 8 – BENEFIT PENSION PLAN OBLIGATIONS - continued

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. 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 7.55%. 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 (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Proportionate share of the net pension liability	\$ 4,657,914	\$ 3,288,943	\$ 2,160,802

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, 2021, the City of Newton has no amounts payable for outstanding contributions to the pension plan required for the year ended September 30, 2021.

NOTE 9 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net position amount of \$(3,169,109) 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 \$50,652 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, 2021. The \$260,784 balance of the deferred outflow of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next four years. The \$586,489 balance of the deferred inflow of resources related to pension at September 30, 2021, 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, 2021**

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

The business activities' unrestricted net position amount of \$2,358,792 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 \$5,917 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, 2021. The \$30,466 balance of the deferred outflow of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next four years. The \$68,514 balance of the deferred inflow of resources related to pension at September 30, 2021, will be recognized in pension expense over the next four years.

NOTE 10 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended September 30, 2021, consisted of the following:

Transfers To	Transfers From	Total
Water and Sewer Fund	General Fund	\$ 196,770
Water and Sewer Fund	Debt Service Fund	35,000
Water and Sewer Fund	Other Governmental Funds	6,000
		<u>\$ 237,770</u>

This transfer was made for general operating purposes.

Interfund loans for the year ended September 30, 2021, consisted of the following:

Due from (Receivable) Other Funds	Due to (Payable) Other Funds	Total
General Fund	Other Governmental Funds	\$ 269,810
Water and Sewer Fund	Other Governmental Funds	46,438
Water and Sewer Fund	General Fund	1,802,749
Water and Sewer Fund	Debt Service Fund	261,606
Other Governmental Funds	Other Governmental Funds	167,196
Debt Service Fund	General Fund	255,274
General Fund	Water and Sewer Fund	240,817
		<u>\$ 3,043,890</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.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 11 – CONTINGENCIES - continued

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

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 September 29, 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 October 5, 2021, the Board approved a payment to a local contractor in the amount of \$91,461 for the Highway 15 Project.

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

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

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

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

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

On February 1, 2022, the Board approved a payment to a local contractor for 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 for the Sewer Improvement Project.

On May 17, 2022, the Board approved a payment to a local contractor for a project in the amount of \$51,173.

On July 19, 2022, the Board approved a payment to a local contractor for a project in the amount of \$165,770.

On September 20, 2022, the Board approved a payment to a local contractor in the amount of \$135,825 for Project 1137-20-277-PF-01.

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, 2021

	General Fund			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget	(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Property taxes	\$ 878,000	\$ 1,238,225	\$ 1,238,225	\$ -
Licenses, commissions				
and other revenue	308,300	279,798	279,798	-
Fines and forfeitures	40,400	43,184	43,184	-
Intergovernmental revenues	1,161,496	1,342,255	1,342,255	-
Charges for services	230,000	311,691	311,691	-
Use of money and property	-	4,038	4,038	-
Miscellaneous revenues	62,750	39,189	39,189	-
Total Revenues	<u>2,680,946</u>	<u>3,258,380</u>	<u>3,258,380</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	559,450	464,906	464,906	-
Public safety	1,519,100	2,033,092	2,033,092	-
Public works	902,350	975,213	975,213	-
Culture and recreation	377,396	278,494	278,494	-
Total Expenditures	<u>3,358,296</u>	<u>3,751,705</u>	<u>3,751,705</u>	<u>-</u>
Excess of Revenues				
over (under) Expenditures	<u>(677,350)</u>	<u>(493,325)</u>	<u>(493,325)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	108,000	149,231	149,231	-
Total Other Financing Sources	<u>108,000</u>	<u>149,231</u>	<u>149,231</u>	<u>-</u>
Net Change in Fund Balance	(569,350)	(344,094)	(344,094)	-
Fund Balances - Beginning	501,600	305,283	305,283	-
Fund Balances - Ending	<u>\$ (67,750)</u>	<u>\$ (38,811)</u>	<u>\$ (38,811)</u>	<u>\$ -</u>

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

CITY OF NEWTON, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL (NON-GAAP BASIS)
DEBT SERVICE FUND-UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Debt Service Fund			Variance with
	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ -	\$ 257,068	\$ 257,068	\$ -
Intergovernmental revenues	238,000	9,130	9,130	-
Use of money and property	-	870	870	-
Total Revenues	<u>238,000</u>	<u>267,068</u>	<u>267,068</u>	<u>-</u>
EXPENDITURES				
Current:				
Capital projects	80,000	-	-	-
Public works	233,475	220,000	220,000	-
Interest	<u>13,800</u>	<u>13,800</u>	<u>13,800</u>	<u>-</u>
Total Expenditures	<u>327,275</u>	<u>233,800</u>	<u>233,800</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(89,275)</u>	<u>33,268</u>	<u>33,268</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfer (Out)	-	(35,000)	(35,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net Change in Fund Balance	(89,275)	(1,732)	(1,732)	-
Fund Balances - Beginning	<u>309,150</u>	<u>309,150</u>	<u>309,150</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 219,875</u>	<u>\$ 307,418</u>	<u>\$ 307,418</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, 2021, 2020, 2019, 2018, 2017, 2016, 2015, & 2014

	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.022252%	0.020615%	0.02151%	.022%	.022%	.022%	.023%	.023%
Employer's proportionate share of the net pension liability (asset)	\$ 3,288,943	\$ 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	\$ 1,455,737	\$ 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	225.93%	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	70.44%	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, 2021, 2020, 2019, 2018, 2017, 2016, 2015, & 2014**

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 253,298	\$ 248,136	\$ 220,542	\$ 224,268	\$ 213,825	\$ 218,248	\$ 225,002	\$ 222,374
Contributions in relation to the contractually required contributions	<u>(253,298)</u>	<u>(248,136)</u>	<u>(220,542)</u>	<u>(224,268)</u>	<u>(213,825)</u>	<u>(218,248)</u>	<u>(225,002)</u>	<u>(222,374)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 1,455,737	\$ 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%	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, 2021

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	Debt Service
	Fund	Fund
Budget (Cash Basis)	\$ (344,094)	\$ (1,732)
Increase (Decrease)		
Net adjustments for revenue accruals	1,056,867	-
Net adjustments for expenditure accruals	(453,239)	(3,810)
GAAP Basis	<u>\$ 259,534</u>	<u>\$ (5,542)</u>

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

D. Pension Schedules.

Changes of Assumptions.

2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

**CITY OF NEWTON, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION-UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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%.

2016

- 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, 2021

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, 2021

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end.) The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent , net of pension plan investment expense, including inflation

OTHER INFORMATION

CITY OF NEWTON, MISSISSIPPI
SCHEDULE OF THE SURETY BONDS OF MUNICIPAL OFFICIALS AND OTHERS-UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<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
Temeka Drummond	Alderman	50,000	Travelers
Eric McCalphia	Alderman	50,000	Travelers
Dan Moncrief	Alderman	50,000	Travelers
Antonio Hoya	Mayor	70,000	Travelers
Charlene Evans	City Clerk	50,000	Travelers
Doris McMillan	Water Clerk	50,000	Travelers
Diamond Patrick	Water Clerk	50,000	Travelers
Shelia Jackson	Court Clerk	50,000	Travelers
Barbara Ann Mapp	Deputy Clerk	50,000	Travelers
Adrianna Bender	Deputy Clerk	50,000	Travelers
Randy Patrick	Police Chief	50,000	Travelers
Jay Powell	Recreational Director	50,000	Travelers

SPECIAL REPORTS

HERZOG CPA COMPANY, PLLC

Angela T. Herzog, CPA

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Phone 601-271-8860 • Fax 601-271-8921

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 29, 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.

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 Responses as 2021-002 to be a material weakness.

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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Responses as 2021-001, 2021-003, 2021-004, and 2021-005 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 September 29, 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
September 29, 2022

HERZOG CPA COMPANY, PLLC

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor, Members of the
Board of Aldermen, 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, 2021, and have issued our report thereon dated September 29, 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:

2021-002. 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, 2020-002.

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.

2021-003. Finding

Significant Deficiency

As reported in prior years, the Wastewater Treatment Project Fund and the General Fund have deficit fund balances at September 30, 2021, and the Police Seizure/Forfeiture Fund and the Special Revenue Fund also have deficit fund balances at September 30, 2021.

Repeating Finding: Yes, 2020-003.

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

Condition: The City has four 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.

2021-004. 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, 2020-004.

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 not a material 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.

2021-005. Finding

Significant Deficiency

As reported in the prior year, the City Hall Construction Fund was not included in the budget.

Repeating Finding: Yes, 2020-005.

Criteria: The City should budget all funds.

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

Cause: The City did not budget 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

September 29, 2022

SCHEDULE OF FINDINGS AND RESPONSES

**CITY OF NEWTON, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section 2: Financial Statement Findings

2021-001. 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, 2020-001.

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 RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section 2: Financial Statement Findings

2021-002. 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, 2020-002.

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.

2021-003. Finding

Significant Deficiency

As reported in prior years, the Wastewater Treatment Project Fund and the General Fund have deficit fund balances at September 30, 2021, and the Police Seizure/Forfeiture Fund and the Special Revenue Fund also have deficit fund balances at September 30, 2021.

Repeating Finding: Yes, 2020-003.

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

Condition: The City has four 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 RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section 2: Financial Statement Findings

2021-004. 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, 2020-004.

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 not a material 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.

2021-005. Finding

Significant Deficiency

As reported in the prior year, the City Hall Construction Fund was not included in the budget.

Repeating Finding: Yes, 2020-005.

Criteria: The City should budget all funds.

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

Cause: The City did not budget 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.

Antonio Hoye
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, 2021

2021-001. 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.

2021-002. 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.

2021-003. Finding

Significant Deficiency

As reported in prior years, the Wastewater Treatment Project Fund and the General Fund have deficit fund balances at September 30, 2021, and the Police Seizure/Forfeiture Fund and the Special Revenue Fund also have deficit fund balances at September 30, 2021.

Condition: The City has four 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.

2021-004. 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.

2021-005. Finding

Significant Deficiency

As reported in the prior year, the City Hall Construction Fund was not included in the budget.

Condition: The City did not budget 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.

Antonio Hoye
Mayor

Charlene Evans
City Clerk

**CITY OF NEWTON
MISSISSIPPI**

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

Corrective Action Plan

September 29, 2022

The City of Newton respectively submits the following corrective action plan for the year ended September 30, 2021.

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, 2021

2021-001. 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, 2020-001.

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.

2021-002. 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, 2020-002.

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.

2021-003. Finding

Significant Deficiency

As reported in prior years, the Wastewater Treatment Project Fund and the General Fund have deficit fund balances at September 30, 2021, and the Police Seizure/Forfeiture Fund and the Special Revenue Fund also have deficit fund balances at September 30, 2021.

Repeating Finding: Yes, 2020-003.

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

Condition: The City has four 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.

2021-004. 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, 2020-004.

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 not a material 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.

2021-005. Finding

Significant Deficiency

As reported in the prior year, the City Hall Construction Fund was not included in the budget.

Repeating Finding: Yes, 2020-005.

Criteria: The City should budget all funds.

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

Cause: The City did not budget 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