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NEWTON COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2021**

Newton County School District

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Newton County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Newton County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-14, 45, 46, 47, 48, and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2022, on our consideration of the Newton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

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

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

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 18, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

The following discussion and analysis of Newton County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2021 decreased \$1,042,907 including a prior period adjustment of \$97,231, which represents a 12% decrease from fiscal year 2020. Total net position for 2020 decreased \$579,227 including a prior period adjustment of \$(59,022), which represents a 7% decrease from fiscal year 2019.
- General revenues amounted to \$13,204,328 and \$13,127,467, or 69% and 75% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,921,023 or 31% of total revenues for 2021, and \$4,409,319 or 25% of total revenues for 2020.
- The District had \$20,265,489 and \$18,056,991 in expenses for fiscal years 2021 and 2020; only \$5,921,023 for 2021 and \$4,409,319 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,204,328 for 2021 and \$13,127,467 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,074,954 in revenues and \$13,708,099 in expenditures for 2021, and \$14,473,492 in revenues and \$13,765,462 in expenditures for 2020. The General Fund's fund balance decreased by \$171,035 from 2020 to 2021, which includes a prior period adjustment of \$97,231, and increased by \$430,075 from 2019 to 2020.
- Capital assets, net of accumulated depreciation, decreased by \$547,474 for 2021 and increased by \$1,238,835 for 2020. The decrease for 2021 was due to current year deletions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$196,531 for 2021 and increased by \$190,627 for 2020. This decrease for 2021 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$14,631 for 2021 and by \$18,862 for 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,617,449 as of June 30, 2021.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

Table 1
Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Percentage Change
Current assets	\$ 5,731,220	\$ 4,994,796	15%
Restricted assets	860,737	895,197	(4)%
Capital assets, net	13,862,120	14,409,594	(4)%
Total assets	<u>20,454,077</u>	<u>20,299,587</u>	<u>1%</u>
 Deferred outflows of resources	 <u>4,480,871</u>	 <u>2,446,459</u>	 <u>83%</u>
 Current liabilities	 666,562	 90,227	 639%
Long-term debt outstanding	2,498,476	2,680,376	(7)%
Net OPEB liability	1,419,618	1,576,138	(10)%
Net pension liability	29,032,449	25,895,383	12%
Total liabilities	<u>33,617,105</u>	<u>30,242,124</u>	<u>11%</u>
 Deferred inflows of resources	 <u>935,292</u>	 <u>1,078,464</u>	 <u>(13)%</u>
 Net position:			
Net investment in capital assets	11,568,024	11,918,967	(3)%
Restricted	2,104,064	1,612,145	31%
Unrestricted	(23,289,537)	(22,105,654)	(5)%
Total net position (deficit)	<u>\$ (9,617,449)</u>	<u>\$ (8,574,542)</u>	<u>(12)%</u>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (23,289,537)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	26,906,488
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,616,951</u>

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

- Decrease in net capital assets in the amount of \$547,474.
- The principal retirement of \$196,531 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$19,125,351 and \$17,536,786, respectively. The total cost of all programs and services was \$20,265,489 for 2021 and \$18,056,991 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

Table 2
Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,171,240	\$ 1,544,167	(24)%
Operating grants and contributions	3,467,011	2,741,081	26%
Capital grants and contributions	1,282,772	124,071	934%
General revenues:			
Property taxes	3,405,704	3,316,040	3%
Grants and contributions not restricted	9,521,455	9,375,946	2%
Unrestricted investment earnings	113,806	134,607	(15)%
Sixteenth section sources	94,375	300,874	(69)%
Other	68,988	-	N/A%
Total revenues	<u>19,125,351</u>	<u>17,536,786</u>	<u>9%</u>
Expenses:			
Instruction	10,680,191	9,108,837	17%
Support services	5,477,546	5,292,797	3%
Non-instructional	1,315,722	1,208,237	9%
Sixteenth section	101,209	52,833	92%
Pension expense	2,575,703	2,205,366	17%
OPEB expense	28,020	91,628	(69)%
Interest on long-term liabilities	87,098	97,293	(10)%
Total expenses	<u>20,265,489</u>	<u>18,056,991</u>	<u>12%</u>
Increase (Decrease) in net position	<u>(1,140,138)</u>	<u>(520,205)</u>	<u>(119)%</u>
Net Position, July 1, as previously reported	(8,574,542)	(7,995,315)	(7)%
Prior period adjustment	97,231	(59,022)	265%
Net Position, July 1, as restated	<u>(8,477,311)</u>	<u>(8,054,337)</u>	<u>(5)%</u>
Net Position, June 30	<u>\$ (9,617,449)</u>	<u>\$ (8,574,542)</u>	<u>(12)%</u>

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2021	2020	
Instruction	\$ 10,680,191	\$ 9,108,837	17%
Support services	5,477,546	5,292,797	3%
Non-Instructional	1,315,722	1,208,237	9%
Sixteenth section	101,209	52,833	92%
Pension expense	2,575,703	2,205,366	17%
OPEB expense	28,020	91,628	(69)%
Interest on long-term liabilities	87,098	97,293	(10)%
Total Expenses	\$ 20,265,489	\$ 18,056,991	12%

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (6,684,516)	\$ (6,282,190)	(6)%
Support services	(4,865,247)	(4,670,756)	(4)%
Non-Instructional	(90,931)	(288,748)	69%
Sixteenth section	(12,951)	(11,691)	(11)%
Pension expense	(2,575,703)	(2,205,366)	(17)%
OPEB expense	(28,020)	(91,628)	69%
Interest on long-term liabilities	(87,098)	(97,293)	10%
Total Net (expense) revenue	\$ (14,344,466)	\$ (13,647,672)	(5)%

- Net cost of governmental activities (\$14,344,466 for 2021 and \$13,647,672 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$3,405,704 for 2020 and \$3,316,040 for 2020) and state and federal revenues (\$9,521,455 for 2021 and \$9,375,946 for 2020). In addition, there was \$94,375 and \$300,874 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$113,806 for 2021 and \$134,607 for 2020.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,938,527, a increase of \$124,309, which includes an decrease in inventory of \$34,872 and a prior period adjustment of \$101,431. \$3,821,331 or 64% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,117,196 or 36% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$171,035, which includes a prior period adjustment of \$97,231. The fund balance of Other Governmental Funds showed an increase in the amount of \$294,167, which includes a decrease in reserve for inventory of \$34,872. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
3 Mill Construction	\$ 1,177

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$25,292,622, including land, construction in progress, school buildings, building improvements, improvement other than buildings, mobile equipment, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a decrease of \$46,928 from 2020. Total accumulated depreciation as of June 30, 2021, was \$11,430,502, and total depreciation expense for the year was \$654,032, resulting in total net capital assets of \$13,862,120.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 537,362	\$ 537,362	0%
Construction in progress	28,155	757,134	(96)%
Buildings	10,086,652	10,435,046	(3)%
Building improvements	1,147,325	477,317	140%
Improvements other than buildings	1,014,691	1,088,472	(7)%
Mobile equipment	642,461	649,469	(1)%
Furniture and equipment	126,018	154,666	(19)%
Leased property under capital leases	279,456	310,128	(10)%
Total	<u>\$ 13,862,120</u>	<u>\$ 14,409,594</u>	<u>(4)%</u>

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

Debt Administration. At June 30, 2021, the District had \$2,498,476 in outstanding long-term debt, of which \$186,031 is due within one year. The liability for compensated absences increased \$14,631 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 204,096	\$ 270,627	(25)%
Limited tax notes	2,090,000	2,220,000	(6)%
Compensated absences payable	204,380	189,749	8%
Total	<u>\$ 2,498,476</u>	<u>\$ 2,680,376</u>	<u>(7)%</u>

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

CURRENT ISSUES

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

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

Enrollment for the 2020-2021 year decreased by 13% to 1,496 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Newton County School District, 15303 Hwy 15, Decatur, MS 39327.

FINANCIAL STATEMENTS

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Exhibit A

NEWTON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,178,316
Due from other governments	472,992
Other receivables, net	65,388
Inventories	14,524
Restricted assets	860,737
Capital assets, non-depreciable:	
Land	537,362
Construction in progress	28,155
Capital assets, net of accumulated depreciation:	
Buildings	10,086,652
Building improvements	1,147,325
Improvements other than buildings	1,014,691
Mobile equipment	642,461
Furniture and equipment	126,018
Leased property under capital lease	279,456
Total Assets	<u>20,454,077</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,184,688
Deferred outflows - OPEB	296,183
Total Deferred Outflows of Resources	<u>4,480,871</u>
Liabilities	
Accounts payable and accrued liabilities	653,430
Interest payable on long-term liabilities	13,132
Long-term liabilities, due within one year:	
Capital related liabilities	186,031
Net OPEB liability	48,524
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,108,065
Non-capital related liabilities	204,380
Net pension liability	29,032,449
Net OPEB liability	1,371,094
Total Liabilities	<u>33,617,105</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	593,441
Deferred inflows - OPEB	341,851
Total Deferred Inflows of Resources	<u>935,292</u>
Net Position	
Net investment in capital assets	11,568,024
Restricted for:	
Expendable:	
School-based activities	900,211
Debt service	217,124
Capital improvements	836,116
Forestry improvements	78,587
Unemployment benefits	47,829
Non-expendable:	
Sixteenth section	24,197
Unrestricted	(23,289,537)
Total Net Position	<u>\$ (9,617,449)</u>

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

Exhibit B

NEWTON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 10,680,191	\$ 1,013,855	\$ 1,714,267	\$ 1,267,553	\$ (6,684,516)
Support services	5,477,546	-	605,775	6,524	(4,865,247)
Non-instructional	1,315,722	69,127	1,146,969	8,695	(90,931)
Sixteenth section	101,209	88,258	-	-	(12,951)
Pension expense	2,575,703	-	-	-	(2,575,703)
OPEB expense	28,020	-	-	-	(28,020)
Interest on long-term liabilities	87,098	-	-	-	(87,098)
Total Governmental Activities	<u>\$ 20,265,489</u>	<u>\$ 1,171,240</u>	<u>\$ 3,467,011</u>	<u>\$ 1,282,772</u>	<u>\$ (14,344,466)</u>
General Revenues:					
Taxes:					
General purpose levies					3,374,031
Debt purpose levies					31,673
Unrestricted grants and contributions:					
State					9,513,588
Federal					7,867
Unrestricted investment earnings					113,806
Sixteenth section sources					94,375
Other					68,988
Total General Revenues					<u>13,204,328</u>
Change in Net Position					<u>(1,140,138)</u>
Net Position - Beginning, as previously reported					(8,574,542)
Prior period adjustments					<u>97,231</u>
Net Position - Beginning, as restated					<u>(8,477,311)</u>
Net Position - Ending					<u>\$ (9,617,449)</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		Other	Total
	General	3 Mill	Governmental	Governmental
	Fund	Construction	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 4,142,975	\$ 836,116	\$ 1,059,962	\$ 6,039,053
Due from other governments	199,363	-	273,629	472,992
Other receivables, net	64,625	-	763	65,388
Due from other funds	262,137	-	-	262,137
Inventories	-	-	14,524	14,524
Total Assets	<u>\$ 4,669,100</u>	<u>\$ 836,116</u>	<u>\$ 1,348,878</u>	<u>\$ 6,854,094</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 652,514	\$ -	\$ 916	\$ 653,430
Due to other funds	-	-	262,137	262,137
Total Liabilities	<u>652,514</u>	<u>-</u>	<u>263,053</u>	<u>915,567</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	14,524	14,524
Permanent fund principal	-	-	24,197	24,197
Restricted:				
Debt service	-	-	230,256	230,256
Capital projects	-	836,116	-	836,116
Forestry improvement purposes	-	-	78,587	78,587
Grant activities	-	-	690,432	690,432
Unemployment benefits	-	-	47,829	47,829
Assigned:				
Activity funds	195,255	-	-	195,255
Unassigned	<u>3,821,331</u>	<u>-</u>	<u>-</u>	<u>3,821,331</u>
Total Fund Balances	<u>4,016,586</u>	<u>836,116</u>	<u>1,085,825</u>	<u>5,938,527</u>
Total Liabilities and Fund Balances	<u>\$ 4,669,100</u>	<u>\$ 836,116</u>	<u>\$ 1,348,878</u>	<u>\$ 6,854,094</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2021

Total fund balances for governmental funds	\$ 5,938,527
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Amounts reported for governmental activities in the statement of net position are different because:

1.	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
	Land	537,362
	Construction in progress	28,155
	Buildings	17,419,676
	Building improvements	1,369,276
	Improvements other than buildings	2,298,706
	Mobile equipment	2,607,264
	Furniture and equipment	691,383
	Leased property under capital lease	340,800
	Accumulated depreciation	<u>(11,430,502)</u>
		13,862,120
2.	Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:	
	Net pension liability	(29,032,449)
	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
	Deferred outflows of resources related to pensions	4,184,688
	Deferred inflows of resources related to pensions	<u>(593,441)</u>
		3,591,247
3.	Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:	
	Net OPEB liability	(1,419,618)
	Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:	
	Deferred outflows of resources related to OPEB	296,183
	Deferred inflows of resources related to OPEB	<u>(341,851)</u>
		(45,668)
4.	Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:	
	Capital lease obligations	(204,096)
	Limited tax notes	(2,090,000)
	Compensated absences	(204,380)
	Accrued interest payable	<u>(13,132)</u>
		(2,511,608)
	Net position of governmental activities	<u><u>\$ (9,617,449)</u></u>

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Other	Total
	General	3 Mill	Governmental	Governmental
	Fund	Construction	Funds	Funds
Revenues				
Local sources	\$ 4,234,757	\$ 11,304	\$ 313,420	\$ 4,559,481
State sources	9,630,567	-	549,534	10,180,101
Federal sources	7,867	-	4,083,269	4,091,136
Sixteenth section sources	201,763	-	23,881	225,644
Total Revenues	14,074,954	11,304	4,970,104	19,056,362
Expenditures				
Instruction	8,521,061	-	3,009,714	11,530,775
Support services	4,897,925	14,327	937,906	5,850,158
Noninstructional services	148,671	-	1,151,840	1,300,511
Sixteenth section	67,736	-	33,472	101,208
Debt service:				
Principal	66,531	-	130,000	196,531
Interest	6,175	-	81,243	87,418
Other	-	-	1,000	1,000
Total Expenditures	13,708,099	14,327	5,345,175	19,067,601
Excess (Deficiency) of Revenues over (under) Expenditures	366,855	(3,023)	(375,071)	(11,239)
Other Financing Sources (Uses)				
Insurance recovery	64,925	-	-	64,925
Sale of other property	4,064	-	-	4,064
Operating transfers in	425	-	947,885	948,310
Operating transfers out	(704,535)	-	(243,775)	(948,310)
Total Other Financing Sources (Uses)	(635,121)	-	704,110	68,989
Net Change in Fund Balances	(268,266)	(3,023)	329,039	57,750
Fund Balances:				
July 1, 2020, as previously reported	4,187,621	834,939	791,658	5,814,218
Prior period adjustments	97,231	4,200	-	101,431
July 1, 2020, as restated	4,284,852	839,139	791,658	5,915,649
Decrease in reserve for inventory	-	-	(34,872)	(34,872)
June 30, 2021	\$ 4,016,586	\$ 836,116	\$ 1,085,825	\$ 5,938,527

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

NEWTON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds **\$ 57,750**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 127,813	
Depreciation expense	<u>(654,032)</u>	(526,219)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus the change in net position differs from the change in fund balance by the cost of the assets sold. (17,055)

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

Payments of debt principal		196,531
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4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense	(2,575,703)	
Contributions subsequent to the measurement date	<u>1,752,235</u>	(823,468)

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

OPEB expense	(28,020)	
Contributions subsequent to the measurement date	<u>48,524</u>	20,504

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

Change in accrued interest	1,320	
Change in compensated absences	(14,631)	
Change in inventory reserve	<u>(34,872)</u>	(48,183)

- Rounding 2

Change in net position of governmental activities **\$ (1,140,138)**

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

The school district reports the following major governmental funds:

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

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

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

Additionally, the school district reports the following fund type:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

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

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

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

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

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

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds”(i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

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

7. Deferred Outflows/Inflows of Resources

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

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

See Notes 7 and 8 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

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

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

13. Accounting Standards Update

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

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Therefore, the agency funds (i.e., club funds and clearing funds) previously shown as fiduciary funds are now shown in the General Fund.

Note 2 – Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$6,039,053.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$6,280,617 was exposed to custodial credit risk.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 262,137
Total		<u><u>\$ 262,137</u></u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

The purpose of the above loans between the General Fund and other governmental funds represents the existence of negative fund cash balances in a pooled bank account. Negative cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the Federal government. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	704,535
Other governmental funds	General Fund	425
Other governmental funds	Other governmental funds	243,350
Total		<u>\$ 948,310</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$860,737, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) and the 3 Mill Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2021
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 537,362	\$ -	\$ -	\$ -	\$ -	\$ 537,362
Construction-in-progress	757,134	-	-	(724,779)	(4,200)	28,155
Total non-depreciable capital assets	<u>1,294,496</u>	<u>-</u>	<u>-</u>	<u>(724,779)</u>	<u>(4,200)</u>	<u>565,517</u>
<u>Depreciable capital assets:</u>						
Buildings	17,419,676	-	-	-	-	17,419,676
Building improvements	644,497	-	-	724,779	-	1,369,276
Improvements other than buildings	2,298,706	-	-	-	-	2,298,706
Mobile equipment	2,660,680	117,125	170,541	-	-	2,607,264
Furniture and equipment	680,695	10,688	-	-	-	691,383
Leased property under capital leases	340,800	-	-	-	-	340,800
Total depreciable capital assets	<u>24,045,054</u>	<u>127,813</u>	<u>170,541</u>	<u>724,779</u>	<u>-</u>	<u>24,727,105</u>
<u>Less accumulated depreciation for:</u>						
Buildings	6,984,630	348,394	-	-	-	7,333,024
Building improvements	167,180	54,771	-	-	-	221,951
Improvements other than buildings	1,210,234	73,781	-	-	-	1,284,015
Mobile equipment	2,011,211	107,078	153,486	-	-	1,964,803
Furniture and equipment	526,029	39,336	-	-	-	565,365
Leased property under capital leases	30,672	30,672	-	-	-	61,344
Total accumulated depreciation	<u>10,929,956</u>	<u>654,032</u>	<u>153,486</u>	<u>-</u>	<u>-</u>	<u>11,430,502</u>
Total depreciable capital assets, net	<u>13,115,098</u>	<u>(526,219)</u>	<u>17,055</u>	<u>724,779</u>	<u>-</u>	<u>13,296,603</u>
Governmental activities capital assets, net	<u>\$ 14,409,594</u>	<u>\$ (526,219)</u>	<u>\$ 17,055</u>	<u>\$ -</u>	<u>\$ (4,200)</u>	<u>\$ 13,862,120</u>

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 411,383
Support services	155,408
Non-instructional	87,241
Total depreciation expense - Governmental activities	<u>\$ 654,032</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

	Spent to June 30, 2021	Remaining Commitment
Governmental Activities:		
Playground Equipment	\$ 28,155	Unknown
Total governmental activities	<u>\$ 28,155</u>	<u>-</u>

Construction projects included in governmental activities are funded with local sources through the 3 Mill Construction Fund.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Amounts due within one year
A. Obligations under capital leases	\$ 270,627	\$ -	\$ 66,531	\$ 204,096	\$ 51,031
B. Limited tax notes	2,220,000	-	130,000	2,090,000	135,000
C. Compensated absences	189,749	14,631	-	204,380	-
Total	<u>\$ 2,680,376</u>	<u>\$ 14,631</u>	<u>\$ 196,531</u>	<u>\$ 2,498,476</u>	<u>\$ 186,031</u>

A. Obligation under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$340,800 with a down payment of \$0, less accumulated depreciation of \$61,344. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. School Buses	2.57%	8/5/2019	8/5/2024	\$ 340,800	\$ 204,096
Total				<u>\$ 340,800</u>	<u>\$ 204,096</u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2022	\$ 51,031	\$ 3,498	\$ 54,529
2023	69,588	3,118	72,706
2024	65,378	1,269	66,647
2025	18,099	78	18,177
Total	<u>\$ 204,096</u>	<u>\$ 7,963</u>	<u>\$ 212,059</u>

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

This debt will be retired from the District Maintenance Fund.

B. Limited tax notes

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, Series 2018	3.77%	11/29/2018	6/30/2034	\$ 2,300,000	\$ 2,090,000
Total				<u>\$ 2,300,000</u>	<u>\$ 2,090,000</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2022	\$ 135,000	\$ 76,248	\$ 211,248
2023	140,000	71,064	211,064
2024	145,000	65,692	210,692
2025	150,000	60,132	210,132
2026	155,000	54,382	209,382
2027-2031	880,000	176,625	1,056,625
2032-2036	485,000	23,280	508,280
Total	<u>\$ 2,090,000</u>	<u>\$ 527,423</u>	<u>\$ 2,617,423</u>

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

C. Compensated absences payable

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2020 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$1,752,235, \$1,737,595, and \$1,509,917, respectively, which equaled the required contributions for each year.

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

At June 30, 2021, the school district reported a liability of \$29,032,449 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2021 net pension liability was 0.149970 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.002770 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

For the year ended June 30, 2021, the District recognized pension expense of \$2,575,703. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 244,613	\$ -
Net difference between projected and actual earnings on pension plan investments	1,664,700	-
Changes of assumptions	7,483	-
Changes in proportion and differences between District contributions and proportionate share of contributions	515,657	593,441
District contributions subsequent to the measurement date	1,752,235	-
Total	\$ <u>4,184,688</u>	\$ <u>593,441</u>

\$1,752,235 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2022	\$ 385,993
2023	421,238
2024	647,505
2025	384,276

Actuarial assumptions. The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	100	%		

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 37,578,938	\$ 29,032,449	\$ 21,978,162

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

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

Benefits provided. The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$48,524 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,419,618 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.18242136 percent. This was a decrease of 0.00332552 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$28,020. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,810	\$ 247,051
Changes of assumptions	220,409	59,991
Net difference between projected and actual earnings on OPEB plan investments	46	-
Changes in proportion and differences between District contributions and proportionate share of contributions	25,394	34,809
District contributions subsequent to the measurement date	48,524	-
Total	\$ 296,183	\$ 341,851

\$48,524 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Notes to the Financial Statements For the Year Ended June 30, 2021

Year Ending June 30:	Amount
2022	\$ (23,405)
2023	(23,405)
2024	(21,012)
2025	(9,226)
2026	(17,144)

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Year FNP is projected to be depleted	
Measurement Date	2020
Prior Measurement Date	2019
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.19%
Prior Measurement Date	3.50%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2021 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2030

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
Net OPEB liability	\$ 1,568,774	\$ 1,419,618	\$ 1,291,682

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,310,800	\$ 1,419,618	\$ 1,542,903

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

Note 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2022	\$ 58,303
2023	55,096
2024	47,177
2025	26,102
2026	15,289
2027 – 2031	49,290
2032 – 2036	38,244
2037 – 2041	37,232
2042 – 2046	28,714
2047 – 2051	3,674
2052 – 2056	2,407
2057 – 2061	742
Total	<u>\$ 362,270</u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To reflect funds 1170 (NCHS Agency) and 1171 (VT Agency) reported in fiduciary funds in prior years now reported in the General Fund due to the implementation of GASB 84 <i>Fiduciary Activities.</i>	\$ 97,231
Total	<u>\$ 97,231</u>

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

Explanation	Amount
<u>General Fund</u>	
1. To reflect funds 1170 (NCHS Agency) and 1171 (VT Agency) reported in fiduciary funds in prior years now reported in the General Fund due to the implementation of GASB 84 <i>Fiduciary Activities.</i>	\$ 97,231
<u>Major Fund: 3 Mill Construction</u>	
2. To correct fund balance for a change in the final actual amount paid recorded as retainage payable on the prior year financial statements.	4,200
Total	<u>\$ 101,431</u>

Note 11 - Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 57 school districts and covers risks of loss arising from injuries to the members’ employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

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

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 56 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 19, 1994 creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Forest Municipal School District, Newton Municipal School District, Philadelphia Public School District, and Scott County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the East Central Alternative School Consortium.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2021

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Scott County School District	\$ 203,622
Newton Municipal School District	108,803
Forest Municipal School District	108,803
Philadelphia Public School District	108,803
Total tuition from other LEA's within the state	<u>530,031</u>
Interest	<u>2,379</u>
Total local sources	<u>532,410</u>
Total Revenues	<u>532,410</u>

Expenditures

Salaries	610,894
Employee benefits	193,367
Purchased property services	53,251
Other purchased services	722
Supplies	24,428
Property	401
Other	348
Total Expenditures	<u>883,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(351,001)</u>

Other Financing Sources/Uses

Operating transfers in	<u>276,830</u>
Total Other Financing Sources/Uses	<u>276,830</u>
Net Change in Fund Balance	(74,171)
Fund Balance:	
July 1, 2020	<u>124,796</u>
June 30, 2021	<u>\$ 50,625</u>

Note 14 - Insurance Loss Recoveries

The district received \$64,925 in insurance loss recoveries related to property damage during the 2020-2021 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other revenue.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$23,289,537) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,752,235 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$2,432,453 balance of deferred outflow of resources related to pensions, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2021

The unrestricted net position amount of (\$23,289,537) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$593,441 balance of deferred inflow of resources related to pensions, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$23,289,537) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$48,524 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$247,659 balance of deferred outflow of resources related to OPEB, at June 30, 2021 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$23,289,537) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$341,851 balance of deferred inflow of resources related to OPEB, at June 30, 2021 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 16 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

			Actual (GAAP Basis)	Variances	
	Budgeted Amounts			Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 4,509,592	\$ 4,234,757	\$ 4,234,757	\$ (274,835)	\$ -
State sources	9,667,316	9,630,567	9,630,567	(36,749)	-
Federal sources	14,500	7,867	7,867	(6,633)	-
Sixteenth section sources	206,315	201,763	201,763	(4,552)	-
Total Revenues	14,397,723	14,074,954	14,074,954	(322,769)	-
Expenditures					
Instruction	8,474,025	8,521,061	8,521,061	(47,036)	-
Support services	5,045,420	4,897,925	4,897,925	147,495	-
Noninstructional services	188,818	148,671	148,671	40,147	-
Sixteenth section	14,300	67,736	67,736	(53,436)	-
Facilities acquisition & construction	-	-	-	-	-
Debt service:					
Principal	67,000	66,531	66,531	469	-
Interest	6,700	6,175	6,175	525	-
Other	-	-	-	-	-
Total Expenditures	13,796,263	13,708,099	13,708,099	88,164	-
Excess (Deficiency) of Revenues					
over (under) Expenditures	601,460	366,855	366,855	(234,605)	-
Other Financing Sources (Uses)					
Sale of transportation equipment	500	-	-	(500)	-
Sale of other property	1,500	4,064	4,064	2,564	-
Insurance recovery	-	64,925	64,925	64,925	-
Operating transfers in	1,605,484	1,592,373	425	(13,111)	(1,591,948)
Operating transfers out	(2,266,983)	(2,291,676)	(704,535)	(24,693)	1,587,141
Total Other Financing Sources (Uses)	(659,499)	(630,314)	(635,121)	29,185	(4,807)
Net Change in Fund Balances	(58,039)	(263,459)	(268,266)	(205,420)	(4,807)
Fund Balances					
July 1, 2020, as previously stated	3,798,970	4,295,510	4,187,621	496,540	(107,889)
Prior Period Adjustments	-	-	97,231	-	97,231
July 1, 2020, as restated	3,798,970	4,295,510	4,284,852	496,540	(10,658)
June 30, 2021	\$ 3,740,931	\$ 4,032,051	\$ 4,016,586	\$ 291,120	\$ (15,465)

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

NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.149970%	0.147200%	0.151793%	0.151251%	0.150263%	0.151451%	0.148623%
District's proportionate share of the net pension liability	\$ 29,032,449	25,895,383	25,247,688	25,143,051	26,840,724	23,411,338	18,040,111
District's covered payroll	\$ 9,986,178	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778	9,081,663
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,752,235	\$ 1,737,595	\$ 1,509,917	\$ 1,526,713	\$ 1,528,193	\$ 1,513,999	\$ 1,490,230
Contributions in relation to the contractually required contribution	1,752,235	1,737,595	1,509,917	1,526,713	1,528,193	1,513,999	1,490,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	10,070,317	9,986,178	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.18242136%	0.18574688%	0.18356354%	0.18619479%
District's proportionate share of the net OPEB liability	\$ 1,419,618	1,576,138	1,419,956	1,460,901
District's covered-employee payroll	\$ 8,845,235	8,548,944	8,302,454	8,365,220
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.05%	18.44%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0.00%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 48,524	\$ 56,614	\$ 63,176	\$ 62,280
Contributions in relation to the actuarially determined contribution	48,524	56,614	63,176	62,280
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	10,070,513	8,845,235	8,548,944	8,505,372
Contributions as a percentage of covered-employee payroll	0.48%	0.64%	0.74%	0.73%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2021

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

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.50%

SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	215MS326N1099	\$ 519,286
National School Lunch Program	10.555	215MS326N1099	802,872
Summer Food Service Program for Children	10.559	215MS326N1099	82,026
Total Child Nutrition Cluster			<u>1,404,184</u>
Total Passed-through Mississippi Department of Education			<u>1,404,184</u>
Total U.S. Department of Agriculture			<u><u>1,404,184</u></u>
<u>U.S. Department of Interior</u>			
Passed-through Mississippi Department of Education:			
Indian Education Facilities, Operations, and Maintenance	15.047	N/A	7,396
Total Passed-through Mississippi Department of Education			<u>7,396</u>
Total U.S. Department of Interior			<u><u>7,396</u></u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A180024 S010A190024 S010A200024	722,549
Career and Technical Education - Basic Grants to States	84.048	V048A200024	35,991
Rural Education	84.358	S358B180024 S358B190024 S358B200024	57,712
Supporting Effective Instruction State Grants	84.367	S367A200023	137,988
Student Support and Academic Enrichment Program	84.424	S424A200025	49,114
Subtotal			<u>1,003,354</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A180108 H027A190108 H027A200108	383,455
Special Education - Preschool Grants	84.173	H173A190113 H173A200113	21,370
Total Special Education Cluster			<u>404,825</u>
Elementary and Secondary School Emergency Relief I	84.425D	S425D200031	364,138
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			<u>364,138</u>
Total Passed-through Mississippi Department of Education			<u>1,772,317</u>
Total U.S. Department of Education			<u><u>1,772,317</u></u>
<u>U.S. Department of Treasury</u>			
Passed-through Mississippi Department of Education:			
COVID-19 - Coronavirus Relief Fund	21.019	N/A	899,374
Total Passed-through Mississippi Department of Education			<u>899,374</u>
Total U.S. Department of Treasury			<u><u>899,374</u></u>
Total for All Federal Awards			<u><u>\$ 4,083,271</u></u>

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information For the Year Ended June 30, 2021

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Newton County School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Newton County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

NEWTON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2021

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,867,765	9,391,663	517,688	927,498	3,030,916
Other	5,199,836	2,139,111	194,953	74,366	2,791,406
Total	\$ 19,067,601	11,530,774	712,641	1,001,864	5,822,322
Total number of students*	1,496				
Cost per student	\$ 12,746	7,708	476	670	3,892

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

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

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

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

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

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

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OTHER INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 4,234,757	4,369,509	4,258,318	4,100,294
State sources	9,630,567	9,765,519	9,196,901	9,266,271
Federal sources	7,867	8,248	13,316	26,420
Sixteenth section sources	201,763	330,216	281,864	74,709
Total Revenues	<u>14,074,954</u>	<u>14,473,492</u>	<u>13,750,399</u>	<u>13,467,694</u>
Expenditures				
Instruction	8,521,061	8,461,093	8,129,487	8,277,918
Support services	4,897,925	5,021,493	4,555,504	4,492,035
Noninstructional services	148,671	155,086	147,349	119,335
Sixteenth section	67,736	10,206	22,335	8,543
Facilities acquisition and construction	-	36,320	28,364	209,186
Debt service:				
Principal	66,531	70,173	67,045	65,667
Interest	6,175	8,591	1,211	2,588
Other	-	2,500	-	-
Total Expenditures	<u>13,708,099</u>	<u>13,765,462</u>	<u>12,951,295</u>	<u>13,175,272</u>
Excess (Deficiency) of Revenues over Expenditures	<u>366,855</u>	<u>708,030</u>	<u>799,104</u>	<u>292,422</u>
Other Financing Sources (Uses)				
Capital leases issued	-	340,800	-	-
Insurance recovery	64,925	49,688	38,631	1,696
Sale of other property	4,064	-	-	-
Sale of transportation equipment	-	-	-	2,730
Operating transfers in	425	45,687	61,117	88,633
Operating transfers out	(704,535)	(714,130)	(682,631)	(644,804)
Total Other Financing Sources (Uses)	<u>(635,121)</u>	<u>(277,955)</u>	<u>(582,883)</u>	<u>(551,745)</u>
Net Change in Fund Balances	<u>(268,266)</u>	<u>430,075</u>	<u>216,221</u>	<u>(259,323)</u>
Fund Balances				
Beginning of period, as previously reported	4,187,621	3,757,546	3,541,325	3,800,648
Prior period adjustment	97,231	-	-	-
Beginning of period, as restated	<u>4,284,852</u>	<u>3,757,546</u>	<u>3,541,325</u>	<u>3,800,648</u>
End of Period	<u>\$ 4,016,586</u>	<u>4,187,621</u>	<u>3,757,546</u>	<u>3,541,325</u>

*Source - Prior Year Audit Reports

NEWTON COUNTY SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2021	2020*	2019*	2018*
Revenues				
Local sources	\$ 4,559,481	4,854,155	4,785,543	4,437,253
State sources	10,180,101	10,181,106	9,695,351	9,675,125
Federal sources	4,091,136	2,068,930	2,071,090	2,046,153
Sixteenth section sources	225,644	382,907	317,215	81,239
Total Revenues	<u>19,056,362</u>	<u>17,487,098</u>	<u>16,869,199</u>	<u>16,239,770</u>
Expenditures				
Instruction	11,530,775	9,956,529	9,657,605	9,593,579
Support services	5,850,158	6,053,591	5,492,079	5,460,100
Noninstructional services	1,300,511	1,217,121	1,254,245	1,050,472
Sixteenth section	101,208	52,832	43,433	21,653
Facilities acquisition and construction	-	1,481,436	33,264	214,986
Debt service:				
Principal	196,531	150,173	67,045	65,667
Interest	87,418	93,793	37,822	2,588
Other	1,000	3,500	57,175	-
Total Expenditures	<u>19,067,601</u>	<u>19,008,975</u>	<u>16,642,668</u>	<u>16,409,045</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,239)</u>	<u>(1,521,877)</u>	<u>226,531</u>	<u>(169,275)</u>
Other Financing Sources (Uses)				
Capital leases issued	-	340,800	-	-
Notes issued	-	-	2,300,000	-
Insurance recovery	64,925	49,688	38,631	1,696
Sale of other property	4,064	-	-	-
Sale of transportation equipment	-	-	-	2,730
Operating transfers in	948,310	992,577	1,026,843	733,437
Operating transfers out	(948,310)	(992,577)	(1,026,843)	(733,437)
Total Other Financing Sources (Uses)	<u>68,989</u>	<u>390,488</u>	<u>2,338,631</u>	<u>4,426</u>
Net Change in Fund Balances	<u>57,750</u>	<u>(1,131,389)</u>	<u>2,565,162</u>	<u>(164,849)</u>
Fund Balances				
Beginning of period, as previously reported	5,814,218	6,920,006	4,353,294	4,507,122
Prior period adjustment	101,431	-	-	-
Beginning of period, as restated	5,915,649	6,920,006	4,353,294	4,507,122
Increase (Decrease) in reserve for inventory	(34,872)	25,601	1,550	11,021
End of Period	<u>\$ 5,938,527</u>	<u>5,814,218</u>	<u>6,920,006</u>	<u>4,353,294</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Newton County School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Newton County School District's basic financial statements, and have issued our report thereon dated January 18, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

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

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

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 18, 2022

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

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

Superintendent and School Board
Newton County School District

Report on Compliance for Each Major Federal Program

We have audited Newton County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Newton County School District's major federal programs for the year ended June 30, 2021. Newton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Newton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Newton County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Newton County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

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

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 18, 2022

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

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

Superintendent and School Board
Newton County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2021, which collectively comprise Newton County School District's basic financial statements and have issued our report thereon dated January 18, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

2021-001. Deposits for athletic events were not always deposited timely.

Repeat Finding: No

Criteria: The Mississippi Department of Education's Accounting Manual for School Districts requires that deposits for athletic events be deposited timely.

Condition: As a result of our audit procedures, we observed two instances where funds received for an athletic event were not deposited into the bank timely.

Cause: District personnel failed to deposit receipts timely.

Effect: Failure to timely deposit funds received from athletic events increases the risk that inaccurate information may be reported and a loss or misappropriation of public assets could occur.

Recommendation: The District should implement internal controls over ticket reconciliations for athletic events to ensure that they are accurately prepared and funds are deposited timely.

Response: The District will implement controls to ensure that deposits are timely and accurately made. Employees will be required to deposit gate receipts in the night depository at the bank after each game. The deposits will then be retrieved the next working day by district personnel. The funds will be counted and reconciled to the Game Bag Reconciliation Sheet. The money will then be deposited at the bank that day.

2021-002. The District purchased a school bus and could not document that it obtained approval of the purchase through the Mississippi Department of Education.

Repeat Finding: No

Criteria: Section 37-41-101(2), Miss. Code Ann. (1972), states that all purchases of school buses shall be subject to the approval of the State Department of Education, which shall verify compliance with the applicable specifications, rules and regulations promulgated by the State Board of Education.

Condition: As a result of our audit procedures, we observed one instance where the District purchased a school bus and could not provide documentation that the purchase of the school bus was approved by the Mississippi Department of Education.

Cause: The District did not maintain documentation or did not obtain approval from the Mississippi Department of Education.

Effect: Failure of personnel to obtain or otherwise maintain the required documentation from the Mississippi Department of Education of approvals to purchase school buses increases the risk of the misuse or misappropriation of public funds by utilizing funds of the District to purchase school buses that do not fulfill the standards for school buses established by the Mississippi Department of Education.

Recommendation: The District should implement internal controls over the purchase of school buses to ensure that Mississippi Department of Education approval is maintained for all school bus purchases.

Response: District personnel will ensure that all proper documentation and authorization has been received before the purchase of any school buses. Mississippi Department of Education approval will be in writing and attached to the other documents required for purchasing the vehicle.

2021-003. The District did not maintain the monthly Walmart card statements.

Repeat Finding:	No
Criteria:	Section 31-7-305(2), Miss. Code Ann. (1972), states all public bodies that are authorized to issue checks in payment of goods and services and are not required to issue requisitions for payment to the State Fiscal Management Board shall mail or otherwise deliver such checks no later than forty-five days after receipt of the invoice and receipt, inspection and approval of the goods or services.
Condition:	As a result of our audit procedures, we could not determine if the balance on District's Walmart card was paid-off within the forty-five day limit each month.
Cause:	The District did not maintain the monthly Walmart card statements as required.
Effect:	Failure of District personnel to maintain the monthly Walmart card statements increases the risk of the misuse or misappropriation of public funds.
Recommendation:	The District should implement internal controls to ensure that monthly Walmart card statements are maintained.
Response:	Copies of all Walmart card statements will be kept by the accounts payable clerk for review. The accounts payable clerk sends payments to Walmart based on receipts obtained after purchases are made by employees. Employees cannot purchase from Walmart without a properly executed purchase order.

2021-004. The District reimbursed employees for travel or other expenses without proper documentation.

Repeat Finding:	No
Criteria:	<p>Section 25-3-41, Miss. Code Ann. (1972), provides that when any officer or employee is required to travel in the performance of his official duties, the officer or employee shall receive as reimbursement based on a mileage rate approved by the governing authorities an amount not to exceed the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle.</p> <p>In addition a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the required travel.</p> <p>This statute also provides that the Mississippi Department of Finance and Administration shall promulgate the rules and regulations to effectuate economies for all expenses authorized under this section. Additional travel regulations are contained in the Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Travel Section and DFA-State Travel Policy Rules and Regulations.</p>
Condition:	As a result of our audit procedures, we observed two instances where employees were reimbursed for certain actual expenses without providing a receipt or other documentation.

We also observed several instances where employees were reimbursed for mileage without adequate documentation supporting the purpose of the trip such as conference agendas or other documentation.

Cause:	Management approving travel reimbursement approved reimbursement without the proper documentation.
Effect:	Failure of District personnel approving travel reimbursements in compliance with the District's travel reimbursement policy and the Department of Finance and Administration procedures that require supporting documentation be attached to all travel reimbursement vouchers increases the risk of the misuse or misappropriation of public funds.
Recommendation:	The District should implement internal controls to require officers or employees of the District to attach all required supporting documentation to travel reimbursement vouchers in order for the officer or employee of the District to be reimbursed.
Response:	All employees will be required to submit proper documentation to support any travel expenses. Meeting agendas, copies of registrations or athletic schedules should be attached to reimbursement forms to support mileage claims. No expenses shall be reimbursed if proof of the expense being incurred is not attached.

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

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

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



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
January 18, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NEWTON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|--|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 21.019 | COVID-19 – Coronavirus Relief Fund |
| | 84.425D | Elementary and Secondary School Emergency Relief I |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

NEWTON COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Financial Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

SUMMARY OF PRIOR AUDIT FINDINGS

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Newton County School District

J.O. Amis - Superintendent

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2021

2020-001 Finding

As a result of audit procedures, it was determined that a bank account had been established under the federal identification number of the District that belonged to an outside organization.

Status: Corrective Action Taken and Finding is Fully Corrected

2020-002 Finding

During audit procedures, an instance was observed where a ticket reconciliation for an athletic event did not agree to the amount that was deposited into the bank.

Status: Corrective Action has been Taken. The District will implement controls to ensure that deposits are timely and accurately made. Employees will be required to deposit gate receipts in the night depository at the bank after each game. The deposits will then be retrieved the next working day by district personnel. The funds will be counted and reconciled to the Game Bag Reconciliation Sheet. The money will then be deposited at the bank that day.