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NEWTON MUNICIPAL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2021

NEWTON MUNICIPAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Newton Municipal School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District, as of June 30, 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 4-12 and 42-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2022, on our consideration of the Newton Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newton Municipal School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton Municipal School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Madison, Mississippi
July 22, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following discussion and analysis of Newton Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 increased \$1,455,746, including a prior period adjustment of (\$19,254), which represents an 18% increase from fiscal year 2020. Total net position for 2020 decreased \$772,679, including a prior period adjustment of \$1,692, which represents an 11% decrease from fiscal year 2019.
- General revenues amounted to \$9,073,825 and \$8,163,648, or 75% and 79% 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 \$3,084,097, or 25% of total revenues for 2021, and \$2,199,605, or 21% of total revenues for 2020.
- The District had \$10,682,922 and \$11,137,624 in expenses for fiscal years 2021 and 2020; only \$3,084,097 for 2021 and \$2,199,605 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,073,825 for 2021 were adequate to provide for these programs. General revenues of \$8,163,648 for 2020 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,075,181 in revenues and \$7,926,872 in expenditures for 2021, and \$8,343,110 in revenues and \$7,851,542 in expenditures in 2020. The General Fund's fund balance increased by \$2,136,546 from 2020 to 2021, including a prior period adjustment of \$15,178, and increased by \$339,466 from 2019 to 2020, including a prior period adjustment of \$29,063.
- Capital assets, net of accumulated depreciation, increased by \$639,522 for 2021 and decreased by \$245,657 for 2020. The increase for 2021 was due primarily to the addition of construction in progress, mobile equipment, and furniture and equipment.
- Long-term debt, including compensated absences payable, increased by \$921,525 for 2021 and increased by \$92,173 for 2020. The increase for 2021 was due primarily to the issuance of three mill notes during the fiscal year. The liability for compensated absences decreased by \$4,046 for 2021 and decreased by \$17,879 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

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

outflows, liabilities, and deferred inflows, with the differences between them 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 are currently reported as governmental funds.

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

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

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 \$6,534,859 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	\$ 5,243,144	\$ 3,498,399	49.87 %
Restricted assets	8,904	8,898	0.07 %
Capital assets, net	5,894,822	5,255,300	12.17 %
Total assets	11,146,870	8,762,597	27.21 %
 Deferred outflows of resources	 2,707,449	 2,477,615	 9.28 %
 Current liabilities	531,903	655,947	(18.91) %
Long-term debt outstanding	1,587,633	666,108	138.34 %
Net OPEB liability	941,935	1,033,324	(8.84) %
Net pension liability	15,487,070	15,832,776	(2.18) %
Total liabilities	18,548,541	18,188,155	1.98 %
 Deferred inflows of resources	 1,840,637	 1,042,662	 76.53 %
 Net position:			
Net investment in capital assets	4,524,822	4,875,300	(7.19) %
Restricted	989,355	1,257,106	(21.30) %
Unrestricted	(12,049,036)	(14,123,011)	14.69 %
Total net position	\$ (6,534,859)	\$ (7,990,605)	18.22 %

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)	\$ (12,049,036)
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	15,562,193
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,513,157</u>

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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

- Increase in net capital assets in the amount of \$639,522.
- The issuance of three mill notes in the amount of \$1,370,000.
- The principal retirement of \$444,429 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 \$12,157,922 and \$10,363,253, respectively. The total cost of all programs and services was \$10,682,922 for 2021 and \$11,137,624 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**

	Year Ended June 30, 2021	Year Ended June 30, 2020	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 66,206	\$ 197,681	(66.51) %
Operating grants and contributions	3,017,891	2,001,924	50.75 %
General revenues:			
Property taxes	3,678,478	3,083,769	19.29 %
Grants and contributions not restricted	4,990,045	4,973,023	0.34 %
Investment earnings	7,472	3,090	141.81 %
Sixteenth section sources	355,617	47,727	645.11 %
Other	42,213	56,039	(24.67) %
Total revenues	12,157,922	10,363,253	17.32 %
Expenses:			
Instruction	4,559,375	4,659,269	(2.14) %
Support services	4,442,461	3,950,435	12.45 %
Non-instructional	573,729	619,951	(7.46) %
Sixteenth section	26,302	7,345	258.09 %
Pension expense	1,023,730	1,818,241	(43.70) %
OPEB expense	25,640	65,098	(60.61) %
Interest on long-term liabilities	31,685	17,285	83.31 %
Total expenses	10,682,922	11,137,624	(4.08) %
Increase (Decrease) in net position	1,475,000	(774,371)	290.48 %
Net Position, July 1, as previously reported	(7,990,605)	(7,217,926)	(10.71) %
Prior Period Adjustment	(19,254)	1,692	(1,237.94) %
Net Position, July 1, as restated	(8,009,859)	(7,216,234)	(11.00) %
Net Position, June 30	\$ (6,534,859)	\$ (7,990,605)	18.22 %

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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	\$ 4,559,375	\$ 4,659,269	(2.14) %
Support services	4,442,461	3,950,435	12.45 %
Non-instructional	573,729	619,951	(7.46) %
Sixteenth section	26,302	7,345	258.09 %
Pension Expense	1,023,730	1,818,241	(43.70) %
OPEB Expense	25,640	65,098	(60.61) %
Interest on long-term liabilities	31,685	17,285	83.31 %
Total expenses	\$ 10,682,922	\$ 11,137,624	(4.08) %

	Net (Expense) Revenue		Percentage Change
	2021	2020	
Instruction	\$ (3,496,566)	\$ (3,929,193)	11.01 %
Support services	(3,000,104)	(3,121,827)	3.90 %
Non-instructional	5,074	18,627	(72.76) %
Sixteenth section	(26,174)	(5,002)	(423.27) %
Pension Expense	(1,023,730)	(1,818,241)	43.70 %
OPEB Expense	(25,640)	(65,098)	60.61 %
Interest on long-term liabilities	(31,685)	(17,285)	(83.31) %
Total net (expense) revenue	\$ (7,598,825)	\$ (8,938,019)	14.98 %

- Net cost of governmental activities (\$7,598,825 for 2021 and \$8,938,019 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$3,678,478 for 2021 and \$3,083,769 for 2020) and state and federal revenues (\$4,990,045 for 2021 and \$4,973,023 for 2020). In addition, there was \$355,617 and \$47,727 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$7,472 for 2021 and \$3,090 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.

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

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 \$4,749,721, an increase of \$1,882,899, which includes a prior period adjustment of (\$19,254) and an increase in inventory of \$11,400. \$3,678,377, or 77% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,071,344, or 23% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,136,546, which includes a prior period adjustment of \$15,178. The fund balance of Other Governmental Funds showed a decrease in the amount of \$236,122, which includes a prior period adjustment of (\$10,312) and an increase in inventory of \$11,400. The increase (decrease) in the fund balances for the other major funds were as follows:

	<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$	(764)
School Improvement Fund	\$	(16,761)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2021, the District's total capital assets were \$11,791,600, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$762,104 from 2020. Total accumulated depreciation as of June 30, 2021, was \$5,896,778, and total depreciation expense for the year was \$281,058, resulting in total net capital assets of \$5,894,822.

NEWTON MUNICIPAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Land	\$ 42,306	\$ 42,306	0.00 %
Construction in Progress	565,061	-	N/A %
Buildings	4,190,044	4,328,047	(3.19) %
Building improvements	465,729	483,305	(3.64) %
Improvements other than buildings	61,217	63,961	(4.29) %
Mobile equipment	442,148	259,782	70.20 %
Furniture and equipment	128,317	77,899	64.72 %
Total	<u>\$ 5,894,822</u>	<u>\$ 5,255,300</u>	12.17 %

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 \$1,587,633 in outstanding long-term debt, of which \$173,759 is due within one year. During the fiscal year, the District received proceeds from the issuance of three mill notes totaling \$1,370,000. The District made principal payments totaling \$444,429 on outstanding long-term debt. The liability for compensated absences decreased \$4,046 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,370,000	\$ 380,000	260.53 %
Shortfall notes payable	135,623	200,052	(32.21) %
Compensated absences payable	82,010	86,056	(4.70) %
Total	<u>\$ 1,587,633</u>	<u>\$ 666,108</u>	138.34 %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

NEWTON MUNICIPAL SCHOOL DISTRICT

**Statement of Net Position
June 30, 2021**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,216,522
Due from other governments	1,003,127
Inventories	23,495
Restricted assets	8,904
Capital assets, non-depreciable:	
Land	42,306
Construction in progress	565,061
Capital assets, net of accumulated depreciation:	
Buildings	4,190,044
Building improvements	465,729
Improvements other than buildings	61,217
Mobile equipment	442,148
Furniture and equipment	128,317
Total Assets	<u>11,146,870</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,503,914
Deferred outflows - OPEB	203,535
Total Deferred Outflows of Resources	<u>2,707,449</u>
Liabilities	
Accounts payable and accrued liabilities	502,327
Interest payable on long-term liabilities	29,576
Long-term liabilities, due within one year:	
Capital related liabilities	103,000
Non-capital related liabilities	70,759
Net OPEB liability	36,506
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,267,000
Non-capital related liabilities	146,874
Net pension liability	15,487,070
Net OPEB liability	905,429
Total Liabilities	<u>18,548,541</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,631,745
Deferred inflows - OPEB	208,892
Total Deferred Inflows of Resources	<u>1,840,637</u>
Net Position	
Net investment in capital assets	4,524,822
Restricted for:	
Expendable:	
School-based activities	571,834
Debt service	238,077
Forestry improvements	152,942
Unemployment benefits	17,598
Non-expendable:	
Sixteenth section	8,904
Unrestricted	(12,049,036)
Total Net Position (deficit)	<u>\$ (6,534,859)</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2021**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 4,559,375	\$ 58,965	\$ 1,003,844	\$ -	\$ (3,496,566)
Support services	4,442,461	-	1,442,357	-	(3,000,104)
Non-instructional	573,729	7,113	571,690	-	5,074
Sixteenth section	26,302	128	-	-	(26,174)
Pension expense	1,023,730	-	-	-	(1,023,730)
OPEB expense	25,640	-	-	-	(25,640)
Interest on long-term liabilities	31,685	-	-	-	(31,685)
Total Governmental Activities	\$ 10,682,922	\$ 66,206	\$ 3,017,891	\$ -	\$ (7,598,825)
General Revenues:					
Taxes:					
General purpose levies					3,530,740
Debt purpose levies					147,738
Unrestricted grants and contributions:					
State					4,982,712
Federal					7,333
Unrestricted investment earnings					7,472
Sixteenth section sources					355,617
Other					42,213
Total General Revenues					9,073,825
Change in Net Position					1,475,000
Net Position - Beginning, as previously reported					(7,990,605)
Prior Period Adjustments					(19,254)
Net Position - Beginning, as restated					(8,009,859)
Net Position (deficit) - Ending					\$ (6,534,859)

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2021

Exhibit C

	Major Funds					
	General Fund	Title I Fund	School Improvement Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 3,261,029	\$ -	\$ -	\$ 964,397	\$ 4,225,426	
Due from other governments	597,931	104,756	97,278	203,162	1,003,127	
Due from other funds	363,302	-	-	-	363,302	
Inventories	-	-	-	23,495	23,495	
Total assets	\$ 4,222,262	\$ 104,756	\$ 97,278	\$ 1,191,054	\$ 5,615,350	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 491,472	\$ -	\$ 4,938	\$ 5,917	\$ 502,327	
Due to other funds	-	104,756	92,340	166,206	363,302	
Total Liabilities	491,472	104,756	97,278	172,123	865,629	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	23,495	23,495	
Permanent fund principal	-	-	-	8,904	8,904	
Restricted:						
Debt service	-	-	-	267,653	267,653	
Forestry improvement purposes	-	-	-	152,942	152,942	
Grant activities	-	-	-	548,339	548,339	
Unemployment benefits	-	-	-	17,598	17,598	
Assigned:						
Student activities	52,413	-	-	-	52,413	
Unassigned	3,678,377	-	-	-	3,678,377	
Total Fund Balances	3,730,790	-	-	1,018,931	4,749,721	
Total Liabilities and Fund Balances	\$ 4,222,262	\$ 104,756	\$ 97,278	\$ 1,191,054	\$ 5,615,350	

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Exhibit C-1

Total fund balances for governmental funds **\$ 4,749,721**

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

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$ 42,306	
Construction in progress	565,061	
Buildings	8,356,020	
Building improvements	834,678	
Improvements other than buildings	141,480	
Mobile equipment	1,203,822	
Furniture and equipment	648,233	
Accumulated depreciation	<u>(5,896,778)</u>	5,894,822

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	(15,487,070)	
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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	2,503,914	
Deferred inflows of resources related to pensions	<u>(1,631,745)</u>	(14,614,901)

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	(941,935)	
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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	203,535	
Deferred inflows of resources related to OPEB	<u>(208,892)</u>	(947,292)

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

Notes payable	(1,505,623)	
Compensated absences	(82,010)	
Accrued interest payable	<u>(29,576)</u>	(1,617,209)

Net Position of governmental activities		\$ <u>(6,534,859)</u>
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The notes to the financial statements are an integral part of this statement.

NEWTON MUNICIPAL SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds				
	General Fund	Title I Fund	School Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 3,630,435	\$ 200	\$ -	\$ 155,338	\$ 3,785,973
State sources	5,033,480	-	-	295,313	5,328,793
Federal sources	55,521	551,882	124,520	1,955,488	2,687,411
Sixteenth section sources	355,745	-	-	-	355,745
Total Revenues	9,075,181	552,082	124,520	2,406,139	12,157,922
Expenditures:					
Instruction	4,064,387	319,987	100,347	790,880	5,275,601
Support services	3,228,872	232,178	-	1,233,468	4,694,518
Noninstructional services	4,591	6,253	-	602,833	613,677
Sixteenth section	26,302	-	-	-	26,302
Facilities acquisition and construction	565,061	-	-	-	565,061
Debt service:					
Principal	27,000	-	-	417,429	444,429
Interest	10,659	-	-	6,922	17,581
Total Expenditures	7,926,872	558,418	100,347	3,051,532	11,637,169
Excess (Deficiency) of Revenues over (under) Expenditures	1,148,309	(6,336)	24,173	(645,393)	520,753
Other Financing Sources (Uses):					
Bonds and notes issued	1,370,000	-	-	-	1,370,000
Operating transfers in	98,691	-	-	496,457	595,148
Operating transfers out	(495,632)	(11,242)	-	(88,274)	(595,148)
Total Other Financing Sources (Uses)	973,059	(11,242)	-	408,183	1,370,000
Net Change in Fund Balances	2,121,368	(17,578)	24,173	(237,210)	1,890,753
Fund Balances:					
July 1, 2020, as previously reported	1,594,244	764	16,761	1,255,053	2,866,822
Prior period adjustments	15,178	16,814	(40,934)	(10,312)	(19,254)
July 1, 2020, as restated	1,609,422	17,578	(24,173)	1,244,741	2,847,568
Increase (Decrease) in inventory	-	-	-	11,400	11,400
June 30, 2021	\$ 3,730,790	\$ -	\$ -	\$ 1,018,931	\$ 4,749,721

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 1,890,753**

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	\$ 934,196	
Depreciation expense	<u>(281,058)</u>	653,138
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.		
		(13,616)
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:		
Bonds and notes issued	(1,370,000)	
Payments of debt principal	444,429	
Accrued interest payable	<u>(14,104)</u>	(939,675)
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(1,023,730)	
Contributions subsequent to the measurement date	<u>887,789</u>	(135,941)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
OPEB expense	(25,640)	
Contributions subsequent to the measurement date	<u>30,535</u>	4,895
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	4,046	
Change in inventory	<u>11,400</u>	15,446
Change in Net Position of governmental activities		<u><u>\$ 1,475,000</u></u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Newton, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

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.

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the district's Title I program.

School Improvement Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the district's School Improvement program.

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

The school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

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

Deferred outflows - Pensions

Deferred outflows - Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred inflows - Pensions

Deferred inflows - Postemployment Benefits Other Than Pensions (OPEB)

See Note 15 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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of the

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

commitment by the school board. Currently there is no committed fund balance for this school district.

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

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

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

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 2020. 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.

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

funds was \$4,225,426.

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 \$4,580,406 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	Title I Fund	\$ 104,756
	School Improvement Fund	92,340
	Other governmental funds	166,206
Total		<u>\$ 363,302</u>

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 495,632
Title I Fund	General Fund	11,242
Other governmental funds	General Fund	87,449
	Other governmental funds	825
Total		<u>\$ 595,148</u>

Transfers represent operational transfers between governmental funds and the transfer of indirect costs from other governmental funds to the General Fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$8,904 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 5 – Capital Assets

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

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 42,306	\$	\$	\$ 42,306
Construction-in-progress		565,061		565,061
Total non-depreciable capital assets	42,306	565,061	-	607,367
<u>Depreciable capital assets:</u>				
Buildings	8,356,020			8,356,020
Building improvements	834,678			834,678
Improvements other than buildings	141,480			141,480
Mobile equipment	1,073,491	262,500	132,169	1,203,822
Furniture and equipment	581,521	106,635	39,923	648,233
Total depreciable capital assets	10,987,190	369,135	172,092	11,184,233
<u>Less accumulated depreciation for:</u>				
Buildings	4,027,973	138,003		4,165,976
Building improvements	351,373	17,576		368,949
Improvements other than buildings	77,519	2,744		80,263
Mobile equipment	813,709	66,917	118,952	761,674
Furniture and equipment	503,622	55,818	39,524	519,916
Total accumulated depreciation	5,774,196	281,058	158,476	5,896,778
Total depreciable capital assets, net	5,212,994	88,077	13,616	5,287,455
Governmental activities capital assets, net	\$ 5,255,300	\$ 653,138	\$ 13,616	\$ 5,894,822

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 36,067
Support services	227,420
Non-instructional	17,571
Total depreciation expense - Governmental activities	\$ 281,058

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

	Spent to June 30, 2021	Remaining Commitment
Governmental Activities:		
NMSD Roofing project	\$ 565,061	\$ 323,126
Total construction in progress	\$ 565,061	\$ 323,126

Construction projects included in governmental activities are funded with the proceeds of three mill notes.

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

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. Three mill notes payable	\$ 380,000	\$ 1,370,000	\$ 380,000	\$ 1,370,000	\$ 103,000
B. Shortfall notes payable	200,052		64,429	135,623	66,658
C. Compensated absences payable	86,056		4,046	82,010	4,101
Total	<u>\$ 666,108</u>	<u>\$ 1,370,000</u>	<u>\$ 448,475</u>	<u>\$ 1,587,633</u>	<u>\$ 173,759</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, Series 2020-A	2.10%	7/15/2020	7/15/2032	\$ 1,070,000	\$ 1,070,000
2. Three mill notes, Series 2020-B	1.54%	7/15/2020	7/15/2026	300,000	300,000
Total				<u>\$ 1,370,000</u>	<u>\$ 1,370,000</u>

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

1. Three mill notes payable issued on July 15, 2020:

Year Ending June 30	Principal	Interest	Total
2022	\$ 54,000	\$ 22,470	\$ 76,470
2023	54,000	21,336	75,336
2024	55,000	20,202	75,202
2025	57,000	19,047	76,047
2026	59,000	17,850	76,850
2027 – 2031	536,000	63,252	599,252
2032 – 2033	255,000	8,064	263,064
Total	<u>\$ 1,070,000</u>	<u>\$ 172,221</u>	<u>\$ 1,242,221</u>

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

NEWTON MUNICIPAL SCHOOL DISTRICT
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2. Three mill notes payable issued on July 15, 2020:

Year Ending June 30	Principal	Interest	Total
2022	\$ 49,000	\$ 4,620	\$ 53,620
2023	49,000	3,865	52,865
2024	50,000	3,111	53,111
2025	50,000	2,341	52,341
2026	51,000	1,571	52,571
2027	51,000	785	51,785
Total	<u>\$ 300,000</u>	<u>\$ 16,293</u>	<u>\$ 316,293</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2022	\$ 103,000	\$ 27,090	\$ 130,090
2023	103,000	25,201	128,201
2024	105,000	23,313	128,313
2025	107,000	21,388	128,388
2026	110,000	19,421	129,421
2027 – 2031	587,000	64,037	651,037
2032 – 2033	255,000	8,064	263,064
Total	<u>\$ 1,370,000</u>	<u>\$ 188,514</u>	<u>\$ 1,558,514</u>

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2019	3.46%	9/23/2019	9/23/2022	\$ 200,052	\$ 135,623
Total				<u>\$ 200,052</u>	<u>\$ 135,623</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 66,658	\$ 4,693	\$ 71,351
2023	68,965	2,386	71,351
Total	<u>\$ 135,623</u>	<u>\$ 7,079</u>	<u>\$ 142,702</u>

This debt will be retired from the Shortfall Debt, Series 2019 Fund.

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C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under roofing contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. One (1) Toshiba e-Studio 557 Copier System
2. Three (3) Ricoh MP7001 Copiers
3. One (1) Toshiba e-Studio 6508 Copier System
4. Five (5) Toshiba e-Studio 5015AC Copiers
5. Four (4) Toshiba e-Studio 5518A Copiers
6. Five (5) Lexmark XC2235 Copiers
7. One (1) Toshiba e-Studio 3015AC Copier

Lease expenditures for the year ended June 30, 2021, amounted to \$21,958.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2022	\$ 20,367
2023	19,837
2024	19,837
2025	11,571
Total	<u>\$ 71,612</u>

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
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Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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, 2021 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 \$887,789, \$977,082 and \$886,295, 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 \$15,487,070 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 0.08 percent, which was based on a measurement date of June 30, 2020. This was a decrease of 0.01 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 MUNICIPAL SCHOOL DISTRICT
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For the year ended June 30, 2021, the District recognized pension expense of \$1,023,730. 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	\$ 134,429	\$
Net difference between projected and actual earnings on pension plan investments	628,135	
Changes of assumptions	97,464	
Changes in proportion and differences between District contributions and proportionate share of contributions	756,097	1,631,745
District contributions subsequent to the measurement date	887,789	
Total	\$ <u>2,503,914</u>	\$ <u>1,631,745</u>

\$887,789 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:

Year Ending June 30:	
2022	\$ (385,419)
2023	165,245
2024	(435)
2025	204,989

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 are 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.

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
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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:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 20,046,110	\$ 15,487,070	\$ 11,724,031

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

Note 9 – Other Postemployment Benefits (OPEB)

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/>.

NEWTON MUNICIPAL SCHOOL DISTRICT
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Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$30,535 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 \$941,935 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 0.12103894 percent. This was a decrease of 0.00073765 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 \$25,640. 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	\$ 1,201	\$ 163,922
Changes of assumptions	146,244	39,805
Net difference between projected and actual earnings on OPEB plan investments	30	

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
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Changes in proportion and differences between District contributions and proportionate share of contributions	25,525	5,165
District contributions subsequent to the measurement date	30,535	
Total	\$ <u>203,535</u>	\$ <u>208,892</u>

\$30,535 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:

Year Ending June 30:	
2022	\$ (8,481)
2023	(8,481)
2024	(7,336)
2025	(2,428)
2026	(9,166)

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
Pre-Medicare	ultimate 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.

NEWTON MUNICIPAL SCHOOL DISTRICT
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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 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	\$ 1,040,902	\$ 941,935	\$ 857,048

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	\$ 869,733	\$ 941,935	\$ 1,023,736

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

Note 10 – Sixteenth Section Lands

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

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For the Year Ended June 30, 2021

Year Ending June 30	Amount
2022	\$ 18,189
2023	13,002
2024	9,354
2025	6,795
2026	6,795
2027 – 2031	30,949
2032 - 2036	28,016
2037 – 2041	16,561
Total	<u>\$ 129,661</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct a prior year asset or liability at the governmental fund level	\$ (19,254)
Total	<u>\$ (19,254)</u>

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

Fund	Explanation	Amount
General Fund	To correct a prior year asset or liability	\$ 15,178
Title I Fund	To correct a prior year asset or liability	16,814
School Improvement Fund	To correct a prior year asset or liability	(40,934)
Other governmental funds	To correct a prior year asset or liability	(10,312)
Total		<u>\$ (19,254)</u>

Note 12 – Contingencies

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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 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 14 – Alternative School Consortium

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$12,049,036) 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 pensions in the amount of \$887,789 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$1,616,125 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.

The unrestricted net position amount of (\$12,049,036) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,631,745 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 (\$12,049,036) 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 \$30,535 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$173,000 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 (\$12,049,036) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$208,892 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 Municipal School District evaluated the activity of the district through July 22, 2022, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,434,371	\$ 3,476,422	\$ 3,630,435	\$ 42,051	\$ 154,013
State sources	5,169,222	5,035,519	5,033,480	(133,703)	(2,039)
Federal sources	137,572	53,482	55,521	(84,090)	2,039
Sixteenth section sources	10,100	355,745	355,745	345,645	-
Total Revenues	8,751,265	8,921,168	9,075,181	169,903	154,013
Expenditures:					
Instruction	4,308,999	4,064,387	4,064,387	244,612	-
Support services	3,221,594	3,228,872	3,228,872	(7,278)	-
Noninstructional services	-	4,591	4,591	(4,591)	-
Sixteenth section	6,500	26,302	26,302	(19,802)	-
Facilities acquisition and construction	1,032,341	515,259	565,061	517,082	(49,802)
Debt service:					
Principal	-	-	27,000	-	(27,000)
Interest	-	-	10,659	-	(10,659)
Total Expenditures	8,569,434	7,839,411	7,926,872	730,023	(87,461)
Excess (Deficiency) of Revenues over (under) Expenditures	181,831	1,081,757	1,148,309	899,926	66,552
Other Financing Sources (Uses):					
Bonds and notes issued	1,332,341	1,332,341	1,370,000	-	37,659
Operating transfers in	780,530	931,167	98,691	150,637	(832,476)
Operating transfers out	(900,319)	(1,260,276)	(495,632)	(359,957)	764,644
Total Other Financing Sources (Uses)	1,212,552	1,003,232	973,059	(209,320)	(30,173)
Net Change in Fund Balances	1,394,383	2,084,989	2,121,368	690,606	36,379
Fund Balances:					
July 1, 2020, as previously reported	1,406,886	1,391,516	1,594,244	(15,370)	202,728
Prior period adjustments	-	65,108	15,178	65,108	(49,930)
July 1, 2020, as restated	1,406,886	1,456,624	1,609,422	49,738	152,798
June 30, 2021	\$ 2,801,269	\$ 3,541,613	\$ 3,730,790	\$ 740,344	\$ 189,177

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2021

	Budgeted Amounts			Actual (GAAP Basis)	Variances	
					Original to Final	Final to Actual
	Original	Final				
Revenues:						
Local sources	\$ -	\$ -	\$ 200	\$ -	\$ 200	
Federal sources	692,758	805,524	551,882	112,766	(253,642)	
Total Revenues	692,758	805,524	552,082	112,766	(253,442)	
Expenditures:						
Instruction	530,024	491,019	319,987	39,005	171,032	
Support services	133,797	267,057	232,178	(133,260)	34,879	
Noninstructional services	16,193	17,534	6,253	(1,341)	11,281	
Total Expenditures	680,014	775,610	558,418	(95,596)	217,192	
Excess (Deficiency) of Revenues						
over (under) Expenditures	12,744	29,914	(6,336)	17,170	(36,250)	
Other Financing Sources (Uses):						
Operating transfers out	(12,744)	(11,242)	(11,242)	1,502	-	
Total Other Financing Sources (Uses)	(12,744)	(11,242)	(11,242)	1,502	-	
Net Change in Fund Balances	-	18,672	(17,578)	18,672	(36,250)	
Fund Balances:						
July 1, 2020, as previously reported	(38,461)	764	764	39,225	-	
Prior period adjustments	-	-	16,814	-	16,814	
July 1, 2020, as restated	(38,461)	764	17,578	39,225	16,814	
June 30, 2021	\$ (38,461)	\$ 19,436	\$ -	\$ 57,897	\$ (19,436)	

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Improvement Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 103,180	\$ 103,180	\$ 124,520	\$ -	\$ 21,340
Total Revenues	103,180	103,180	124,520	-	21,340
Expenditures:					
Instruction	156,196	155,876	100,347	320	55,529
Total Expenditures	156,196	155,876	100,347	320	55,529
Excess (Deficiency) of Revenues over (under) Expenditures	(53,016)	(52,696)	24,173	320	76,869
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(53,016)	(52,696)	24,173	320	76,869
Fund Balances:					
July 1, 2020, as previously reported	(13,281)	16,761	16,761	30,042	-
Prior period adjustments	-	-	(40,934)	-	(40,934)
July 1, 2020, as restated	(13,281)	16,761	(24,173)	30,042	(40,934)
June 30, 2021	\$ (66,297)	\$ (35,935)	\$ -	\$ 30,362	\$ 35,935

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

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

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>
District's proportion of the net pension liability	0.08%		0.09%		0.08%		0.09%		0.09%		0.08%		0.09%
District's proportionate share of the net pension liability	\$ 15,487,070	\$	15,832,776	\$	13,306,377	\$	14,961,055	\$	16,076,247	\$	12,366,422	\$	10,924,352
District's covered payroll	5,615,414		5,627,270		5,215,784		5,925,860		5,456,083		5,249,307		5,452,184
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	275.80%		281.36%		255.12%		252.47%		294.65%		235.58%		200.37%
Plan fiduciary net position as a percentage of the total pension liability	59%		62%		63%		61%		57%		62%		67%

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

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

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

**Newton Municipal School District
Required Supplementary Information**

Schedule of District Contributions

PERS

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 887,789	\$ 977,082	\$ 886,295	\$ 821,486	\$ 933,323	\$ 859,333	\$ 826,766
Contributions in relation to the contractually required contribution	887,789	977,082	886,295	821,486	933,323	859,333	826,766
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	5,102,236	5,615,414	5,627,270	5,215,784	5,925,860	5,456,083	5,249,308
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

Newton Municipal School District
Required Supplementary Information
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.12103894%	0.12177659%	0.12003095%	0.11934431%
District's proportionate share of the net OPEB liability	\$ 941,935	\$ 1,033,324	\$ 928,499	\$ 936,386
District's covered-employee payroll	5,615,414	5,627,270	5,215,784	5,925,860
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17%	18%	18%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.12%	0.13%	0%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Newton Municipal School District
Required Supplementary Information**

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarially determined contribution	\$ 30,535	\$ 37,564	\$ 41,419	\$ 39,920
Contributions in relation to the actuarially determined contribution	30,535	37,564	41,419	39,920
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's covered-employee payroll	5,102,236	5,615,414	5,627,270	5,215,784
Contributions as a percentage of covered-employee payroll	0.60%	0.67%	0.74%	0.77%

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

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2021

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

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 MUNICIPAL 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 MUNICIPAL 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

**Newton Municipal 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:			
National school lunch program	10.555	215MS326N1099	\$ 61,234
Summer food service program for children	10.559	215MS326N1099	631,922
Total child nutrition cluster			693,156
Total passed-through Mississippi Department of Education			693,156
Total U.S. Department of Agriculture			693,156
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.XXX	*	46,149
Total U.S. Department of Defense			46,149
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A200024	674,553
Career and technical education - basic grants to states	84.048	V048A200024	16,634
Rural Education	84.358	S3588200024	30,583
Supporting Effective Instruction State Grants	84.367	S367A200023	79,473
Student Support and Academic Enrichment Program	84.424A	S424A200025	34,825
Subtotal			836,068
Special education cluster:			
Special education - grants to states	84.027	H027A200108	236,899
Special education - preschool grants	84.173	H173A200113	21,808
Total special education cluster			258,707
Elementary & Secondary School Emergency Relief Fund (ESSER I)	84.425D	S425D200031	389,836
Elementary & Secondary School Emergency Relief Fund (ESSER II)	84.425D	S425D210031	25,885
Total Elementary & Secondary Emergency Relief Funds			415,721
Total passed-through Mississippi Department of Education			1,510,496
Total U.S. Department of Education			1,510,496
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical assistance program	93.778	1905MS5ADM	2,822
Total passed-through Mississippi Department of Education			2,822
Total U.S. Department of Health and Human Services			2,822
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Education:			
Social Security Disability Insurance	96.001	04-19-04MSDI00	42
Total passed-through Mississippi Department of Education			42
Total U.S. Department of Social Security Administration			42
<u>U.S. Department of Treasury</u>			
Passed-through the Mississippi Department of Education:			
COVID - 19 Coronavirus Relief Fund	21.019	2021	438,079
Total passed-through Mississippi Department of Education			438,079
Total U.S. Department of Health and Human Services			438,079
Total for All Federal Awards			\$ 2,690,744

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Notes to the Supplementary Information

For the Year Ended June 30, 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 Municipal 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 Municipal School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton Municipal School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Other Items

Donated commodities of \$61,599 are included in the National School Lunch Program.

* - pass through entity identifying number not provided.

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

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

Newton Municipal School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 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	\$ 7,542,805	5,284,881	480,287	624,118	1,153,519
Other	4,094,364	1,574,821	176,438	267	2,342,838
Total	<u>\$ 11,637,169</u>	<u>6,859,702</u>	<u>656,725</u>	<u>624,385</u>	<u>3,496,357</u>
Total number of students *	<u>894</u>				
Cost per student	<u>\$ 13,017</u>	<u>7,673</u>	<u>735</u>	<u>698</u>	<u>3,911</u>

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

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

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

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

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

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

OTHER INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 3,630,435	\$ 3,074,451	\$ 2,877,246	\$ 3,156,484
State sources	5,033,480	5,126,243	5,260,693	4,672,638
Federal sources	55,521	92,346	77,738	94,483
Sixteenth Section sources	355,745	50,070	146,246	22,805
Total Revenues	9,075,181	8,343,110	8,361,923	7,946,410
Expenditures:				
Instruction	4,064,387	4,645,030	4,309,417	4,297,280
Support services	3,228,872	3,193,058	3,176,413	3,205,905
Noninstructional services	4,591	6,109	12,005	12,026
Sixteenth section	26,302	7,345	20,289	8,786
Facilities acquisition and construction	565,061		26,524	435,590
Debt Service:				
Principal	27,000			
Interest	10,659			
Total Expenditures	7,926,872	7,851,542	7,544,648	7,959,587
Excess (Deficiency) of Revenues over (under) Expenditures	1,148,309	491,568	817,275	(13,177)
Other Financing Sources (Uses):				
Bonds and notes issued	1,370,000	200,052		
Operating transfers in	98,691	12,699		39,821
Operating transfers out	(495,632)	(393,916)	(405,020)	(218,258)
Total Other Financing Sources (Uses)	973,059	(181,165)	(405,020)	(178,437)
Net Change in Fund Balances	2,121,368	310,403	412,255	(191,614)
Fund Balances:				
Beginning of period, as previously reported	1,594,244	1,254,778	903,697	1,119,840
'Prior period adjustments	15,178	29,063	(61,174)	(24,529)
Beginning of period, as restated	1,609,422	1,283,841	842,523	1,095,311
End of Period	\$ 3,730,790	\$ 1,594,244	\$ 1,254,778	\$ 903,697

*SOURCE - PRIOR YEAR AUDIT REPORTS

NEWTON MUNICIPAL SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 3,785,973	\$ 3,276,574	\$ 3,289,149	\$ 3,343,855
State sources	5,328,793	5,420,580	5,561,690	5,320,323
Federal sources	2,687,411	1,616,029	1,827,452	1,778,722
Sixteenth section sources	355,745	50,070	168,259	23,206
Total Revenues	12,157,922	10,363,253	10,846,550	10,466,106
Expenditures:				
Instruction	5,275,601	5,377,812	5,169,655	5,098,137
Support services	4,694,518	3,996,395	4,027,260	4,009,152
Noninstructional services	613,677	674,299	643,630	713,741
Sixteenth section	26,302	7,345	23,019	9,036
Facilities acquisition and construction	565,061		26,524	435,590
Debt service:				
Principal	444,429	90,000	265,000	265,000
Interest	17,581	14,382	19,980	28,071
Other			439	1,350
Total Expenditures	11,637,169	10,160,233	10,175,507	10,560,077
Excess (Deficiency) of Revenues over (under) Expenditures	520,753	203,020	671,043	(93,971)
Other Financing Sources (Uses):				
Bonds and notes issued	1,370,000	200,052		
Operating transfers in	595,148	424,260	407,603	271,792
Operating transfers out	(595,148)	(424,260)	(407,603)	(271,792)
Total Other Financing Sources (Uses)	1,370,000	200,052	0	0
Net Change in Fund Balances	1,890,753	403,072	671,043	(93,971)
Fund Balances:				
Beginning of period, as previously reported	2,866,822	2,430,075	1,828,439	1,945,507
Prior period adjustments	(19,254)	24,401	(61,174)	(24,499)
Beginning of period, as restated	2,847,568	2,454,476	1,767,265	1,921,008
Increase (Decrease) in reserve for inventory	11,400	9,274	(8,233)	1,402
End of Period	\$ 4,749,721	\$ 2,866,822	\$ 2,430,075	\$ 1,828,439

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



McKENZIE CPA, PLLC

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Madison, MS 39110

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

Superintendent and School Board
Newton Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newton Municipal School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Newton Municipal School District's basic financial statements, and have issued our report thereon dated July 22, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as items **Finding 2021-001, 2021-002 and 2021-003** that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newton Municipal School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are described in the accompanying Schedule of Findings and Questioned Cost as **Finding 2021-001, 2021-002, and 2021-003**.

Newton Municipal School District's Responses to Findings

Newton Municipal School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Newton Municipal School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

McKenzie CPA, PLLC
Madison, Mississippi
July 22, 2022





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**Independent Auditor's Report
on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Superintendent and School Board
Newton Municipal School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

McKenzie CPA, PLLC
Madison, Mississippi
July 22, 2022

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

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



McKENZIE CPA, PLLC

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

Superintendent and School Board
Newton Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2021, which collectively comprise Newton Municipal School District's basic financial statements and have issued our report thereon dated July 22, 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:

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

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

During our test of depository compliance, we found that the district could not provide support for a depository bid to cover the 2021 fiscal year. It appears due to no support the district didn't do depositories

bids and had just continued with their current bank from the most recent bid that had expired.

Recommendation

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

Response

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

State Legal Finding 02 – Sixteenth Section Revenues

Code Section 29-3-57 and 29-3-111, Miss. Code Ann. (1972), governs the method used by school districts related to timely deposit of revenues within the appropriate funds and also the method used for lease payments that are in default in excess of sixty days.

The Newton Municipal School District had one lease deposit that was not deposited timely and three leases that were in default in excess of sixty days that were not provided to the board to take action for termination or allow for extenuating circumstances.

Recommendation

We recommend that the district strengthen controls in the area of lease revenues being deposited timely. We also recommend that the district provide a listing of any leases in excess of sixty days to the board monthly so that they may terminate the leases or allow for extenuating circumstances.

Response

The Newton Municipal School District will comply with Section 29-3-57 and 29-3-111 by implementing a tighter control system in place for tracking of leases.

State Legal Finding 03 – Investment of Sixteenth Section Principals Funds
Repeat Finding

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

During the 2020-2021 year, this fund was maintained in a pooled bank account, which was credited with interest at an annual rate of 0.25%. However, the district failed to credit the interest income to the Sixteenth Section Principal Fund for entire fiscal year. The interest was credited instead to the general fund.

Recommendation

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

Response

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

State Legal Finding 04 – Allocation of Interest income in Pooled bank accounts
Repeat Finding

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

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

Recommendation

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

Response

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

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

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

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

McKenzie CPA, PLLC
Madison, Mississippi
July 22, 2022

McKenzie CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 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 weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | None reported |

Federal Awards:

- | | | |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency 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>
84.010	Title I Grants to local educational agencies
10.555; 10.559	Child Nutrition Cluster
84.425D	Elementary and Secondary School Emergency Relief Fund (ESSER I) and (ESSER II)
21.019	COVID – 19 Coronavirus Relief Fund

- | | | |
|-----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section II: Financial Statement Findings

Significant Deficiencies

2021-001 Finding

Deficiencies in controls surrounding year end accruals and balance sheet reconciliations.

Criteria:

The school district is charged with developing controls surrounding the reconciliation of year end accruals and year end balance sheet amounts.

Condition:

In our review of the controls surrounding year end accruals and balance sheet accounts, we noted that management had not properly reconciled the year end accruals and some balance sheet accounts needed to be updated to agree to the current year reconciliations.

Cause:

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

Effect:

The effect is a breakdown in the controls surrounding the year end close out cycle. Some balance will not agree to amounts recorded do not clearing previous balances or updating to new reconciliations.

Recommendation:

We recommend that the school district review their close out procedures and ensure that year end accruals and balance sheet reconciliation agree.

NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-002 Finding

Repeat Finding 2019-004 and 2020-004

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

Criteria:

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

Condition:

We noted the following items while testing capital assets:

1. Capital assets are not being reconciled monthly to the ledger.

Cause:

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

Effect:

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

Recommendation:

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

NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

2021-003 Finding

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

Criteria:

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

Condition:

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

- Five out of twenty-seven invoices were not signed or dated noting items received
- Five out of twenty-seven invoices were not properly canceled indicating payment
- Five out of twenty-seven invoices reviewed were dated before the purchase order date
- Two out of twenty-seven invoices reviewed were not paid within 45 days of receipt of invoice.
- Eighteen out of twenty-seven invoices did not show support of a purchase requisition prepared.

Cause:

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

Effect:

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

Recommendation:

We recommend the district implement procedures and internal controls to ensure that all invoices are properly canceled and documented properly within the purchase process.

View of Responsible Officials:

The district will implement controls to ensure that all invoices are canceled and documented properly within the purchase process.

NEWTON MUNICIPAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section III: Federal Award Findings and Questioned Costs

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

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

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Newton Municipal School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021:

Finding	Corrective Action Plan Details
2021-001	<p><u>Deficiencies in controls surrounding year end accruals and balance sheet reconciliations.</u></p> <p>A. Name of contact person responsible for corrective action: Name: Angela Hicks Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>District will implement new procedures to ensure that all year end accruals and balance sheet items agree to support.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2022.</p>
2021-002	<p><u>Capital Assets should be properly documented and reported in the district's financial statements.</u></p> <p>A. Name of contact person responsible for corrective action: Name: Angela Hicks Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>There has been a change in Fixed asset personnel and additional software to ensure that proper reporting & documentation is adhered to. Reports are obtained from the new inventory software and verified with integrity.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2022</p>

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

2021-003

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

A. Name of contact person responsible for corrective action:

Name: Angela Hicks

Title: Business Manager

B. Corrective action planned:

The District has ordered "Rec'd" stamps for all Directors & Principals to mark their packing slips and/or invoices prior to submitting to accounts payable for payment. After invoices have been processed & board approved for payment, all documents will be stamped "PAID" prior to being filed.

C. Anticipated completion date:

June 30, 2022

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

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Newton Municipal School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2021:

Finding Status

2020-001	Corrected
2020-002	Corrected
2020-003	Corrected
2020-004	Not Corrected (See Finding 2021-002)
2020-005	Corrected
2020-006	Corrected
2020-007	Corrected