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NEWTON COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2022**

Newton County School District

Table of Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis	5-13
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet - Governmental Funds	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Governmental Funds	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	22
Notes to the Financial Statements	23-43
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedule - Child Nutrition Fund	48
Budgetary Comparison Schedule - ESSER II	49
Schedule of the District's Proportionate Share of the Net Pension Liability	50
Schedule of District Contributions - PERS	51
Schedule of the District's Proportionate Share of the Net OPEB Liability	52
Schedule of District Contributions - OPEB	53
Notes to the Required Supplementary Information	54-57
Supplementary Information	
Schedule of Expenditures of Federal Awards	61
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	63
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund Last Four Years	67
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds Last Four Years	68
Reports on Internal Control and Compliance	
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 <i>Government Auditing Standards</i>	71-72
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	73-74
Independent Auditor's Report on Compliance with State Laws and Regulations	77-80
Schedule of Findings and Questioned Costs	83-85
Auditee's Corrective Action Plan	87

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Newton County School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Newton County School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Newton County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Newton County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Newton County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Newton County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the Newton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newton County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newton County School District's internal control over financial reporting and compliance.

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

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
December 19, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The following discussion and analysis of Newton County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. 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 2022 increased \$2,044,874, which represents a 21% increase from fiscal year 2021. Total net position for 2021 decreased \$1,042,907 including a prior period adjustment of \$97,231, which represents a 12% decrease from fiscal year 2020.
- General revenues amounted to \$13,160,168 and \$13,204,328, or 63% and 69% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,816,471 or 37% of total revenues for 2022, and \$5,921,023 or 31% of total revenues for 2021.
- The District had \$18,931,765 and \$20,265,489 in expenses for fiscal years 2022 and 2021; only \$7,816,471 for 2022 and \$5,921,023 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,160,168 for 2022 were adequate to provide for these programs, and general revenues of \$13,204,328 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,153,885 in revenues and \$14,362,910 in expenditures for 2022, and \$14,074,954 in revenues and \$13,708,099 in expenditures for 2021. The General Fund's fund balance decreased by \$871,812 from 2021 to 2022, and decreased by \$171,035 from 2020 to 2021, which includes a prior period adjustment of \$97,231.
- Capital assets, net of accumulated depreciation, increased by \$2,009,854 for 2022 and decreased by \$547,474 for 2021. The increase for 2022 was due primarily to the additions to construction in progress.
- Long-term debt decreased by \$197,505 for 2022 and \$196,531 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,388 for 2022 and by \$14,631 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,572,575 as of June 30, 2022.

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, 2022 and June 30, 2021.

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 7,480,112	\$ 5,731,220	31%
Restricted assets	496,273	860,737	-42%
Capital assets, net	15,871,974	13,862,120	14%
Total Assets	23,848,359	20,454,077	17%
Deferred Outflows of Resources	4,567,273	4,480,871	2%
Current liabilities	2,372,894	666,562	256%
Long-term debt outstanding	2,302,359	2,498,476	-8%
Net OPEB liability	1,207,266	1,419,618	-15%
Net pension liability	22,385,859	29,032,449	-23%
Total Liabilities	28,268,378	33,617,105	-16%
Deferred Inflows of Resources	7,719,829	935,292	725%
Net Position:			
Net investment in capital assets	13,775,383	11,568,024	19%
Restricted	2,410,779	2,104,064	15%
Unrestricted	(23,758,737)	(23,289,537)	-2%
Total Net Position (Deficit)	\$ (7,572,575)	\$ (9,617,449)	21%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$	(23,758,737)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows		26,487,382
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$	<u>2,728,645</u>

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 \$2,009,854.
- The principal retirement of \$197,505 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$20,976,639 and \$19,125,351, respectively. The total cost of all programs and services was \$18,931,765 for 2022 and \$20,265,489 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

Table 2
Changes in Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,166,958	\$ 1,171,240	0%
Operating grants and contributions	4,434,460	3,467,011	28%
Capital grants and contributions	2,215,053	1,282,772	73%
General revenues:			
Property taxes	3,306,835	3,405,704	-3%
Grants and contributions not restricted	9,565,828	9,521,455	0%
Unrestricted investment earnings	5,324	113,806	-95%
Sixteenth section sources	153,059	94,375	62%
Other	129,122	68,988	87%
Total Revenues	<u>20,976,639</u>	<u>19,125,351</u>	<u>10%</u>
Expenses:			
Instruction	9,894,109	10,680,191	-7%
Support services	5,982,931	5,477,546	9%
Non-instructional	1,521,732	1,315,722	16%
Sixteenth section	42,404	101,209	-58%
Pension expense	1,472,824	2,575,703	-43%
OPEB expense	(62,776)	28,020	-324%
Interest on long-term liabilities	80,541	87,098	-8%
Total Expenses	<u>18,931,765</u>	<u>20,265,489</u>	<u>-7%</u>
Increase (Decrease) in Net Position	<u>2,044,874</u>	<u>(1,140,138)</u>	<u>279%</u>
Net Position, July 1, as previously reported	<u>(9,617,449)</u>	<u>(8,574,542)</u>	<u>-12%</u>
Prior Period Adjustment	-	97,231	-100%
Net Position, July 1, as restated	<u>(9,617,449)</u>	<u>(8,477,311)</u>	<u>-13%</u>
Net Position, June 30	<u>\$ (7,572,575)</u>	<u>\$ (9,617,449)</u>	<u>21%</u>

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 9,894,109	\$ 10,680,191	-7%
Support services	5,982,931	5,477,546	9%
Non-instructional	1,521,732	1,315,722	16%
Sixteenth section	42,404	101,209	-58%
Pension expense	1,472,824	2,575,703	-43%
OPEB expense	(62,776)	28,020	-324%
Interest on long-term liabilities	80,541	87,098	-8%
Total Expenses	\$ 18,931,765	\$ 20,265,489	-7%

	Net (Expense) Revenue		Percentage Change
	2022	2021	
Instruction	\$ (4,565,474)	\$ (6,684,516)	32%
Support services	(5,592,002)	(4,865,247)	-15%
Non-instructional	559,905	(90,931)	716%
Sixteenth section	(27,134)	(12,951)	-110%
Pension expense	(1,472,824)	(2,575,703)	43%
OPEB expense	62,776	(28,020)	324%
Interest on long-term liabilities	(80,541)	(87,098)	8%
Total Net (Expense) Revenue	\$ (11,115,294)	\$ (14,344,466)	23%

- Net cost of governmental activities (\$11,115,294 for 2022 and \$14,344,466 for 2021) was financed by general revenue, which is primarily made up of property taxes (\$3,306,835 for 2022 and \$3,405,704 for 2021) and state and federal revenues (\$9,565,828 for 2022 and \$9,521,455 for 2021). In addition, there was \$153,059 and \$94,375 in Sixteenth Section sources for 2022 and 2021, respectively.
- Investment earnings amounted to \$5,324 for 2022 and \$113,806 for 2021.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed

the year, its governmental funds reported a combined fund balance of \$5,357,476, a decrease of \$581,051, which includes an increase in inventory of \$20,991. \$2,934,414 or 55% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,423,062 or 45% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$871,812. The fund balance of Other Governmental Funds showed a decrease in the amount of \$249,308. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase / (Decrease)
Child Nutrition Fund	\$ 540,069
ESSER II	-

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, 2022, the District's total capital assets were \$27,857,385, including land, construction in progress, school buildings, building improvements, improvement other than buildings, mobile equipment, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$2,564,763 from 2021. Total accumulated depreciation as of June 30, 2022, was \$11,985,411, and total depreciation expense for the year was \$629,274, resulting in total net capital assets of \$15,871,974.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 537,362	\$ 537,362	0%
Construction in progress	2,202,566	28,155	7723%
Buildings	9,738,258	10,086,652	-3%
Building improvements	1,092,554	1,147,325	-5%
Improvements other than buildings	1,050,088	1,014,691	3%
Mobile equipment	1,075,190	642,461	67%
Furniture and equipment	175,956	126,018	40%
Leased properly under capital lease	-	279,456	-100%
Total	\$ 15,871,974	\$ 13,862,120	14%

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

Debt Administration. At June 30, 2022, the District had \$2,302,359 in outstanding long-term debt, of which \$198,114 is due within one year. The liability for compensated absences increased \$1,388 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Percentage Change</u>
Limited tax notes	\$ 1,955,000	\$ 2,090,000	-6%
Transportation equipment loans payable (formerly reflected as obligations under capital lease)	141,591	204,096	-31%
Compensated absences payable	<u>205,768</u>	<u>204,380</u>	<u>1%</u>
Total	<u>\$ 2,302,359</u>	<u>\$ 2,498,476</u>	<u>-8%</u>

Additional information on the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

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NEWTON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,610,891
Due from other governments	2,519,601
Other receivables, net	55,806
Lease receivable	258,299
Inventories	35,515
Restricted assets	496,273
Capital assets, non-depreciable:	
Land	537,362
Construction in progress	2,202,566
Capital assets, net of accumulated depreciation:	
Buildings	9,738,258
Building improvements	1,092,554
Improvements other than buildings	1,050,088
Mobile equipment	1,075,190
Furniture and equipment	175,956
Total Assets	<u>23,848,359</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,279,593
Deferred outflows - OPEB	287,680
Total Deferred Outflows of Resources	<u>4,567,273</u>
Liabilities	
Accounts payable and accrued liabilities	2,360,610
Interest payable on long-term liabilities	12,284
Long-term liabilities, due within one year:	
Capital related liabilities	198,114
Net OPEB liability	37,849
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,898,477
Non-capital related liabilities	205,768
Net pension liability	22,385,859
Net OPEB liability	1,169,417
Total Liabilities	<u>28,268,378</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	7,016,440
Deferred inflows - OPEB	445,090
Deferred inflows - leases	258,299
Total Deferred Inflows of Resources	<u>7,719,829</u>
Net Position	
Net investment in capital assets	13,775,383
Restricted for:	
Expendable:	
School-based activities	1,467,905
Debt service	332,220
Capital improvements	471,991
Forestry improvements	66,589
Unemployment benefits	47,877
Non-expendable:	
Sixteenth section	24,197
Unrestricted	(23,758,737)
Total Net Position	<u>\$ (7,572,575)</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2022

					Net (Expense)
					Revenue and Changes
					in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 9,894,109	\$ 1,067,778	\$ 2,099,638	\$ 2,161,219	\$ (4,565,474)
Support services	5,982,931	-	385,846	5,083	(5,592,002)
Non-instructional	1,521,732	83,910	1,948,976	48,751	559,905
Sixteenth section	42,404	15,270	-	-	(27,134)
Pension expense	1,472,824	-	-	-	(1,472,824)
OPEB expense	(62,776)	-	-	-	62,776
Interest on long-term liabilities	80,541	-	-	-	(80,541)
Total Governmental Activities	<u>\$ 18,931,765</u>	<u>\$ 1,166,958</u>	<u>\$ 4,434,460</u>	<u>\$ 2,215,053</u>	<u>\$ (11,115,294)</u>
General Revenues:					
Taxes:					
General purpose levies					3,036,668
Debt purpose levies					270,167
Unrestricted grants and contributions:					
State					9,560,405
Federal					5,423
Unrestricted investment earnings					5,324
Sixteenth section sources					153,059
Other					129,122
Total General Revenues					<u>13,160,168</u>
Change in Net Position					2,044,874
Net Position - Beginning					<u>(9,617,449)</u>
Net Position - Ending					\$ (7,572,575)

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

NEWTON COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			Other	Total
	General	Child Nutrition	ESSER	Governmental	Governmental
	Fund	Fund	II	Funds	Funds
Assets					
Cash and cash equivalents	\$ 2,925,925	\$ 1,071,319	\$ -	\$ 1,109,920	\$ 5,107,164
Due from other governments	192,806	11,721	1,586,313	728,761	2,519,601
Other receivables, net	54,882	924	-	-	55,806
Lease receivable	258,299	-	-	-	258,299
Due from other funds	1,069,326	-	-	-	1,069,326
Inventories	-	35,515	-	-	35,515
Total Assets	<u>\$ 4,501,238</u>	<u>\$ 1,119,479</u>	<u>\$ 1,586,313</u>	<u>\$ 1,838,681</u>	<u>\$ 9,045,711</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,098,165	\$ 15,901	\$ 1,224,416	\$ 22,128	\$ 2,360,610
Due to other funds	-	15,000	361,897	692,429	1,069,326
Total Liabilities	<u>1,098,165</u>	<u>30,901</u>	<u>1,586,313</u>	<u>714,557</u>	<u>3,429,936</u>
Deferred Inflows of Resources:					
Leases	258,299	-	-	-	258,299
Total Deferred Inflows of Resources	<u>258,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,299</u>
Fund Balances:					
Nonspendable:					
Inventory	-	35,515	-	-	35,515
Permanent fund principal	-	-	-	24,197	24,197
Restricted:					
Debt service	-	-	-	344,504	344,504
Capital projects	-	-	-	471,990	471,990
Forestry improvement purposes	-	-	-	66,589	66,589
Grant activities	-	-	-	168,967	168,967
Unemployment benefits	-	-	-	47,877	47,877
Food service	-	1,053,063	-	-	1,053,063
Assigned:					
Student activity funds	210,360	-	-	-	210,360
Unassigned	<u>2,934,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,934,414</u>
Total Fund Balances	<u>3,144,774</u>	<u>1,088,578</u>	<u>-</u>	<u>1,124,124</u>	<u>5,357,476</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,501,238</u>	<u>\$ 1,119,479</u>	<u>\$ 1,586,313</u>	<u>\$ 1,838,681</u>	<u>\$ 9,045,711</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2022

Total fund balances for governmental funds \$ 5,357,476

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

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

Land	537,362	
Construction in progress	2,202,566	
Buildings	17,419,676	
Building improvements	1,369,276	
Improvements other than buildings	2,362,806	
Mobile equipment	3,243,316	
Furniture and equipment	722,383	
Accumulated depreciation	<u>(11,985,411)</u>	15,871,974

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 (22,385,859)

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

Deferred outflows of resources related to pensions	4,279,593	
Deferred inflows of resources related to pensions	<u>(7,016,440)</u>	(2,736,847)

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

Net OPEB liability (1,207,266)

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	287,680	
Deferred inflows of resources related to OPEB	<u>(445,090)</u>	(157,410)

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:

Transportation equipment loans payable	(141,591)	
Limited tax notes	(1,955,000)	
Compensated absences	(205,768)	
Accrued interest payable	<u>(12,284)</u>	(2,314,643)

Net position of governmental activities \$ (7,572,575)

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Major Funds Child Nutrition Fund	ESSER II	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 4,127,980	\$ 52,675	\$ -	\$ 309,263	\$ 4,489,918
State sources	9,869,523	11,721	-	294,890	10,176,134
Federal sources	5,423	1,963,691	1,586,313	2,455,390	6,010,817
Sixteenth section sources	150,959	-	-	19,687	170,646
Total Revenues	<u>14,153,885</u>	<u>2,028,087</u>	<u>1,586,313</u>	<u>3,079,230</u>	<u>20,847,515</u>
Expenditures					
Instruction	8,501,772	-	-	2,276,939	10,778,711
Support services	5,544,235	222,625	99,750	846,445	6,713,055
Noninstructional services	124,152	1,355,214	-	47,737	1,527,103
Sixteenth section	10,804	-	-	31,600	42,404
Facilities acquisition and construction	115,300	-	1,486,563	636,648	2,238,511
Debt service:					
Principal	62,505	-	-	135,000	197,505
Interest	4,142	-	-	76,248	80,390
Other	-	-	-	1,000	1,000
Total Expenditures	<u>14,362,910</u>	<u>1,577,839</u>	<u>1,586,313</u>	<u>4,051,617</u>	<u>21,578,679</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(209,025)</u>	<u>450,248</u>	<u>-</u>	<u>(972,387)</u>	<u>(731,164)</u>
Other Financing Sources (Uses)					
Insurance recovery	60,292	68,830	-	-	129,122
Operating transfers in	4,893	-	-	964,341	969,234
Operating transfers out	(727,972)	-	-	(241,262)	(969,234)
Total Other Financing Sources (Uses)	<u>(662,787)</u>	<u>68,830</u>	<u>-</u>	<u>723,079</u>	<u>129,122</u>
Net Change in Fund Balances	(871,812)	519,078	-	(249,308)	(602,042)
Fund Balances:					
July 1, 2021	4,016,586	548,509	-	1,373,432	5,938,527
Increase in reserve for inventory	-	20,991	-	-	20,991
June 30, 2022	<u>\$ 3,144,774</u>	<u>\$ 1,088,578</u>	<u>\$ -</u>	<u>\$ 1,124,124</u>	<u>\$ 5,357,476</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds **\$ (602,042)**

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	\$ 2,643,250	
	Depreciation expense	<u>(629,274)</u>	2,013,976
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.		(4,122)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Payments of debt principal	197,505	
	Accrued interest payable	<u>833</u>	198,338
4.	Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
	Pension expense	(1,472,824)	
	Contributions subsequent to the measurement date	<u>1,791,320</u>	318,496
5.	Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
	OPEB expense	62,776	
	Contributions subsequent to the measurement date	<u>37,849</u>	100,625
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	(1,388)	
	Change in inventory reserve	<u>20,991</u>	19,603
Change in net position of governmental activities			<u><u>\$ 2,044,874</u></u>

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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.

Child Nutrition Fund - This special revenue fund accounts funds related to school food service for the District.

ESSER II - This special revenue fund accounts for the activities related to federal grant FALN 84.425D, Elementary and Secondary School Emergency Relief Fund II.

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

Additionally, the school district reports the following fund type:

GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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.

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

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.

1. Deferred outflows – pensions
2. 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.

1. Deferred inflows – pensions
2. Deferred inflows – postemployment benefits other than pensions (OPEB)
3. Deferred inflows – leases

See Notes 6, 8 and 9 for further details.

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease payments when the rate implicit in the sixteenth section lease is not known. See Note 6 for more information regarding sixteenth section lease future revenues.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

10. 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 7 for details.

11. Pensions

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

12. 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.

13. 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 such a commitment by the school board.

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

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

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

14. Accounting Standards Update

In June 2017, the Governmental Accounting Standards Board (GASB) issued *Statement No. 87*, Leases to be effective for years after June 15, 2021. In May 2020, because of the COVID-19 pandemic, GASB issued *Statement No. 95* to provide temporary relief to governments and other stakeholders from the requirements of the implementation of certain accounting pronouncements. As a result, the implementation date for GASB Statement No. 87 was delayed eighteen months. The District implemented the provision of GASB Statement No. 87 for the fiscal year ended June 30, 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by government lessees and lessors. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

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 and investments are imposed by statutes as follows:

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$5,107,164.

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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.

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	Child Nutrition Fund	\$ 15,000
	ESSER II	361,897
	Other governmental funds	692,429
Total		<u>\$ 1,069,326</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	727,972
Other governmental funds	General Fund	4,893
	Other governmental funds	236,369
Total		<u>\$ 969,234</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$496,273 of the Sixteenth Section Principal Fund (Permanent Fund) in the amount of \$24,282 and the 3 Mill Construction Fund in the amount of \$471,991 which is legally restricted and may not be used for purposes that support the district's programs.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

Note 5 – Capital Assets

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

	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 537,362	\$ -	\$ -	\$ -	\$ 537,362
Construction-in-progress	28,155	2,174,411	-	-	2,202,566
Total non-depreciable capital assets	565,517	2,174,411	-	-	2,739,928
<u>Depreciable capital assets:</u>					
Buildings	17,419,676	-	-	-	17,419,676
Building improvements	1,369,276	-	-	-	1,369,276
Improvements other than buildings	2,298,706	64,100	-	-	2,362,806
Mobile equipment	2,607,264	306,212	10,960	340,800	3,243,316
Furniture and equipment	691,383	98,527	67,527	-	722,383
Leased property under capital leases	340,800	-	-	(340,800)	-
Total depreciable capital assets	24,727,105	468,839	78,487	-	25,117,457
<u>Less accumulated depreciation for:</u>					
Buildings	7,333,024	348,394	-	-	7,681,418
Building improvements	221,951	54,771	-	-	276,722
Improvements other than buildings	1,284,015	28,703	-	-	1,312,718
Mobile equipment	1,964,803	152,829	10,850	61,344	2,168,126
Furniture and equipment	565,365	44,577	63,515	-	546,427
Leased property under capital leases	61,344	-	-	(61,344)	-
Total accumulated depreciation	11,430,502	629,274	74,365	-	11,985,411
Total depreciable capital assets, net	13,296,603	(160,435)	4,122	-	13,132,046
Governmental activities capital assets, net	\$ 13,862,120	\$ 2,013,976	\$ 4,122	\$ -	\$ 15,871,974

The adjustments column represents the reclassification of certain assets classified in prior years as leased property under capital lease that no longer qualify as capital lease property due to the implementation of GASB Statement No. 87, *Leases*.

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	
Instruction	\$ 408,511
Support Services	171,260
Non-instructional	49,503
Total Depreciation Expense - Governmental Activities	<u>\$ 629,274</u>

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

	Spent to June 30, 2022	Remaining Commitment
Governmental Activities:		
Playground Equipment	\$ 28,155	Unknown
CTE Building	1,765,306	4,587,495
HVAC Upgrades	346,516	204,085
Solar Panels	11,389	238,750
Baseball Dugout and Backstop	31,200	8,800
Softball Dugout and Backstop	20,000	11,200
Total Governmental Activities	<u>\$ 2,202,566</u>	<u>5,050,330</u>

Construction projects included in governmental activities are funded with local sources through the 3 Mill Construction Fund and through federal grant funds allocated for the specific project.

Note 6 – Leases

As Lessor:

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. These lands are not considered to be the property or assets of the public schools and therefore have not been included in the capital assets 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 District's financial statements have not been restated nor has a cumulative effect been reflected for the restatement of the beginning net position of the District. The District has, however, included in its financial statements at year end the net present value of \$258,299 for future lease payments as a lease receivable and as deferred inflows of resources.

The total amount of inflows of resources including lease revenue and interest revenue recognized during the current fiscal year is \$60,172. The following schedule represents the net present value of future rental payments to be made to the District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Principal	Interest	Total
2023	\$ 59,258	\$ 12,307	\$ 71,565
2024	37,414	8,112	45,526
2025	23,816	6,455	30,271
2026	14,804	5,508	20,312
2027	13,904	4,917	18,821
2028 - 2032	45,254	17,420	62,674
2033 - 2037	25,955	10,756	36,711
2038 - 2042	28,526	5,357	33,883
2043 - 2047	7,489	802	8,291
2048 - 2052	1,879	231	2,110
Total	<u>\$ 258,299</u>	<u>\$ 71,865</u>	<u>\$ 330,164</u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

Note 7 - Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Adjustments	Balance 6/30/2022	Amounts due within one year
A. Obligations under capital leases	\$ 204,096	\$ -	\$ -	\$ (204,096)	\$ -	\$ -
B. Limited tax notes	2,090,000	-	135,000	-	1,955,000	140,000
C. Transportation equipment loans payable	-	-	62,505	204,096	141,591	58,114
D. Compensated absences	204,380	1,388	-	-	205,768	-
Total	<u>\$ 2,498,476</u>	<u>\$ 1,388</u>	<u>\$ 197,505</u>	<u>\$ -</u>	<u>\$ 2,302,359</u>	<u>\$ 198,114</u>

A. Obligation under capital leases

This debt issuance for the purchase of transportation equipment was previously classified as “obligation under capital leases.” With the implementation of GASB Statement No. 87, *Leases*, this debt issuance no longer qualifies as a capital lease payable and has been reclassified to “transportation equipment loans payable.” See Note 1(E)(14) for additional discussion.

B. Limited tax notes

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series					
1. 2018	3.77%	11/29/2018	6/30/2034	\$ 2,300,000	\$ 1,955,000
Total				<u>\$ 2,300,000</u>	<u>\$ 1,955,000</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2023	\$ 140,000	\$ 71,064	\$ 211,064
2024	145,000	65,692	210,692
2025	150,000	60,132	210,132
2026	155,000	54,382	209,382
2027	165,000	48,350	213,350
2028 - 2032	910,000	142,883	1,052,883
2033 - 2034	290,000	8,671	298,671
Total	<u>\$ 1,955,000</u>	<u>\$ 451,174</u>	<u>\$ 2,406,174</u>

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

C. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. School Buses - Regions	2.57%	8/5/2019	8/5/2024	\$ 340,800	\$ 141,591
Total				<u>\$ 340,800</u>	<u>\$ 141,591</u>

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 58,114	\$ 2,475	\$ 60,589
2024	65,378	1,269	66,647
2025	18,099	78	18,177
Total	\$ 141,591	\$ 3,822	\$ 145,413

This debt will be retired from the District Maintenance Fund.

D. 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 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, 2022 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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$1,791,320, \$1,752,235, and \$1,737,595, 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, 2022, the school district reported a liability of \$22,385,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2022 net pension liability was 0.151456 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.001486 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,472,824. At June 30, 2022 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	\$ 356,438	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,760,181
Changes of assumptions	1,651,753	-
Changes in proportion and differences between District contributions and proportionate share of contributions	480,082	256,259
District contributions subsequent to the measurement date	1,791,320	-
Total	\$ 4,279,593	\$ 7,016,440

\$1,791,320 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (874,293)
2024	(648,026)
2025	(996,868)
2026	(2,008,980)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

The following actuarial assumptions are applied to all periods included in the measurement:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target 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 Rate of Return
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash Equivalents	1.00	(1.00)
Total	<u>100.00 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.55 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 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 31,703,624	\$ 22,385,859	\$ 14,707,279

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/>.

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 \$37,849 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$1,207,266 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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, 2021, the District's proportion was 0.187556 percent. This was an increase of 0.005135 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB income of \$62,776. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,313	\$ 377,496
Changes of assumptions	195,526	40,831
Net difference between projected and actual earnings on OPEB plan investments	56	-
Changes in proportion and differences between District contributions and proportionate share of contributions	52,936	26,763
District contributions subsequent to the measurement date	37,849	-
Total	\$ <u>287,680</u>	\$ <u>445,090</u>

\$37,849 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (49,099)
2024	(46,599)
2025	(34,443)
2026	(42,573)
2027	(22,545)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13 percent
Prior Measurement Date	2.19 percent
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

Single Equivalent Interest Rate, net
of OPEB plan investment expense,
including inflation

Measurement Date 2.13 percent

Prior Measurement Date 2.19 percent

Health Care Cost Trends

Medicare Supplement Claims

Pre-Medicare 6.50 percent for 2022 decreasing to an ultimate
rate of 4.50 percent by 2030

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

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. 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, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 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 (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 1,336,271	\$ 1,207,266	\$ 1,097,270

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:

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

		Healthcare Cost Trend Rates	
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 1,118,241	\$ 1,207,266	\$ 1,308,014

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 - Contingencies

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

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

Note 11 – 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 52 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 43 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.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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 43 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 12 – Alternative School Consortium

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

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

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

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2022

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Scott County School District	\$ 203,622
Newton Municipal School District	108,803
Forest Municipal School District	108,803
Philadelphia Public School District	108,803
Total tuition from other LEA's within the state	530,031
Interest	134
Total local sources	530,165
Total Revenues	530,165

Expenditures

Salaries	528,906
Employee benefits	162,016
Purchased property services	51,494
Other purchased services	726
Supplies	10,419
Other	15,443
Total Expenditures	769,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	(238,839)

Other Financing Sources/Uses

Operating transfers in	213,415
Total Other Financing Sources/Uses	213,415
Net Change in Fund Balance	(25,424)

Fund Balance:

July 1, 2021	50,625
June 30, 2022	\$ 25,201

Note 13 - Insurance Loss Recoveries

The District received \$129,122 in insurance loss recoveries related to damage during the 2021-2022 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other income.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$23,758,737) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,791,320 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$2,488,273 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2022

The unrestricted net position amount of (\$23,758,737) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,016,440 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$23,758,737) 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 \$37,849 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$249,831 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$23,758,737) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$445,090 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 15 - Subsequent Events

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

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REQUIRED SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$4,483,494	\$4,139,980	\$ 4,127,980	\$ (343,514)	\$ (12,000)
State sources	9,877,088	9,869,523	9,869,523	(7,565)	-
Federal sources	14,500	5,423	5,423	(9,077)	-
Sixteenth section sources	142,265	150,959	150,959	8,694	-
Total Revenues	<u>14,517,347</u>	<u>14,165,885</u>	<u>14,153,885</u>	<u>(351,462)</u>	<u>(12,000)</u>
Expenditures					
Instruction	8,318,600	8,501,772	8,501,772	(183,172)	-
Support services	5,040,262	5,571,235	5,544,235	(530,973)	27,000
Noninstructional services	182,095	122,152	124,152	59,943	(2,000)
Sixteenth section	14,300	10,804	10,804	3,496	-
Facilities acquisition & construction	-	117,300	115,300	(117,300)	2,000
Debt service:					
Principal	67,824	67,970	62,505	(146)	5,465
Interest	4,882	4,299	4,142	583	157
Total Expenditures	<u>13,627,963</u>	<u>14,395,532</u>	<u>14,362,910</u>	<u>(767,569)</u>	<u>32,622</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>889,384</u>	<u>(229,647)</u>	<u>(209,025)</u>	<u>(1,119,031)</u>	<u>20,622</u>
Other Financing Sources (Uses)					
Sale of transportation equipment	2,000	-	-	(2,000)	-
Sale of other property	2,000	-	-	(2,000)	-
Insurance recovery	-	60,292	60,292	60,292	-
Operating transfers in	1,853,393	2,132,304	4,893	278,911	(2,127,411)
Operating transfers out	<u>(2,508,268)</u>	<u>(2,845,190)</u>	<u>(727,972)</u>	<u>(336,922)</u>	<u>2,117,218</u>
Total Other Financing Sources (Uses)	<u>(650,875)</u>	<u>(652,594)</u>	<u>(662,787)</u>	<u>(1,719)</u>	<u>(10,193)</u>
Net Change in Fund Balances	238,509	(882,241)	(871,812)	(1,120,750)	10,429
Fund Balances					
July 1, 2021	4,115,175	4,016,586	4,016,586	(98,589)	-
June 30, 2022	<u>\$4,353,684</u>	<u>\$3,134,345</u>	<u>\$ 3,144,774</u>	<u>\$(1,219,339)</u>	<u>\$ 10,429</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Child Nutrition Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 91,500	\$ 52,675	\$ 52,675	\$ (38,825)	\$ -
State sources	15,000	11,721	11,721	(3,279)	-
Federal sources	1,287,000	1,963,691	1,963,691	676,691	-
Total Revenues	1,393,500	2,028,087	2,028,087	634,587	-
Expenditures					
Support services	158,337	207,625	222,625	(49,288)	(15,000)
Noninstructional services	1,164,381	1,355,214	1,355,214	(190,833)	-
Total Expenditures	1,322,718	1,562,839	1,577,839	(240,121)	(15,000)
Excess (Deficiency) of Revenues over (under) Expenditures	70,782	465,248	450,248	394,466	(15,000)
Other Financing Sources (Uses)					
Insurance recovery	-	68,830	68,830	68,830	-
Operating transfers out	(15,000)	(15,000)	-	-	15,000
Total Other Financing Sources (Uses)	(15,000)	53,830	68,830	68,830	15,000
Net Change in Fund Balances	55,782	519,078	519,078	463,296	-
Fund Balances					
July 1, 2021	548,509	548,509	548,509	-	-
Increase in reserve for inventory	-	20,991	20,991	20,991	-
June 30, 2022	\$ 604,291	\$ 1,088,578	\$ 1,088,578	\$ 484,287	\$ -

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

NEWTON COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
ESSER II
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	-	934,349	1,586,313	934,349	651,964
Total Revenues	-	934,349	1,586,313	934,349	651,964
Expenditures					
Support services	-	-	99,750	-	(99,750)
Facilities acquisition and construction	-	934,349	1,486,563	(934,349)	(552,214)
Total Expenditures	-	934,349	1,586,313	(934,349)	(651,964)
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances					
July 1, 2021	-	-	-	-	-
June 30, 2022	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

	<u>2022</u>	<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	0.151456%	0.149970%	0.147200%	0.151793%	0.151251%	0.150263%	0.151451%	0.148623%
District's proportionate share of the net pension liability	\$ 22,385,859	29,032,449	25,895,383	25,247,688	25,143,051	26,840,724	23,411,338	18,040,111
District's covered payroll	\$ 10,070,317	9,986,178	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778	9,081,663
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,791,320	\$ 1,752,235	\$ 1,737,595	\$ 1,509,917	\$ 1,526,713	\$ 1,528,193	\$ 1,513,999	\$ 1,490,230
Contributions in relation to the contractually required contribution	1,791,320	1,752,235	1,737,595	1,509,917	1,526,713	1,528,193	1,513,999	1,490,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	10,294,943	10,070,317	9,986,178	9,586,775	9,693,416	9,702,813	9,612,692	9,461,778
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.18755632%	0.18242136%	0.18574688%	0.18356354%	0.18619479%
District's proportionate share of the net OPEB liability	\$ 1,207,266	1,419,618	1,576,138	1,419,956	1,460,901
District's covered-employee payroll	\$ 10,070,513	8,845,235	8,548,944	8,302,454	8,365,220
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	11.99%	16.05%	18.44%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

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

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 37,849	\$ 48,524	\$ 56,614	\$ 63,176	\$ 62,280
Contributions in relation to the actuarially determined contribution	37,849	48,524	56,614	63,176	62,280
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	10,294,943	10,070,513	8,845,235	8,548,944	8,505,372
Contributions as a percentage of covered-employee payroll	0.37%	0.48%	0.64%	0.74%	0.73%

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

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

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 COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

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%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

(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, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

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.

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.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% 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.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2022

(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, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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	
Pre-Medicare	7.00%
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	4.75%
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2028
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

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SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	225MS326N1099	\$ 711,071
National School Lunch Program	10.555	225MS326N1099	1,252,620
Total Child Nutrition Cluster			1,963,691
Total Passed-through Mississippi Department of Education			1,963,691
Total U.S. Department of Agriculture			1,963,691
<u>U.S. Department of Interior</u>			
Passed-through Mississippi Department of Education:			
Indian Education Facilities, Operations, and Maintenance	15.047	N/A	8,791
Total Passed-through Mississippi Department of Education			8,791
Total U.S. Department of Interior			8,791
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A190024 S010A200024 S010A210024	725,869
Rural Education	84.358	S358B190024 S358B200024 S358B210024	7,224
Supporting Effective Instruction State Grants	84.367	S367A210023	120,243
Student Support and Academic Enrichment Program	84.424	S424A210025	59,905
Subtotal			913,241
COVID-19 - Education Stabilization Fund (ESSER):			
Elementary and Secondary School Emergency Relief Fund I	84.425D	S425D200031	134,956
Elementary and Secondary School Emergency Relief Fund II	84.425D	S425D210031	1,594,358
Elementary and Secondary School Emergency Relief Fund III	84.425U	S425D210031	751,067
			2,480,381
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A190108 H027A200108 H027A210108	592,571
Special Education - Preschool Grants	84.173	H173A200113 H173A210113	26,463
Total Special Education Cluster			619,034
Total Passed-through Mississippi Department of Education			4,012,656
Total U.S. Department of Education			4,012,656
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical Assistance Program	93.778	N/A	20,257
Total Passed-through Mississippi Department of Human Services			20,257
Total U.S. Department of Health and Human Services			20,257
Total for All Federal Awards			\$ 6,005,395

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

NEWTON COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Newton County School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Newton County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Newton County School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

NEWTON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2022

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,038,441	10,814,073	645,054	958,027	1,621,287
Other	<u>7,540,238</u>	<u>1,317,639</u>	<u>279,246</u>	<u>101,324</u>	<u>5,842,029</u>
Total	\$ <u>21,578,679</u>	<u>12,131,712</u>	<u>924,300</u>	<u>1,059,351</u>	<u>7,463,316</u>
Total number of students*	<u>1,530</u>				
Cost per student	\$ <u>14,104</u>	<u>7,929</u>	<u>604</u>	<u>692</u>	<u>4,879</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.

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OTHER INFORMATION

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

	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 4,127,980	4,234,757	4,369,509	4,258,318
State sources	9,869,523	9,630,567	9,765,519	9,196,901
Federal sources	5,423	7,867	8,248	13,316
Sixteenth section sources	150,959	201,763	330,216	281,864
Total Revenues	<u>14,153,885</u>	<u>14,074,954</u>	<u>14,473,492</u>	<u>13,750,399</u>
Expenditures				
Instruction	8,501,772	8,521,061	8,461,093	8,129,487
Support services	5,544,235	4,897,925	5,021,493	4,555,504
Noninstructional services	124,152	148,671	155,086	147,349
Sixteenth section	10,804	67,736	10,206	22,335
Facilities acquisition and construction	115,300	-	36,320	28,364
Debt service:				
Principal	62,505	66,531	70,173	67,045
Interest	4,142	6,175	8,591	1,211
Other	-	-	2,500	-
Total Expenditures	<u>14,362,910</u>	<u>13,708,099</u>	<u>13,765,462</u>	<u>12,951,295</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(209,025)</u>	<u>366,855</u>	<u>708,030</u>	<u>799,104</u>
Other Financing Sources (Uses)				
Leases issued	-	-	340,800	-
Insurance recovery	60,292	64,925	49,688	38,631
Sale of other property	-	4,064	-	-
Operating transfers in	4,893	425	45,687	61,117
Operating transfers out	<u>(727,972)</u>	<u>(704,535)</u>	<u>(714,130)</u>	<u>(682,631)</u>
Total Other Financing Sources (Uses)	<u>(662,787)</u>	<u>(635,121)</u>	<u>(277,955)</u>	<u>(582,883)</u>
Net Change in Fund Balances	<u>(871,812)</u>	<u>(268,266)</u>	<u>430,075</u>	<u>216,221</u>
Fund Balances				
Beginning of period, as previously reported	4,016,586	4,187,621	3,757,546	3,541,325
Prior period adjustment	-	97,231	-	-
Beginning of period, as restated	<u>4,016,586</u>	<u>4,284,852</u>	<u>3,757,546</u>	<u>3,541,325</u>
End of Period	<u>\$ 3,144,774</u>	<u>4,016,586</u>	<u>4,187,621</u>	<u>3,757,546</u>

*Source - Prior Year Audit Reports

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

	2022	2021*	2020*	2019*
Revenues				
Local sources	\$ 4,489,918	4,559,481	4,854,155	4,785,543
State sources	10,176,134	10,180,101	10,181,106	9,695,351
Federal sources	6,010,817	4,091,136	2,068,930	2,071,090
Sixteenth section sources	170,646	225,644	382,907	317,215
Total Revenues	<u>20,847,515</u>	<u>19,056,362</u>	<u>17,487,098</u>	<u>16,869,199</u>
Expenditures				
Instruction	10,778,711	11,530,775	9,956,529	9,657,605
Support services	6,713,055	5,850,158	6,053,591	5,492,079
Noninstructional services	1,527,103	1,300,511	1,217,121	1,254,245
Sixteenth section	42,404	101,208	52,832	43,433
Facilities acquisition and construction	2,238,511	-	1,481,436	33,264
Debt service:				
Principal	197,505	196,531	150,173	67,045
Interest	80,390	87,418	93,793	37,822
Other	1,000	1,000	3,500	57,175
Total Expenditures	<u>21,578,679</u>	<u>19,067,601</u>	<u>19,008,975</u>	<u>16,642,668</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(731,164)</u>	<u>(11,239)</u>	<u>(1,521,877)</u>	<u>226,531</u>
Other Financing Sources (Uses)				
Leases issued	-	-	340,800	-
Notes issued	-	-	-	2,300,000
Insurance recovery	129,122	64,925	49,688	38,631
Sale of other property	-	4,064	-	-
Operating transfers in	969,234	948,310	992,577	1,026,843
Operating transfers out	(969,234)	(948,310)	(992,577)	(1,026,843)
Total Other Financing Sources (Uses)	<u>129,122</u>	<u>68,989</u>	<u>390,488</u>	<u>2,338,631</u>
Net Change in Fund Balances	<u>(602,042)</u>	<u>57,750</u>	<u>(1,131,389)</u>	<u>2,565,162</u>
Fund Balances				
Beginning of period, as previously reported	5,938,527	5,814,218	6,920,006	4,353,294
Prior period adjustment	-	101,431	-	-
Beginning of period, as restated	<u>5,938,527</u>	<u>5,915,649</u>	<u>6,920,006</u>	<u>4,353,294</u>
Increase (Decrease) in reserve for inventory	<u>20,991</u>	<u>(34,872)</u>	<u>25,601</u>	<u>1,550</u>
End of Period	<u>\$ 5,357,476</u>	<u>5,938,527</u>	<u>5,814,218</u>	<u>6,920,006</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Newton County School District

We have audited, in accordance with 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 the Newton County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Newton County's School District's basic financial statements and have issued our report thereon dated December 19, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or 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 material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Newton County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-001.

Newton County School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Newton County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Newton County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

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

Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
December 19, 2022

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

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

Superintendent and School Board
Newton County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Newton County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Newton County School District's major federal programs for the year ended June 30, 2022. The Newton County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Newton County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Newton County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Newton County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Newton County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Newton County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than

for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Newton County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Newton County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Newton County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Newton County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
December 19, 2022

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

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

Superintendent and School Board
Newton County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2022, which collectively comprise Newton County School District's basic financial statements and have issued our report thereon dated December 19, 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:

1. **The District reimbursed employees for travel or other expenses without proper documentation.**

Repeat Finding: Yes

Criteria: *Section 25-3-41, Miss. Code Ann. (1972), provides that when any officer or employee is required to travel in the performance of his official duties, the officer or employee shall receive as reimbursement based on a mileage rate approved by the governing authorities an*

amount not to exceed the mileage reimbursement rate allowable to federal employees for the use of a privately owned vehicle.

In addition, a public officer or employee shall be reimbursed for other actual expenses such as meals, lodging and other necessary expenses incurred in the course of the required travel.

This statute also provides that the Mississippi Department of Finance and Administration shall promulgate the rules and regulations to effectuate economies for all expenses authorized under this section. Additional travel regulations are contained in the Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Travel Section and DFA-State Travel Policy Rules and Regulations.

Condition: As a result of our audit procedures for state legal compliance, we observed the following instances of noncompliance:

- Three instances where an employee was reimbursed for actual meal expenses that exceeded the daily limit of forty-six dollars as established by the Department of Finance and Administration.
- One instance where an employee was reimbursed for mileage without adequate documentation supporting the purpose of the trip such as conference agendas or other documentation.
- One instance where an employee was reimbursed the entire cost of their personal cell phone bill without providing adequate documentation that the employee's cell phone was used solely for District purposes.

Cause: Management does not follow current internal controls and therefore approves travel reimbursements without the proper documentation.

Effect: Failure of District personnel approving travel reimbursements in compliance with the District's travel reimbursement policy and the Department of Finance and Administration procedures that require supporting documentation be attached to all travel reimbursement vouchers increases the risk of the misuse or misappropriation of public funds.

Recommendation: The District should implement internal controls to require officers or employees of the District to attach all required supporting documentation to travel reimbursement vouchers or other employee reimbursement vouchers in order for the officer or employee of the District to be reimbursed.

Response: The District will make sure that the rules and guidelines set forth by the State of Mississippi are followed in the reimbursement of travel expenses. Employees will receive training on the process that is to be followed when allowable travel expenses are going to be reimbursed. The necessity of the appropriate documentation will be emphasized. Employees will also be made aware of the proper procedures required to be reimbursed for District use of their personal cell phone. The necessity of the appropriate documentation for this reimbursement will also be emphasized to all employees.

2. **Certain District officials or employees were not properly bonded.**

Repeat Finding: No

Criteria:	<p><i>Section 37-9-31, Miss. Code Ann. (1972)</i> states “All school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than Fifty Thousand Dollars (\$50,000.00), with sufficient surety. The premium upon said bond shall be paid from the maintenance funds of the district served by such principal. Such bond shall be payable, conditioned, and approved in the manner provided by law. All such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located.”</p> <p><i>Section 37-39-21, Miss. Code Ann. (1972)</i> states “The purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000.00), with sufficient surety. Such bonds shall be payable, conditioned, and approved in the manner provided by law, and shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located. The premium on said bond shall be paid out of the school district(s) maintenance fund(s).”</p>
Condition:	As a result of our state compliance audit procedure on surety bonds, we observed two instances (one principal and one assistant purchasing clerk) where the official or employee was bonded through a bond continuation bond rather than by individual bonds.
Cause:	The District did not have the necessary internal controls in place to ensure compliance with the state surety bond statutes listed above.
Effect:	A “Continuation Certificates” is a document that extends the life of the original surety bond. A “Continuation Certificate” only covers the current bonding periods. Failure to have a bond in place for specific terms or years could limit the amount available for recovery if a loss occurred over multiple terms or years.
Recommendation:	The District should strengthen its internal control system to ensure officials and employees are appropriately bonded, as required by state laws.
Response:	The District will ensure that all applicable employees are covered by the correct type of bond and not a continuation of coverage. The District will communicate with the bonding company to ensure that an individual bond is issued on each applicable employee.

3. The District did not properly terminate sixteenth section leases that were in default for more than sixty days.

Repeat Finding: No

Criteria: *Section 29-3-57, Miss. Code Ann. (1972)*, states in part that “The superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section lands; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payment of rentals provided for by such lease. It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rentals according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and

the board shall inaugurate the proper legal proceedings to terminate such lease.”

Section 29-3-69 Miss. Code Ann. (1972), states in part that “The board of education may lease school trust lands classified as industrial, commercial, farm-residential, residential, recreational, catfish farming or other for a term not exceeding forty (40) years for a ground rental, payable annually.”

Condition:	As a result of our audit procedures, we observed seventeen (17) instances where lease payments were not received within the sixty (60) day limit and not properly cancelled. Included in the above leases were five (5) instances where the District accepted partial payments on leases which we find no authority in state statutes.
Cause:	The District did not have the necessary internal controls in place to ensure that all payments due on sixteenth section lease lands are received or that the lease is cancelled in accordance with state statutes.
Effect:	Failure by District personnel charged with the responsibility of managing the District’s sixteenth section school lands could result in the board of education not fulfilling its duty to properly manage school trust lands and the funds that should be received arising from the use of said trust lands which increases the risk of the misuse of or misappropriation of public funds or lands.
Recommendation:	We recommend that the District implement procedures to ensure that all sixteenth section lease payments are received within the sixty (60) day time limit or that the lease is properly cancelled by the board of education.
Response:	The proper procedures regarding the timeliness of sixteenth section lease payments and the legal procedures requiring cancellation of such leases will be communicated to the applicable employees.

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

The Newton County School District’s responses to 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.



Stephen D. Myrick, C.P.A., L.L.C.
Quitman, Mississippi
December 19, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(es) identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | | | | | | | | | | |
|----------------|--|---------------|---|----------------|-------------------------|---------|---|---------|--|--|
| 4. | Internal control over major programs: | | | | | | | | | |
| | a. Material weakness(es) identified? | No | | | | | | | | |
| | b. Significant deficiency(es) 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: | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><u>ALNs</u></td> <td style="text-align: center;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="text-align: center;">10.553; 10.555</td> <td style="text-align: center;">Child Nutrition Cluster</td> </tr> <tr> <td style="text-align: center;">84.425D</td> <td style="text-align: center;">Elementary and Secondary School
Emergency Relief Fund I and II</td> </tr> <tr> <td style="text-align: center;">84.425U</td> <td style="text-align: center;">Elementary and Secondary School
Emergency Relief Fund ARP III</td> </tr> </table> | <u>ALNs</u> | <u>Name of Federal Program or Cluster</u> | 10.553; 10.555 | Child Nutrition Cluster | 84.425D | Elementary and Secondary School
Emergency Relief Fund I and II | 84.425U | Elementary and Secondary School
Emergency Relief Fund ARP III | |
| <u>ALNs</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | |
| 10.553; 10.555 | Child Nutrition Cluster | | | | | | | | | |
| 84.425D | Elementary and Secondary School
Emergency Relief Fund I and II | | | | | | | | | |
| 84.425U | Elementary and Secondary School
Emergency Relief Fund ARP III | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A or type B programs: | \$750,000 | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | Yes | | | | | | | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b)? | No | | | | | | | | |

Section II: Financial Statement Findings

2022-001.

Finding

Repeat Finding:

No

Criteria:

The “Accounting Manual for School Districts” as prepared by the Mississippi Department of Education states the following: One of the most important aspects of controls over expenditures is an efficient and effective system of purchasing. The objectives of an effective purchasing system are to buy materials, supplies, commodities, and services that are of the right quality, quantity, price and from the right source with delivery being at the right place. These objectives should be accomplished in accordance with management's purchasing policies and in accordance with applicable federal and state purchasing laws. Each school district shall establish a purchasing system which will meet these objectives but a well-designed purchasing system should include purchase requisitions, purchase orders and receiving reports.

This manual further states that purchase requisitions are documents completed and signed by school personnel requesting authorization by school district management for the purchase of requested goods and/or services. A purchase order is defined as a document authorizing the delivery of specified merchandise or the rendering of certain services and the making of a charge for them. Acceptance of a purchase order by the vendor establishes a legally binding contract. The purchase order gives the vendor authority to ship the required items and binds the district for payment.

Condition:

The District's internal control procedures over purchasing are inadequate to ensure it fulfills its present internal control system over purchasing and to ensure compliance with state laws over purchasing. As a result of our statistically valid random sample of twenty-five non-payroll expenditures and our test of large expenditures, we observed the following instances where the District did not fulfill its present internal controls or comply with state statutes:

- Three instances where the invoice were dated before the purchase order.
- Two instances where the amount of the invoice exceeded the amount of the purchase order.
- Three instances where the amount paid to the vendor did not agree to the amount of the invoice.
- One instance where there was no purchase order issued.
- One instance where the amount paid for a school bus exceeded the amount approved by the Mississippi Department of Education.
- One instance where the District did not obtain quotes as required by purchasing laws for the conversion of an athletic field's lights to LED.

Cause:

The District's internal control system lacks the necessary control procedures to ensure that it fulfills its present system over purchasing and to ensure compliance with state statutes.

Effect:

Failure to implement additional controls over purchasing could result in the misuse or misappropriation of district funds.

Recommendation:

The District should implement additional internal controls to ensure that District personnel fulfill current internal control system over purchasing.

**Views of Responsible
Officials:**

The Auditee's Corrective Action Plan on page 87 lists the District's response to the finding.

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.

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Newton County School District

J.O. Amis - Superintendent

15305 Highway 15 • Decatur, MS 39327
Telephone 601-635-2317 • Fax 601-635-4025

AUDITEE'S CORRECTIVE ACTION PLAN

2022-001

Corrective Action:

We are implementing additional internal control procedures such as additional training for personnel who purchase to ensure compliance with our present internal control system over purchasing.

Name of Contact Persons:

Cay Clark, Finance Director
J.O. Amis, Superintendent

Anticipated Completion Date:

End of school year, May 25, 2023