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**NEWTON COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

# Newton County School District

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**FINANCIAL AUDIT REPORT**

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

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## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Newton County School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2005, which collectively comprise the Newton County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newton County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2005, on my consideration of the Newton County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 5 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for the purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Stephen D. Myrick  
Certified Public Accountant

November 18, 2005  
Quitman, Mississippi

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Billy L. Pierre**  
Superintendent

# Newton County Department of Education

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## NEWTON COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Newton County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$513,589, which represents a 4% increase from fiscal year 2004.
- General revenues account for \$9,385,542 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,140,657 or 31% of total revenues.
- The District had \$13,012,610 in expenses; only \$4,140,657 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,385,542 together with operating balances brought forward from fiscal year 2004 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,204,600 in revenues and \$9,123,857 in expenditures. The General Fund's fund balance increased \$309,039 over the prior year,

which represents \$446,676 net increase due to current year activities and \$137,637 decrease due to a prior period adjustment to correct a prior year transfer that was improperly reflected as an interfund loan.

- Capital assets, net of accumulated depreciation, decreased by \$109,213.
- Long-term debt decreased by \$178,505.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 17 - 18 of this report.

**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 divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets on page 23.

**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 on pages 25 - 40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major Special Revenue Fund. This required supplementary information can be found on pages 43 - 45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 49 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$14,467,574 as of June 30, 2005.

By far the largest portion of the District's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005, and a comparison of the same information as presented at June 30, 2004.

	FISCAL YEAR 2005	FISCAL YEAR 2004	DIFFERENCE
Current assets	\$ 3,957,471	\$ 4,127,602	\$ (170,131)
Capital assets, net	<u>\$ 12,521,335</u>	<u>\$ 12,630,656</u>	<u>\$ (109,321)</u>
<b>Total Assets</b>	<b>\$ 16,478,806</b>	<b>\$ 16,758,258</b>	<b>\$ (279,452)</b>
Current liabilities	\$ 260,210	\$ 874,746	\$ (614,536)
Long-term debt outstanding	<u>\$ 1,751,022</u>	<u>\$ 1,929,527</u>	<u>\$ (178,505)</u>
<b>Total Liabilities</b>	<b>\$ 2,011,232</b>	<b>\$ 2,804,273</b>	<b>\$ (793,041)</b>
Net assets:			
Invested in capital assets, net of related debt	\$ 10,893,425	\$10,811,132	\$ 82,293
Restricted	\$ 858,427	\$ 648,552	\$ 209,875
Unrestricted	<u>\$ 2,715,722</u>	<u>\$ 2,494,301</u>	<u>\$ 221,421</u>
<b>Total Net Assets</b>	<b><u>\$ 14,467,574</u></b>	<b><u>\$ 13,953,985</u></b>	<b><u>\$ 513,589</u></b>

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

- The decrease in current assets can be attributed to the use of cash funds to pay for the completion of the high school addition.
- The decrease in net capital assets is a result of the depreciation expense for 2005 exceeding the capital asset purchases for the year.
- The decrease in current liabilities is due to the payment of the high school addition construction payables.
- The decrease in long-term debt is a result of principal payments that were made during fiscal year 2005.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2005 were \$13,526,199. The total cost of all programs and services was \$13,012,610. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005, and a comparison of the same information as presented at June 30, 2004.

	FISCAL YEAR 2005	FISCAL YEAR 2004	DIFFERENCE
<b>Revenues:</b>			
Program revenues	\$ 4,140,657	\$ 9,865,906	\$ (5,725,249)
General revenues	<u>\$ 9,385,542</u>	<u>\$ 2,664,068</u>	<u>\$ 6,721,474</u>
<b>Total revenues</b>	<b><u>\$ 13,526,199</u></b>	<b><u>\$ 12,529,974</u></b>	<b><u>\$ 996,225</u></b>
<b>Expenses:</b>			
Instruction	\$ 6,883,044	\$ 6,366,786	\$ 516,258
Support services	\$ 4,796,049	\$ 4,150,746	\$ 645,303
Non-instructional	\$ 1,166,580	\$ 916,615	\$ 249,965
Sixteenth Section	\$ 94,544	\$ 30,642	\$ 63,902
Interest on long-term liabilities	<u>\$ 72,393</u>	<u>\$ 119,009</u>	<u>\$ (46,616)</u>
<b>Total expenses</b>	<b><u>\$ 13,012,610</u></b>	<b><u>\$ 11,583,798</u></b>	<b><u>\$ 1,428,812</u></b>
<b>Increase in Net Assets</b>	<b><u>\$ 513,589</u></b>	<b><u>\$ 946,176</u></b>	<b><u>\$ (432,587)</u></b>

The following are explanations of significant changes in revenues and expenses.

- The increase in total revenue is due primarily to an increase in state funding for the payment of state mandated teacher pay raises, as well as an increase in federal funding, including the new Distance Learning Grant.
- The increase in total expenses is a result primarily of the state mandated teacher pay raises, as well as rising fuel and utilities costs.

The following table presents program and general revenues by major source for the fiscal year ended June 30, 2005, and a comparison of the same information at June 30, 2004.

	FISCAL YEAR 2005	FISCAL YEAR 2004	DIFFERENCE
<b>Program Revenues:</b>			
Charges for services	946,124	689,295	256,829
Operating Grants and Contributions	2,739,685	9,087,327	(6,347,642)
Capital Grants and Contributions	<u>454,848</u>	<u>89,284</u>	<u>365,564</u>
Total program revenues	<u>\$ 4,140,657</u>	<u>\$ 9,865,906</u>	<u>\$ (5,725,249)</u>
<b>General Revenues:</b>			
Taxes	1,955,007	1,975,440	(20,433)
Unrestricted grants and contributions	7,289,033	434,571	6,854,462
Sixteenth section sources	35,775	141,181	(105,406)
Unrestricted investment earnings	82,607	81,960	647
Other sources	<u>23,120</u>	<u>30,916</u>	<u>(7,796)</u>
Total general revenues	<u>\$ 9,385,542</u>	<u>\$ 2,664,068</u>	<u>\$ 6,721,474</u>
<b>Total Revenues</b>	<b><u>\$ 13,526,199</u></b>	<b><u>\$ 12,529,974</u></b>	<b><u>\$ 996,225</u></b>

The following are explanations of significant changes in program and general revenues.

- Charges for services increased primarily due to an increase in meal prices charged to students and adults.
- The decrease in operating grants and contributions can mainly be attributed to a classification change from the 2004 year.
- Sixteenth section source revenue decreased from 2004 to 2005 due to a sale of timber from sixteenth section lands during the 2004 year.
- Capital grants and contributions increased as a result of the funding received through the Distance Learning Grant, as well as other federal grants.

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

	Fiscal Year 2004 Total Expenses	Fiscal Year 2004 Net (Expense) Revenue	Fiscal Year 2005 Total Expenses	Fiscal Year 2005 Net (Expense) Revenue	Total Expense Difference	Net (Expense) Revenue Difference
Instruction	6,366,786	1,918,141	6,883,044	(4,929,994)	516,258	(6,848,135)
Support Services	4,150,746	(3,188,499)	4,796,049	(3,366,934)	645,303	(178,435)
Non-instructional	916,615	(301,485)	1,166,580	(548,834)	249,965	(247,349)
Sixteenth Section	30,642	(27,040)	94,544	46,202	63,902	73,242
Interest on long-term liabilities	<u>119,009</u>	<u>(119,009)</u>	<u>72,393</u>	<u>(72,393)</u>	<u>(46,616)</u>	<u>46,616</u>
<b>Total Expenses</b>	<b><u>11,583,798</u></b>	<b><u>(1,717,892)</u></b>	<b><u>13,012,610</u></b>	<b><u>(8,871,953)</u></b>	<b><u>1,428,812</u></b>	<b><u>(7,154,061)</u></b>

- Net cost of governmental activities (\$8,871,953), was financed by general revenue, which is made up primarily of property taxes of \$1,955,007 and state revenues of \$7,243,740.
- Investment earnings accounted for \$82,607 of funding.

## 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, unreserved 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 \$3,696,039, an increase of \$443,183 due primarily to an increase in cash and cash equivalents. \$3,668,886 or 99% of the fund balance constitutes unreserved and undesignated fund balance, of which the General Fund balance of \$2,751,687 is available for spending at the District's

discretion. The remaining fund balance of \$27,153 or 1% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$446,676, a result primarily of increased revenue from state and federal sources, and the reclassification of Advances To/From Funds to properly account for a permanent transfer from the 16<sup>th</sup> Section Interest Fund to cover construction costs.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget.

Budget revisions were made throughout the year to reflect changes in federal project allocations and grants. Other budget revisions were required for salaries, benefits, and related supplies for additional personnel that were hired during the year.

The following is an analysis of significant variances between original and final budget amounts and between final budget amounts and actual budget amounts for the General Fund and major special revenue funds.

- A negative budgeted variance for federal sources revenue was due to an unanticipated decrease in federal impact aid funds. There was no significant variance between the final and actual amounts.
- The positive budgeted variances for both instruction and support services were a result of the retirement of staff and the replacement of these positions with less experienced personnel. There were no significant variances between the final and actual amounts.
- The positive variance for facilities acquisition & construction is attributed to slower than expected construction of the new baseball fieldhouse.
- Noninstructional services showed a negative budgeted variance that can be attributed to an increase in salary and supplies for the district photographer, as well as higher than anticipated costs incurred for resale items and the production of the district's annual. There was no significant variance between the final and actual amounts.
- The positive budgeted variance for operating transfers in can be attributed to transfers between general funds due to reclassification of personnel. There was no significant variance between the final and actual amounts.
- Operating transfers out shows a negative budgeted variance as a result of transfers between general funds due to reclassification of personnel, as well as operating transfers to cover construction costs of the high school addition. There was no significant variance between the final and actual amounts.

- The positive budgeted variances for the Distance Learning Grant Fund were due to a lack of certainty regarding the timing of revenue and expenditures for the initial year of the new federal grant during the budgetary process.
- The negative final budgeted variance for noninstruction expenditures in the Distance Learning Grant Fund was a result of auditor adjustment to account for funds that were due as subsidies to other school districts at year end.
- Operating transfers in the Distance Learning Fund showed a positive final variance that can be attributed to auditor adjustment to properly reflect fund balance after the accrual of amounts due as subsidies to other school districts at year end.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$16,617,860, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$337,123 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$4,096,525 and total depreciation expense for the year was \$457,125, resulting in total net assets of \$12,521,335.

Additional information of the District's capital assets can be found in Note 4 on page 33 of this report.

**Debt Administration.** At June 30, 2005, the District had \$1,751,022 in general obligation bonds and other long-term debt outstanding, of which \$215,896 is due within one year.

Additional information of the District's long-term debt can be found in Note 5 on page 34 of this report.

## **CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will continue to increase. The budget for the next fiscal year will take into account this increase in funding and staffing needs.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Newton County School District, P.O. Box 97, Decatur, MS 39327.

**FINANCIAL STATEMENTS**

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**NEWTON COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents (Note 2)	\$ 2,808,630
Due from other governments	642,463
Other receivables, net	459,479
Inventories and prepaid items	19,010
Restricted assets	27,889
Capital assets, net (Note 4)	12,521,335
Total Assets	\$ 16,478,806
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 215,481
Deferred revenue	44,729
Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	210,000
Non-capital related liabilities	5,896
Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities, net	1,417,910
Non-capital related liabilities	117,216
Total Liabilities	\$ 2,011,232
<b>Net Assets:</b>	
Investment in capital assets, net of related debt	\$ 10,893,425
Restricted net assets:	
Expendable:	
School-based activities	739,822
Debt service	6,018
Forestry improvements	55,565
Unemployment benefits	35,708
Non-expendable:	
Sixteenth section	21,314
Unrestricted	2,715,722
Total Net Assets	\$ 14,467,574

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, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 6,883,044	\$ 471,721	\$ 1,481,329	\$ -	\$ (4,929,994)
Support services	4,796,049	317,984	759,665	351,466	(3,366,934)
Non-instructional	1,166,580	15,673	498,691	103,382	(548,834)
Sixteenth section	94,544	140,746	-	-	46,202
Interest on long-term liabilities	72,393	-	-	-	(72,393)
<b>Total governmental activities</b>	<b>\$ 13,012,610</b>	<b>\$ 946,124</b>	<b>\$ 2,739,685</b>	<b>\$ 454,848</b>	<b>(8,871,953)</b>
General Revenues:					
Taxes:					
General purpose levies					1,954,998
Debt purpose levies					9
Unrestricted grants and contributions:					
State					7,243,740
Federal					45,293
Unrestricted investment earnings					82,607
Sixteenth section sources					35,775
Other					23,120
Total General Revenues					9,385,542
Change in Net Assets					513,589
Net Assets - Beginning					13,953,985
Net Assets - Ending					\$ 14,467,574

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Distance Learning Grant Fund	2002 G. O. Refinancing Bond Fund		
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 1,982,653	\$ -	\$ -	\$ 853,866	\$ 2,836,519
Due from other governments	124,514	323,305	-	194,644	642,463
Other receivable	3,511	-	-	-	3,511
Due from other funds (Note 3-A)	1,479,842	54,049	218,500	146,736	1,899,127
Inventories and prepaid items	-	-	-	19,010	19,010
Total Assets	<u>\$ 3,590,520</u>	<u>\$ 377,354</u>	<u>\$ 218,500</u>	<u>\$ 1,214,256</u>	<u>\$ 5,400,630</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 6,041	\$ 97,305	\$ -	\$ 3,215	\$ 106,561
Due to other funds (Note 3-A)	824,649	280,049	218,186	230,417	1,553,301
Deferred revenue	-	-	-	44,729	44,729
Total Liabilities	<u>830,690</u>	<u>377,354</u>	<u>218,186</u>	<u>278,361</u>	<u>1,704,591</u>
Fund Balances:					
Reserved for:					
Inventory	-	-	-	19,010	19,010
Ad valorem	8,143	-	-	-	8,143
Unreserved:					
Undesignated, reported in:					
General fund	2,751,687	-	-	-	2,751,687
Special Revenue funds	-	-	-	889,867	889,867
Debt Service funds	-	-	314	5,704	6,018
Permanent funds	-	-	-	21,314	21,314
Total Fund Balances	<u>2,759,830</u>	<u>-</u>	<u>314</u>	<u>935,895</u>	<u>3,696,039</u>
Total Liabilities and Fund Balances	<u>\$ 3,590,520</u>	<u>\$ 377,354</u>	<u>\$ 218,500</u>	<u>\$ 1,214,256</u>	<u>\$ 5,400,630</u>

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

NEWTON COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,696,039
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,096,525. (Note 4)	12,521,335
2. Long-term liabilities, net of deferred issuance costs of \$120,476 are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(1,751,022)
3. Other	<u>1,222</u>
Total Net Assets - Governmental Activities	<u>\$ 14,467,574</u>

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30 2005**

	Major Funds				Total Governmental Funds
	General Fund	Distance Learning Grant Fund	2002 G. O. Refinancing Bond Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	2,827,588	\$ -	\$ 234	\$ 672,587	\$ 3,500,409
State sources	7,330,319	-	-	334,445	7,664,764
Federal sources	46,693	399,373	-	1,736,230	2,182,296
Sixteenth section sources	-	-	-	177,375	177,375
<b>Total Revenues</b>	<b>10,204,600</b>	<b>399,373</b>	<b>234</b>	<b>2,920,637</b>	<b>13,524,844</b>
<b>Expenditures:</b>					
Instruction	5,793,265	-	-	1,100,849	6,894,114
Support services	3,192,149	336,049	-	833,367	4,361,565
Noninstructional services	114,108	117,373	-	934,128	1,165,609
Sixteenth section	-	-	-	94,544	94,544
Facilities acquisition and construction	24,335	-	-	265,457	289,792
Debt service:					
Principal	-	-	149,730	55,270	205,000
Interest	-	-	70,793	-	70,793
Other	-	-	1,600	-	1,600
<b>Total Expenditures</b>	<b>9,123,857</b>	<b>453,422</b>	<b>222,123</b>	<b>3,283,615</b>	<b>13,083,017</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,080,743</b>	<b>(54,049)</b>	<b>(221,889)</b>	<b>(362,978)</b>	<b>441,827</b>
<b>Other Financing Sources (Uses):</b>					
Sale of other property	57	-	-	-	57
Operating transfers in (Note 3-B)	1,385,831	54,049	218,500	373,447	2,031,827
Operating transfers out (Note 3-B)	(2,021,254)	-	-	(10,573)	(2,031,827)
Other financing sources	1,299	-	-	-	1,299
<b>Total other financing sources (uses)</b>	<b>(634,067)</b>	<b>54,049</b>	<b>218,500</b>	<b>362,874</b>	<b>1,356</b>
<b>Net Change in Fund Balances</b>	<b>446,676</b>	<b>-</b>	<b>(3,389)</b>	<b>(104)</b>	<b>443,183</b>
<b>Fund Balances:</b>					
July 1, 2004	2,450,791	-	3,703	798,362	3,252,856
Prior period adjustments	(137,637)	-	-	137,637	-
July 1, 2004, as restated	2,313,154	-	3,703	935,999	3,252,856
June 30, 2005	\$ 2,759,830	\$ -	\$ 314	\$ 935,895	\$ 3,696,039

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**  
**For the Year Ended June 30, 2005**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 443,183
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$347,912, the depreciation expense amounted to \$457,125 and loss on sale of assets amounted to \$108. (Note 4)	(109,321)
2. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities. (Note 5)	(13,386)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities. (Note 5)	205,000
4. Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include a net increase in compensated absences. (Note 5).	(13,109)
5. Other	1,222
Change in Net Assets of Governmental Activities	\$ 513,589

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

NEWTON COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2005

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents (Note 2)	\$ 749,089
Due from other funds (Note 3-A)	<u>270,379</u>
Total assets	<u><u>\$ 1,019,468</u></u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 378,559
Due to other funds (Note 3-A)	616,205
Due to student clubs	<u>24,704</u>
Total liabilities	<u><u>\$ 1,019,468</u></u>

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

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# NEWTON COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2005

### 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

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 which each member was elected by the citizens of each defined county district.

#### B. Basis of Presentation

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### *Government-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

*Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Distance Learning Grant Fund – This fund is a special revenue fund used to account for the activity of a Distance Learning and Telemedicine Grant awarded to Newton County School District, Humphries County School District and Cleveland Municipal School District.

2002 G. O. Refinancing Bond Fund – This fund is a debt service fund used to account for debt service payments on general obligation refunding bonds issued in 2002 to refinance other debt of the school district.

**NEWTON COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

All other governmental funds not meeting this 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 types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities.

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

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

**FIDUCIARY FUNDS**

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**D. Account Classifications**

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U. S. Department of Education.

**E. Encumbrances**

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Cash and Cash Equivalents**

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

**G. 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 a maturity greater than 12 months when acquired.

**H. Inventories and Prepaid Items**

Food inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

**H. Capital Assets**

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisition are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide financial statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**NEWTON COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2005**

**1. Summary of Significant Accounting Policies (Continued)**

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$0	0
Buildings	\$50,000	40 years
Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$5,000	5-10 years
Furniture and equipment	\$5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

**J. Long-term Liabilities and Deferred Charges**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

Bond issuance costs and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the straight-line method.

**K. Interfund Transactions and Balances**

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within on year) interfund loan receivables are reported as "due from other funds" and are considered as available expendable resources. .

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**L. Equity Classifications**

*Government-Wide Financial Statements:*

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grants, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

**M. Property Taxes**

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 levying authority.

**NEWTON COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2005**

**N. Mississippi Adequate Education Program Revenues**

Revenues from the 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.

**O. Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, government funds report only the compensated absence liability payable from expendable available financial resources.

**2. Cash and Cash Equivalents**

The collateral for public entities' deposits in financial institutions is now held in the name of the State of 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,836,519 and \$749,089, respectively. The carrying amount of deposits in the government-wide statements was: Cash and cash equivalents \$2,808,630 and Restricted Assets \$27,889. The Restricted assets represent the cash balance of the 16<sup>th</sup> section principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,855,860.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**3. Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

**A. Due From/To Other Funds:**

	<u>Due From</u>	<u>Due To</u>
Major fund:		
General fund	\$ 1,479,842	\$ 824,649
Distance Learning Grant	54,049	280,049
2002 G. O. Refinancing Bond Fund	218,500	218,186
Non-major funds	146,736	230,417
Fiduciary	270,379	616,205
Total funds	<u>\$ 2,169,506</u>	<u>\$ 2,169,506</u>

The purpose of the above loans represent errors in posting, the recording of indirect costs in federal grants and loans for working capital.

**B. Transfers In/Out:**

	<u>Transfer In</u>	<u>Transfer Out</u>
Major fund:		
General fund	\$ 1,385,831	\$ 2,021,254
Distance Learning Grant	54,049	-
2002 G. O. Refinancing Bond Fund	218,500	-
Non-major funds	373,447	10,573
Total funds	<u>\$ 2,031,827</u>	<u>\$ 2,031,827</u>

The principal purpose of interfund transfers was to provide funds for the construction of the high school addition and pay indirect costs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**NEWTON COUNTY SCHOOL DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2005**

**4. Capital Assets**

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

	Balance 7/1/04	Additions	Retirements	Completed Construction	Balance 6/30/05
<u>Non-depreciable capital assets:</u>					
Land	\$ 192,862	\$ -	\$ -	\$ -	\$ 192,862
Construction in progress	1,662,633	231,264	-	(1,869,635)	24,262
Total non-depreciable capital assets	<u>1,855,495</u>	<u>231,264</u>	<u>-</u>	<u>(1,869,635)</u>	<u>217,124</u>
<u>Depreciable capital assets:</u>					
Buildings	11,069,230	-	-	1,869,635	12,938,865
Improvements other than buildings	1,513,283	-	-	-	1,513,283
Mobile Equipment	1,408,232	63,800	-	-	1,472,032
Furniture and equipment	434,497	52,848	10,789	-	476,556
Total depreciable capital assets	<u>14,425,242</u>	<u>116,648</u>	<u>10,789</u>	<u>1,869,635</u>	<u>16,400,736</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,271,972	258,778	-	-	2,530,750
Improvements other than buildings	251,921	60,532	-	-	312,453
Mobile Equipment	788,976	99,743	-	-	888,719
Furniture and equipment	337,212	38,072	10,681	-	364,603
Total accumulated depreciation	<u>3,650,081</u>	<u>457,125</u>	<u>10,681</u>	<u>-</u>	<u>4,096,525</u>
Total depreciable capital assets, net	<u>10,775,161</u>	<u>340,477</u>	<u>108</u>	<u>1,869,635</u>	<u>12,304,211</u>
Governmental activities capital assets, net	<u>\$ 12,630,656</u>	<u>\$ (109,213)</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 12,521,335</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 23,549
Support services	432,678
Non-instructional	<u>898</u>
Total depreciation expense	<u>\$ 457,125</u>

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**4. Capital Assets (Continued)**

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	Remaining Commitment	Required Future Financing
Baseball Fieldhouse	\$ 17,738	\$ -
Total	\$ 17,738	\$ -

**5. Long-term Liabilities**

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

	Balance 7/1/04	Additions	Reductions	Balance 6/30/05	Amounts due within one year
A. General obligation bonds payable	\$ 1,940,000	\$ -	\$ 205,000	\$ 1,735,000	\$ 210,000
B. Compensated absences payable	110,003	15,749	2,640	123,112	5,896
C. Deferred Charges	(120,476)	-	13,386	(107,090)	-
Total	\$ 1,929,527	\$ 15,749	\$ 221,026	\$ 1,751,022	\$ 215,896

**A. General Obligation Bonds Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bond, refinancing 2002	Varies	09/01/02	07/15/13	\$ 2,140,000	\$ 1,735,000
Total				\$ 2,140,000	\$ 1,735,000

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**5. Long-term Liabilities (Continued)**

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

Year Ending June 30	Principal	Interest	Total
2006	210,000	65,155	275,155
2007	215,000	58,645	273,645
2008	225,000	51,510	276,510
2009	230,000	43,563	273,563
2010	235,000	34,938	269,938
2011-2013	620,000	45,997	665,997
Total	<u>\$ 1,735,000</u>	<u>\$ 299,808</u>	<u>\$ 2,034,808</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the school district did not have any bonded indebtedness outstanding that was subject to these limitations. The current refunding is exempt from limitation by Section 31-15-17. This debt will be retired from the 2002 G. O. Refinancing Bond Fund.

General obligation bonds payable outstanding of \$1,735,000 is reflected on the Statement of Net Assets net of unamortized deferred charges of \$107,090. For additional details on Deferred Charges, see Notes 1(J) and 5(C).

**B. Compensated absences payable**

As more fully explained in Note 1(O), compensated absence 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.

**C. Deferred Charges**

Deferred charges represent bond issuance costs in the amount of \$61,848, net amortization of \$16,176 and the difference between the reacquisition price and the net carrying value of refunded debt in the amount of \$84,449, net of amortization of \$23,031. See also Note 1(J) and 5(A).

# NEWTON COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2005

### 6. Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$698,927, \$643,356, and \$596,923, respectively, which equaled the required contributions for each year.

### 7. Other Commitments

Commitments under construction contracts are described in Note 4.

### 8. Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are future rental payments to be made to the school district for the use of school trust lands.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**8. Sixteenth Section Lands (Continued)**

These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2006	\$ 23,627
2007	20,476
2008	15,976
2009	11,335
2010	6,916
2011-2015	24,110
2016-2020	17,119
2021-2025	16,855
2026-2030	12,923
2031-2035	4,550
2036-2040	1,821
	\$ 155,708

**10. Prior Period Adjustment/Exhibits**

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correct prior year interfund transfer reflected as an interfund loan	\$ 137,637

**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 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 90 school districts and covers risks of loss arising from injuries to the school district's 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.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**11. Risk Management (Continued)**

Each member of MSBAWCT contributes quarterly to a fund held by Trustmark National Bank in Jackson. The funds in the trust account are used to pay any claim up to \$175,000. For a claim exceeding \$300,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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.

**12. Prior Year Defeasance of Debt**

In prior years, the school district defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates of participation. Accordingly, the trust account assets and liability for the defeased debt are not included in the school district's financial statements. On June 30, 2005, \$1,875,000 of bonds outstanding are defeased.

**13. Alternative School Consortium**

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

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**13. Alternative School Consortium (Continued)**

Revenues:	
Local Sources	
Tuition from other LEA's within the state:	
Union Public School District	\$ 74,221
Scott County School District	153,823
Neshoba County School District	111,578
Newton Municipal School District	74,221
Enterprise School District	74,221
Forest Municipal School District	74,221
Philadelphia Public School District	74,221
Total tuition from other LEA's within the state	<u>636,506</u>
Other	280
Total local sources	<u>636,786</u>
Total revenues	<u>636,786</u>
Expenditures:	
Salaries	537,556
Employee benefits	161,272
Purchased property services	61,110
Other purchased services	25,897
Supplies	27,718
Property	6,424
Other	317
Total expenditures	<u>820,294</u>
Excess (Deficiency) of Revenues Over Expenditures	(183,508)
Other financing sources/uses:	
Operating Transfers in	241,006
Operating Transfers out	(28,664)
Total other financing sources/uses	<u>212,342</u>
Net change in fund balance	28,834
Fund balance:	
July 1, 2004	151,816
June 30, 2005	<u><u>\$ 180,650</u></u>

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**15. Vocational School Consortium**

The school district entered into a Vocational Education Agreement dated April 11, 1994 creating the Newton County/Union Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The consortium includes the Newton County School District and the Union Public School District.

Section 37-31-73(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Newton County School District has been designated as the fiscal agent for the Newton County/Union Consortium, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Newton County/Union Consortium.

Revenues	
Local Sources	
Taxes	\$ 240,378
Tuition from other LEA's within the state:	
Union Public School District	28,399
Other local sources	48,882
Total local sources	<u>317,659</u>
State Sources	214,391
Federal Sources	33,316
Total revenues	<u>565,366</u>
Expenditures	
Salaries	508,423
Employee benefits	126,207
Purchased property services	44,536
Other purchased services	6,126
Supplies	35,323
Property	20,868
Other	156
Total expenditures	<u>741,639</u>
Excess (Deficiency) of revenues over expenditures	(176,273)
Other financing sources/uses:	
Operating transfers in	183,721
Total other financing sources/uses	<u>183,721</u>
Net change in fund balance	7,448
Fund balance	
July 1, 2004	64,028
June 30, 2005	<u>\$ 71,476</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**NEWTON COUNTY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,859,321	\$ 2,847,876	\$ 2,827,588	\$ (11,445)	\$ (20,288)
State sources	7,324,488	7,330,320	7,330,319	5,832	(1)
Federal sources	80,000	46,694	46,693	(33,306)	(1)
Total Revenues	<u>10,263,809</u>	<u>10,224,890</u>	<u>10,204,600</u>	<u>(38,919)</u>	<u>(20,290)</u>
<b>Expenditures:</b>					
Instruction	6,084,803	5,793,316	5,793,265	291,487	51
Support services	3,311,057	3,192,279	3,192,149	118,778	130
Noninstructional services	86,500	114,114	114,108	(27,614)	6
Facilities acquisition & construction	40,000	24,335	24,335	15,665	-
<b>Debt service:</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>9,522,360</u>	<u>9,124,044</u>	<u>9,123,857</u>	<u>398,316</u>	<u>187</u>
Excess (Deficiency) of revenues over expenditures	<u>741,449</u>	<u>1,100,846</u>	<u>1,080,743</u>	<u>359,397</u>	<u>(20,103)</u>
<b>Other Financing Sources (Uses):</b>					
Sale of other property	-	-	57	-	57
Operating transfers in	1,053,049	1,362,959	1,385,831	309,910	22,872
Other financing sources	-	-	1,299	-	1,299
Operating transfers out	(1,445,404)	(1,967,207)	(2,021,254)	(521,803)	(54,047)
Total other financing sources (uses)	<u>(392,355)</u>	<u>(604,248)</u>	<u>(634,067)</u>	<u>(211,893)</u>	<u>(29,819)</u>
Net change in fund balances	<u>349,094</u>	<u>496,598</u>	<u>446,676</u>	<u>147,504</u>	<u>(49,922)</u>
<b>Fund Balances:</b>					
July 1, 2004	1,373,716	1,373,716	2,450,791	-	1,077,075
Prior period adjustments	-	-	(137,637)	-	(137,637)
July 1, 2004, as restated	<u>1,373,716</u>	<u>1,373,716</u>	<u>2,313,154</u>	<u>-</u>	<u>939,438</u>
June 30, 2005	<u>\$ 1,722,810</u>	<u>\$ 1,870,314</u>	<u>\$ 2,759,830</u>	<u>\$ 147,504</u>	<u>\$ 889,516</u>

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

**NEWTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Distance Learning Grant Fund**  
**For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 399,373	\$ 399,373	\$ 399,373	\$ -
Total Revenues	-	399,373	399,373	399,373	-
Expenditures:					
Support services	-	336,050	336,049	(336,050)	1
Noninstruction	-	20,068	117,373	(20,068)	(97,305)
Total Expenditures	-	356,118	453,422	(356,118)	(97,304)
Excess (Deficiency) of revenues over Expenditures	-	43,255	(54,049)	43,255	(97,304)
Other financing sources (uses):					
Operating transfers in	-	-	54,049	-	54,049
Total Other Financing Sources (Uses)	-	-	54,049	-	54,049
Net Change in Fund Balances	-	43,255	-	43,255	(43,255)
Fund Balances:					
July 1, 2004	-	-	-	-	-
June 30, 2005	\$ -	\$ 43,255	\$ -	\$ 43,255	\$ (43,255)

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

**NEWTON COUNTY SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2005**

**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 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 the date established by the Mississippi Department of Education. 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.

**3. Individual Fund Disclosures**

The Distance Learning Grant Fund has an excess of expenditures over budget in the amount of \$43,255. The fund with the excess of expenditures over budget is not in violation of state law since the excess resulted from auditor's adjustments.

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**SUPPLEMENTAL INFORMATION**

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**NEWTON COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Direct program:		
Distance learning & telemedicine loan grant program	10.855	\$ 399,373
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 42,395
Child nutrition cluster:		
School breakfast program	10.553	164,232
National school lunch program	10.555	363,259
Total child nutrition cluster		527,491
Total U.S. Department of Agriculture		969,259
<u>U.S. Department of Education</u>		
Direct program:		
Impact aid	84.041	5,625
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	471,443
Vocational education - basic grants to states	84.048	33,316
Safe and drug-free schools and communities - state grants	84.186	10,606
Fund for the improvement of education	84.215	30,742
Eisenhower professional development state grants	84.281	107,959
Innovative education program strategies	84.298	8,560
Education technology state grants	84.318	31,143
Transition to teaching	84.350	1,400
Rural education	84.358	84,846
Improving teach quality - state grants	84.367	38,767
Total		824,407
Special education cluster:		
Special education - grants to states	84.027	391,252
Special education - preschool grants	84.173	10,972
Total special education cluster		402,224
Total passed-through Mississippi Department of Education		1,226,631
Total U.S. Department of Education		1,226,631
<u>Other Federal Assistance</u>		
Direct program:		
Medicare reimbursement	93.XXX	18,090
Total Other Federal Assistance		18,090
Total for All Federal Awards		\$ 2,213,980

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 9,390,229	\$ 6,316,128	\$ 937,909	\$ 2,136,192
Other	<u>3,692,788</u>	<u>577,986</u>	<u>163,842</u>	<u>2,950,960</u>
Total	13,083,017	6,894,114	1,101,751	5,087,152
Total number of students	1,841			
Cost per student	<u>\$ 7,106</u>	<u>\$ 3,745</u>	<u>\$ 598</u>	<u>\$ 2,763</u>

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

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

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## **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

I 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, 2005. I conducted my 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.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my opinion, could adversely affect the district's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs as items 05-1, 05-2 and 05-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions referred to above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I also noted certain immaterial instances of noncompliance that I have reported to management of the school district in a separate letter dated November 18, 2005 that is included in this report.

This report is intended solely for the information and use of the school board, management, entities with accreditation overview, and federal awarding agencies 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  
Certified Public Accountant

November 18, 2005  
Quitman, Mississippi

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board  
Newton County School District

### Compliance

I have audited the compliance of the Newton County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the district's compliance based on my audit.

I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, Newton County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the Newton County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the school board, management, entities with accreditation overview, and federal awarding agencies 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  
Certified Public Accountant

November 18, 2005  
Quitman, Mississippi

**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

I 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, 2005, and have issued my report thereon dated November 18, 2005. I conducted my 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*.

Section 37-9-18(3), 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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. The district reported \$28,109 of classroom supply funds carried over from previous years.

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

### 1. Finding

As stated in the prior year, it does not appear that the school district had procedures in place to ensure that payments on leases of 16<sup>th</sup> section property were received within sixty days of the anniversary of said leases according to the terms listed in the lease agreements as required by section 29-3-57, Miss. Code Ann. (1972).

Recommendation

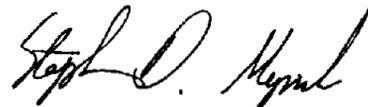
The school district should develop procedures to ensure that the district complies with state statutes regarding the collection of 16<sup>th</sup> section lease payments.

Response

Notices will be sent to all leaseholders who have not paid their lease payment within 60 days of the anniversary of said leases.

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.

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



Stephen D. Myrick  
Certified Public Accountant

November 18, 2005  
Quitman, Mississippi

**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, 2005**

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements:                          | Unqualified |
| 2. Material noncompliance relating to the financial statements?                          | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes         |

***Federal Awards:***

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:             | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No          |
| 6. Audit finding(s) reported as required by Section __.510(a) of OMB Circular A-133?     | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Program: Title I – grants to local educational agencies<br>CFDA #: 84.010             |             |
| b. Program: Distance learning & Telemedicine loan grant program<br>CFDA #: 10.855        |             |
| c. Cluster: Child Nutrition<br>CFDA #: 10.553<br>10.555                                  |             |
| 8. The dollar threshold used to distinguish between Type A and Type B programs:          | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?  | No          |

**NEWTON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2005**

10. Prior fiscal year audit finding(s) relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_315(b) of OMB Circular A-133?

No

Section 2: Financial Statement Findings

05-1. Finding

As a result of my test of expenditures, I observed the following internal control weaknesses:

- One instance where the paid invoice packet did not contain all the required information for purchases made from state contract or EPL.
- One instance where the paid invoice packet did not contain a supporting invoice.
- One instance where the purchase order was not properly signed by the purchasing agent.
- One instance where the paid invoice packet did not contain a requisition.

Recommendation

The school district should implement policies and procedures ensure that the school district fulfills the requirements of *Financial Accounting Manual for Mississippi Public School Districts* for purchasing.

05-2. Finding

As stated in the prior year, I observed that the present internal control procedures do not fulfill requirements contained in the *Financial Accounting Manual for Mississippi Public School Districts* to ensure that a Summary of Capital Assets, Asset Additions, and Asset Deletions is prepared monthly and approved by the board as required.

Recommendation

The district should ensure that general fixed assets are maintained in a manner that fulfills requirements of the *Financial Accounting Manual for Mississippi Public School Districts*.

I also recommend that the school district reconcile its capital asset expenditure accounts monthly to the fixed asset additions to ensure that all assets are properly added to the fixed asset inventory system.

**NEWTON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2005**

05-3. Finding

As a result of my sample of payroll expenditures, I observed the following internal control weaknesses:

- One instance where documentation of board authorization could not be located for salary paid to a certain employee.
- Two instances where a current authorization of voluntary withholdings from an employee's pay could not be located.

Recommendation

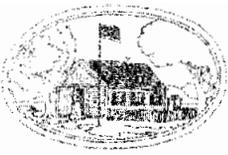
The school district should develop policies and procedures to ensure that the school district fulfills the requirements of *Financial Accounting Manual for Mississippi Public School Districts* over payroll and payroll related expenditures.

Section 3: Federal Award Findings and Questioned Cost

The results of my tests did not disclose any findings and questioned costs related to the federal awards that are required to be reported.

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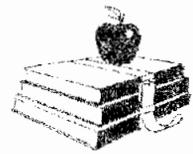
**AUDITEE'S CORRECTIVE ACTION PLAN**



**Billy L. Pierce**  
Superintendent

# Newton County Department of Education

Post Office Box 97 - 15305 Highway 15  
DECATUR, MISSISSIPPI 39327



Telephone: 601/635-2317  
Fax: 601/635-4025

## Financial & Compliance Audit Division

As required by section \_\_\_.315(b) of OMB Circular A-133, the Newton County School District has proposed and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

Finding	Corrective Action Plan Details
05-1	a. Name of contact person responsible for corrective action:  Cay Clark Financial Director (601) 635-2806

### Corrective action planned:

The Newton County School District will follow the purchasing policies and procedures contained in the Financial Accounting Manual for Mississippi Public School Districts.

### Anticipated completion date:

Corrective action has been taken.

Finding	Corrective Action Plan Details
05-2	a. Name of contact person responsible for corrective action:  Cay Clark Financial Director (601) 635-2806

### Corrective action planned:

A copy of the Summary of Capital Assets, Asset Additions, and Asset Deletions will be prepared monthly and approved by the board as required in the Financial Accounting Manual for Mississippi Public School Districts.

Anticipated completion date:

Corrective action has been taken.

Finding

Corrective Action Plan Details

05-3

a. Name of contact person responsible for corrective action:

Cay Clark  
Financial Director  
(601) 635-2806

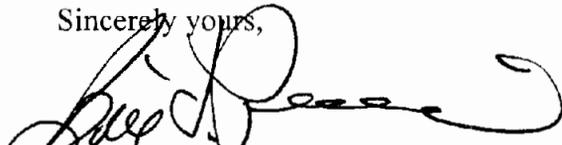
Corrective action planned:

The school district will develop policies and procedures to ensure that the requirements of the Financial Accounting Manual for Mississippi Public School Districts are met for payroll and payroll related expenditures.

Anticipated completion date:

Corrective action has been taken.

Sincerely yours,



Billy L. Pierce