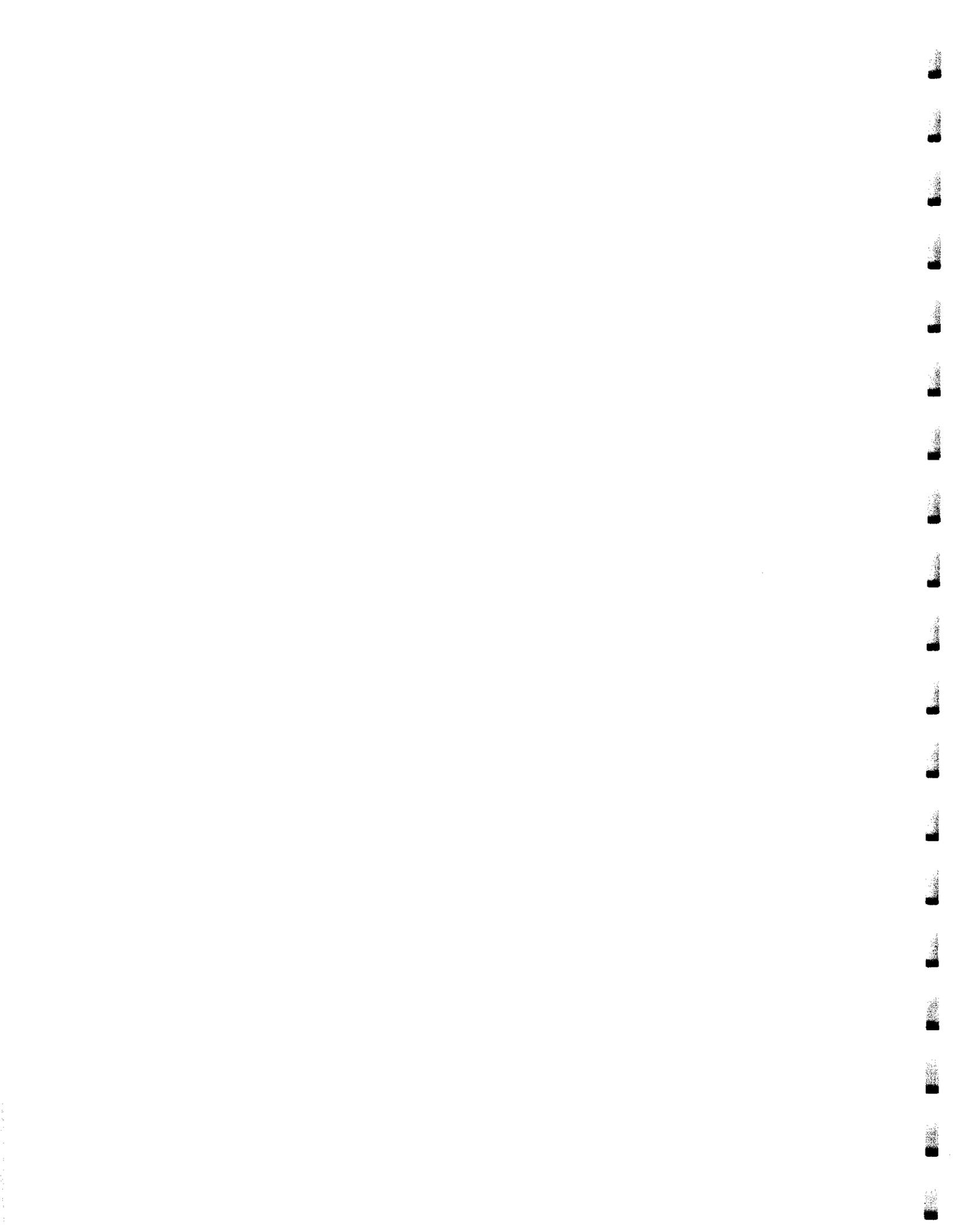




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NEWTON COUNTY SCHOOL DISTRICT

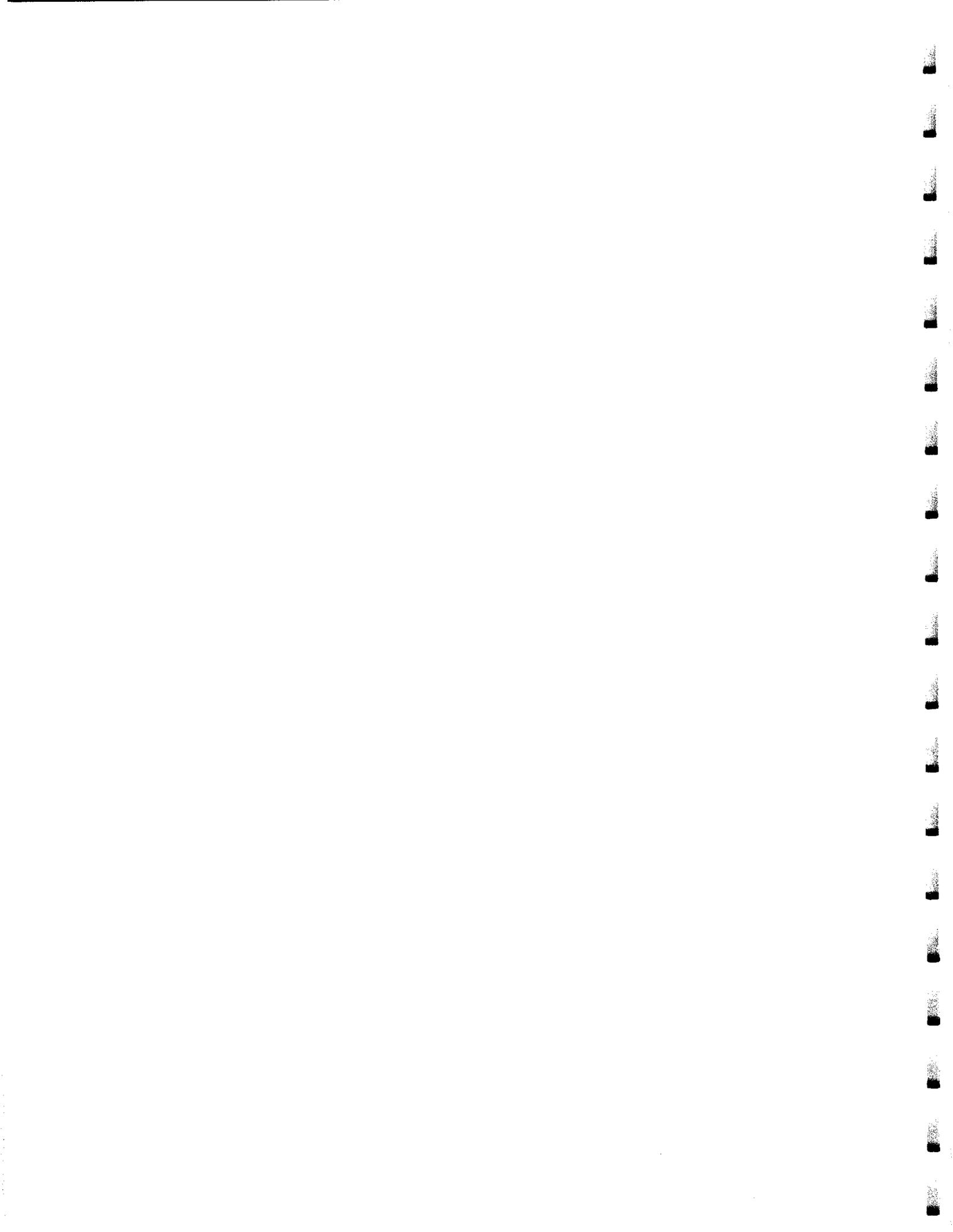
**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**



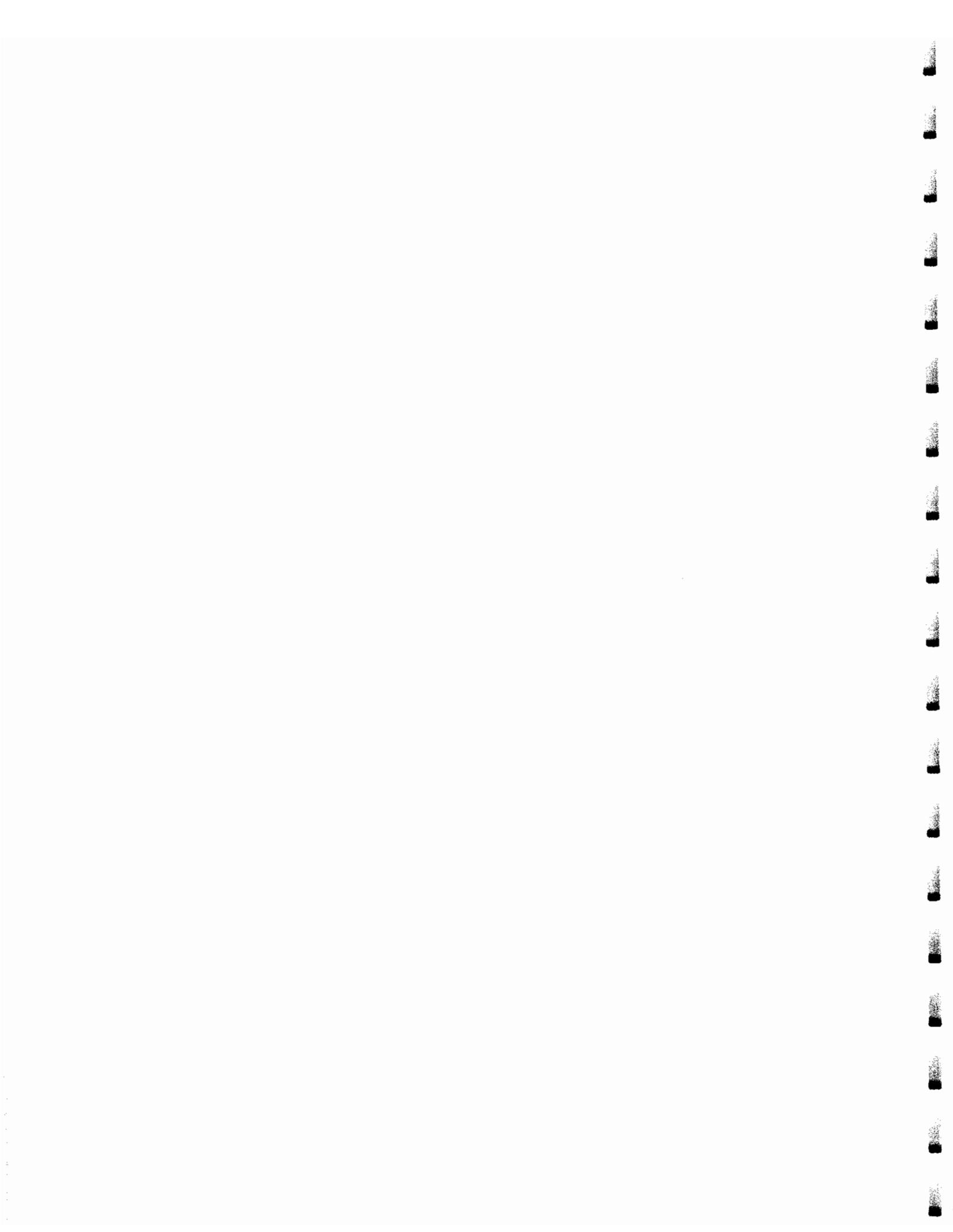
Newton County School District

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FINANCIAL AUDIT REPORT



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, 2006, 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, 2006, 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 December 1, 2006, 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 considered in assessing 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 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 accompanying 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 and is not a required part of the basic financial statements. 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

December 1, 2006
Quitman, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Billy L. Pierre
Superintendent

Newton County Department of Education

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

NEWTON COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. 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 \$379,216, which represents a 3% increase from fiscal year 2005.
- General revenues account for \$10,593,443 in revenue, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,898,506 or 27% of total revenues.
- The District had \$14,112,733 in expenses; only \$3,898,506 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,593,443 together with operating balances brought forward from fiscal year 2005 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,021,610 in revenues and \$10,540,210 in expenditures. The General Fund's fund balance increased \$476,441 over the prior year.

- Capital assets, net of accumulated depreciation, decreased by \$311,165.
- Long-term debt decreased by \$7,401.

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 are comprised of 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 19 - 20 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 22 and 24, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental 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 21 and 23 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 Assets and Liabilities on page 25.

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 27 - 42 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 45 - 47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 51 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 \$14,846,790 as of June 30, 2006.

By far the largest portion of the District's net assets (71%) 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, 2006, and a comparison of the same information as presented at June 30, 2005.

	FISCAL YEAR 2006	FISCAL YEAR 2005	DIFFERENCE
Current assets	\$ 4,430,850	\$ 3,957,471	\$ 473,379
Capital assets, net	<u>12,210,170</u>	<u>12,521,335</u>	<u>(311,165)</u>
Total Assets	\$ 16,641,020	\$ 16,478,806	\$ 162,214
Current liabilities	\$ 252,392	\$ 260,210	\$ (7,818)
Long-term debt outstanding	<u>1,541,838</u>	<u>1,751,022</u>	<u>(209,184)</u>
Total Liabilities	\$ 1,794,230	\$ 2,011,232	\$ (217,002)
Net assets:			
Invested in capital assets, net of related debt	\$ 10,568,874	\$ 10,893,425	\$ (324,551)
Restricted	852,874	858,427	(5,553)
Unrestricted	<u>3,425,042</u>	<u>2,715,722</u>	<u>709,320</u>
Total Net Assets	<u>\$ 14,846,790</u>	<u>\$ 14,467,574</u>	<u>\$ 379,216</u>

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

- The increase in current assets can be attributed to insurance loss recovery funds received that have not yet been expended for related reconstruction costs.
- The decrease in net capital assets is a result of current year depreciation expense exceeding the acquisition cost of capital assets purchased during the year.
- The decrease in current liabilities over the prior year is due to the school district's effort to pay outstanding bills and liabilities before the fiscal year end.
- The decrease in long-term debt is a result of principal and interest payments made on the school district's general obligation bonds during fiscal year 2006.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2006 were \$14,491,949. The total cost of all programs and services was \$14,112,733. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006, and a comparison of the same information as presented at June 30, 2005.

	FISCAL YEAR 2006	FISCAL YEAR 2005	DIFFERENCE
Revenues:			
Program revenues	\$ 3,898,506	\$ 4,140,657	\$ (242,151)
General revenues	<u>10,593,443</u>	<u>9,385,542</u>	<u>1,207,901</u>
Total revenues	<u>\$ 14,491,949</u>	<u>\$ 13,526,199</u>	<u>\$ 965,750</u>
Expenses:			
Instruction	\$ 7,865,752	\$ 6,883,044	\$ 982,708
Support services	5,016,748	4,796,049	220,699
Non-instructional	1,187,746	1,166,580	21,166
Sixteenth Section	8,309	94,544	(86,235)
Interest on long-term liabilities	<u>34,178</u>	<u>72,393</u>	<u>(38,215)</u>
Total expenses	<u>\$ 14,112,733</u>	<u>\$ 13,012,610</u>	<u>\$ 1,100,123</u>
Increase in Net Assets	<u>\$ 379,216</u>	<u>\$ 513,589</u>	<u>\$ (134,373)</u>

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

- The increase in total revenue is due primarily to an increase in state sourced funding, MAEP (Mississippi Adequate Education Program) funds.

- The increase in total expenses can be attributed to overall increased costs, including employee salary increases and a rise in employee benefits costs due to increases in employer retirement contributions and increased health insurance premiums. Overall rises in fuel and energy costs also contributed.

The following table presents program and general revenues by major source for the fiscal year ended June 30, 2006, and a comparison of the same information at June 30, 2005.

	FISCAL YEAR 2006	FISCAL YEAR 2005	DIFFERENCE
Program Revenues:			
Charges for services	\$ 763,588	\$ 946,124	\$ (182,536)
Operating Grants and Contributions	2,962,333	2,739,685	222,648
Capital Grants and Contributions	172,585	454,848	(282,263)
Total program revenues	<u>\$ 3,898,506</u>	<u>\$ 4,140,657</u>	<u>\$ (242,151)</u>
General Revenues:			
Taxes	\$ 1,967,709	\$ 1,955,007	\$ 12,702
Unrestricted grants and contributions	7,958,705	7,289,033	669,672
Sixteenth section sources	38,546	35,775	2,771
Unrestricted investment earnings	101,546	82,607	18,939
Insurance loss recoveries	488,548	0	488,548
Other sources	38,389	23,120	15,269
Total general revenues	<u>\$ 10,593,443</u>	<u>\$ 9,385,542</u>	<u>\$ 1,207,901</u>
Total Revenues	<u>\$ 14,491,949</u>	<u>\$ 13,526,199</u>	<u>\$ 965,750</u>

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

- Charges for services decreased from 2005 mainly due to no income resulting from 16th section sources during the year other than 16th section lease revenue.
- The increase in operating grants and contributions is attributed to the addition of federal grant funds received, including money received under the Hurricane Education Recovery Act programs, and Public Assistance Grant funds passed through the Mississippi Emergency Management Agency (MEMA).
- Capital grants and contributions decreased due to a reduction in funds received from the Distance Learning Grant.

- An increase in unrestricted grants and contributions resulted from increased state funding through MAEP.
- The Newton County School District received insurance loss recovery money that resulted from claims filed for damages received to district property during Hurricane Katrina in August, 2005.

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 2005 Total Expenses	Fiscal Year 2005 Net (Expense) Revenue	Fiscal Year 2006 Total Expenses	Fiscal Year 2006 Net (Expense) Revenue	Total Expense Difference	Net (Expense) Revenue Difference
Instruction	\$ 6,883,044	\$ (4,929,994)	\$ 7,865,752	\$ (5,412,403)	\$ 982,708	\$ (482,409)
Support Services	4,796,049	(3,366,934)	5,016,748	(4,340,415)	220,699	(973,481)
Non-instructional	1,166,580	(548,834)	1,187,746	(418,922)	21,166	129,912
Sixteenth Section	94,544	46,202	8,309	(8,309)	(86,235)	(54,511)
Interest on long-term liabilities	<u>72,393</u>	<u>(72,393)</u>	<u>34,178</u>	<u>(34,178)</u>	<u>(38,215)</u>	<u>38,215</u>
Total Expenses	<u>\$ 13,012,610</u>	<u>\$ (8,871,953)</u>	<u>\$ 14,112,733</u>	<u>\$ 10,214,227</u>	<u>\$ 1,100,123</u>	<u>\$ (1,342,274)</u>

- Net cost of governmental activities (\$10,214,227) was financed by general revenue, which is made up primarily of property taxes of \$1,967,709 and state revenues of \$7,905,015.
- Investment earnings accounted for \$101,546 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 \$4,395,071, an increase of \$699,032 due primarily to an increase in cash and cash equivalents. \$4,264,841 or 97% of the fund balance constitutes unreserved and undesignated fund balance. The remaining fund balance of \$130,230 or 3% 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 General Fund balance of \$3,236,271 is unreserved and available for spending at the District's discretion. The increase in fund balance in the General Fund for the fiscal year was \$476,441, a result primarily of increased state and federal funding and other funding received from insurance loss recovery received during the year.

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 local source revenue was due to ad valorem taxes received by the district being less than the amount budgeted.
- Intermediate revenue sources is showing a negative budgeted variance. This variance is a result of a change in classification of the Newton County Schools' alternative school allotment.
- The positive budgeted variance for state source revenue can be attributed to an increase in MAEP funds actually received. Budgeted amounts were based on estimates that were lower than the final allocation received by the district.
- There is a positive final to actual variance for federal source revenue. This variance can be attributed to the inclusion of the federal portion of educable child revenue in the actual GAAP basis amount that is not included in the original budget.
- Instruction expenditures have positive budget variances that result from changes in personnel. These changes allowed the district to fill positions with less experienced individuals that reduced payroll expenses for the district.

- Negative variances for support services expenditures were a result of overall increased costs district wide. Fuel and utility costs rose significantly during the year, and these significant increases were not anticipated during the budgetary process. Additional unanticipated expenditures for supplies and repairs and maintenance costs were incurred as a result of damage to district property caused by Hurricane Katrina.
- Non-instructional services expenditures had a budgeted variance that resulted from increased spending for supplies and equipment for the district photographer, higher than anticipated costs of resale items purchased at the schools, and expenditures related to the publishing of the district's annual.
- The negative budgeted variance for facilities acquisition & construction costs were due to additional costs incurred for the construction of the new baseball fieldhouse. These expenditures were not anticipated during the budgetary process.
- Damages caused by Hurricane Katrina in August 2005 resulted in the receipt of insurance loss recovery funds. Revenue from insurance loss recoveries was not anticipated by the district and was not budgeted, resulting in the positive budgeted variance.
- The district chose to sell transportation and maintenance equipment during the 2006 fiscal year. These sales of equipment were due to need assessments conducted by maintenance and transportation personnel during the year. Therefore, these sales were not included in the original budget, resulting in the positive budgeted variance.
- Operating transfers in showed a positive budget variance due to a change in classification of funds. State funding that was budgeted in the individual funds was actually transferred in from the district maintenance fund where it was recorded following Mississippi Department of Education classification guidelines.
- Operating transfers out showed a negative budget variance due to a change in classification of funds. State funding that was budgeted in the individual funds was actually transferred out from the district maintenance fund where it was recorded following Mississippi Department of Education classification guidelines.
- A negative budget variance for other financing sources can be attributed to a change in classification of funds. These funds were budgeted to include indirect costs received from federal funds, and a transfer to the special education fund from the district maintenance fund to cover operating costs. The transfer to the special education fund was reclassified as a transfer in/out, leaving the amount for other financing sources to include only the indirect costs received during the fiscal year.
- Other financing uses has a positive budget variance due to a change in classification of funds. Transfers were budgeted as other operating sources from the district maintenance fund for debt service and operating expenses in other funds. These amounts were reclassified as operating transfers in/out. This resulted in the positive budget variance.

- The negative federal source revenue for the Education Technology Fund is due to uncertainty regarding the actual allocation the district was to receive. Estimates were used for the budgetary process, and the actual allocation received from the grant was less than estimated.
- The positive support services budget variance for the Education Technology fund can be attributed to estimating expenditures during the budgetary process. The actual allocation received by the district was less than originally budgeted. This resulted in fewer expenditures being incurred by the fund.

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, 2006, the District's total capital assets were \$16,622,452, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$4,592 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$4,412,282 and total depreciation expense for the year was \$464,328, resulting in total net assets of \$12,210,170.

Additional information of the District's capital assets can be found in Note 5 on page 35 of this report.

Debt Administration. At June 30, 2006, the District had \$1,758,423 in general obligation bonds and other long-term debt outstanding, of which \$216,585 is due within one year.

Additional information of the District's long-term debt can be found in Note 6 on page 36 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.

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FINANCIAL STATEMENTS

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NEWTON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 3,955,130
Due from other governments	408,983
Other receivables, net	25,840
Inventories and prepaid items	18,849
Restricted assets	22,048
Capital assets, not being depreciated:	
Land	192,862
Construction in progress	57,202
Capital assets, net of accumulated depreciation:	
Buildings	10,149,337
Improvements other than buildings	1,140,298
Mobile equipment	589,835
Furniture and equipment	80,636
Total Assets	<u>\$ 16,641,020</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 20,328
Deferred revenue/Unearned revenue	15,405
Other payable	74
Long-term liabilities, due within one year	
Capital related liabilities	210,000
Non-capital related liabilities	6,585
Long-term liabilities, due beyond one year	
Capital related liabilities, net	1,431,296
Non-capital related liabilities	110,542
Total Liabilities	<u>\$ 1,794,230</u>
Net Assets:	
Investment in capital assets, net of related debt	10,568,874
Restricted net assets:	
Expendable:	
School-based activities	741,493
Debt service	5,826
Forestry improvements	55,405
Unemployment benefits	28,102
Non-expendable:	
Sixteenth section	22,048
Unrestricted	3,425,042
Total Net Assets	<u>\$ 14,846,790</u>

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

**NEWTON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006**

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 Governmental Activities
Governmental Activities:					
Instruction	\$ 7,865,752	\$ 410,326	\$ 2,043,023	\$ -	\$ (5,412,403)
Support services	5,016,748	336,469	167,279	172,585	(4,340,415)
Non-instructional	1,187,746	16,793	752,031	-	(418,922)
Sixteenth section	8,309	-	-	-	(8,309)
Interest on long-term liabilities	34,178	-	-	-	(34,178)
Total governmental activities	\$ 14,112,733	\$ 763,588	\$ 2,962,333	\$ 172,585	(10,214,227)
General Revenues:					
Taxes:					
General purpose levies					1,967,587
Debt purpose levies					122
Unrestricted grants and contributions:					
State					7,905,015
Federal					53,690
Unrestricted investment earnings					101,546
Sixteenth section sources					38,546
Insurance loss recoveries					488,548
Other					38,389
Total General Revenues					10,593,443
Change in Net Assets					379,216
Net Assets - Beginning					14,467,574
Net Assets - Ending					\$ 14,846,790

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

NEWTON COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds			Total Governmental Funds
	General Fund	Education Technology Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 3,078,394	\$ 16,044	\$ 882,740	\$ 3,977,178
Due from other governments	154,331	-	254,651	408,982
Other receivable	10,001	-	190	10,191
Due from other funds	60,983	-	19,692	80,675
Inventories and prepaid items	-	-	18,849	18,849
Total Assets	<u>\$ 3,303,709</u>	<u>\$ 16,044</u>	<u>\$ 1,176,122</u>	<u>\$ 4,495,875</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 16,705	\$ -	\$ 3,623	\$ 20,328
Due to other funds	50,733	-	14,338	65,071
Deferred revenue	-	13,952	1,453	15,405
Total Liabilities	<u>67,438</u>	<u>13,952</u>	<u>19,414</u>	<u>100,804</u>
Fund Balances:				
Reserved for:				
Inventory	-	-	18,849	18,849
Debt service	-	-	5,826	5,826
Unemployment benefits	-	-	28,102	28,102
Forestry improvement purposes	-	-	55,405	55,405
Permanent fund purposes	-	-	22,048	22,048
Unreserved:				
Undesignated, reported in:				
General fund	3,236,271	-	-	3,236,271
Special Revenue funds	-	2,092	1,026,478	1,028,570
Total Fund Balances	<u>3,236,271</u>	<u>2,092</u>	<u>1,156,708</u>	<u>4,395,071</u>
Total Liabilities and Fund Balances	<u>\$ 3,303,709</u>	<u>\$ 16,044</u>	<u>\$ 1,176,122</u>	<u>\$ 4,495,875</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, 2006

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,395,071
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 \$4,412,282.	12,210,170
2. Long-term liabilities, net of deferred issuance costs of \$93,704 are not due and payable in the current period and therefore are not reported in the funds.	(1,758,423)
3. Rounding	<u>(28)</u>
Total Net Assets - Governmental Activities	<u><u>\$14,846,790</u></u>

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30 2006

	Major Funds			Total Governmental Funds
	General Fund	Education Technology Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 2,877,338	\$ -	\$ 682,060	\$ 3,559,398
State sources	8,090,582	-	321,742	8,412,324
Federal sources	53,690	7,740	1,912,546	1,973,976
Sixteenth section sources	-	-	39,281	39,281
Total Revenues	11,021,610	7,740	2,955,629	13,984,979
Expenditures:				
Instruction	6,343,961	-	1,263,173	7,607,134
Support services	4,036,975	7,740	943,869	4,988,584
Noninstructional services	126,334	-	996,687	1,123,021
Sixteenth section	-	-	8,309	8,309
Facilities acquisition and construction	32,940	-	-	32,940
Debt service:				
Interest	-	-	32,578	32,578
Other	-	-	1,600	1,600
Total Expenditures	10,540,210	7,740	3,246,216	13,794,166
Excess (Deficiency) of Revenues over Expenditures	481,400	-	(290,587)	190,813
Other Financing Sources (Uses):				
Sale of other property	9,883	-	-	9,883
Operating transfers in	1,165,754	-	534,288	1,700,042
Operating transfers out	(1,671,775)	-	(28,267)	(1,700,042)
Insurance loss recoveries	481,392	-	7,157	488,549
Other financing sources	11,208	-	-	11,208
Other financing uses	(1,421)	-	-	(1,421)
Total other financing sources (uses)	(4,959)	-	513,178	508,219
Net Change in Fund Balances	476,441	-	222,591	699,032
Fund Balances:				
July 1, 2005	2,759,830	2,092	934,117	3,696,039
June 30, 2006	<u>\$ 3,236,271</u>	<u>\$ 2,092</u>	<u>\$ 1,156,708</u>	<u>\$ 4,395,071</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2006

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 699,032
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 \$166,420, the depreciation expense amounted to \$464,328, loss on sale of assets amounted to \$21,034 and fixed adjustments of \$7,777.	(311,165)
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.	(13,386)
3. 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 decrease in compensated absences.	5,985
4. Revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the funds	<u>(1,250)</u>
Change in Net Assets of Governmental Activities	<u>\$ 379,216</u>

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

Exhibit E

NEWTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 465,650
Due from other funds	<u>45</u>
Total assets	<u>\$ 465,695</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 418,286
Due to other funds	15,649
Due to student clubs	<u>31,760</u>
Total liabilities	<u>\$ 465,695</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, June 30, 2006

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 where 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, June 30, 2006

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. 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 as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used, regardless of when the related cash flow takes place. 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 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 fund:

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.

Education Technology Fund – This fund accounts for the school district's revenues and expenditures associated with an education technology grant received from the Department of Education.

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

1. Summary of Significant Accounting Policies (Continued)

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 broad classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Governmental Finance Officers Association and 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.

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.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

1. Summary of Significant Accounting Policies (Continued)

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.

Investments are reported at fair market value.

H. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

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

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

H. Capital Assets

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

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.

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, June 30, 2006

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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

In the government-wide Statement of Net Assets 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, June 30, 2006

1. Summary of Significant Accounting Policies (Continued)

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 debt service – An account that represents that portion of fund balance in the Debt Service Fund, which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits – An account that represents the portion of fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes – An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

1. Summary of Significant Accounting Policies (Continued)

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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.

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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example an employee retires.

2. Changes in Accounting Standards

As required, the Newton County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

3. Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose restrictions on deposits as follows: Deposits – The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district’s deposits in financial institutions is held in the name of the State 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 \$3,977,178 and \$465,650, respectively. The carrying amount of deposits in the government-wide statements was: Cash and cash equivalents \$3,955,130 and Restricted Assets \$22,048. The restricted assets represent the cash balance of the Sixteenth Section Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs. The bank balance was \$4,590,522.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district’s bank balance of \$4,590,522 was exposed to custodial credit risk.

4. Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Government Funds:		
General fund	\$ 60,983	\$ 50,733
Non-major funds	19,692	14,338
Fiduciary	45	15,649
Total funds	\$ 80,720	\$ 80,720

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

4. Interfund Transactions and Balances (Continued)

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

B. Transfers In/Out:

	Transfer In	Transfer Out
Government Funds:		
General fund	\$ 1,165,754	\$ 1,671,775
Non-major funds	534,288	28,267
Total funds	\$ 1,700,042	\$ 1,700,042

The principal purpose of interfund transfers was to provide operating funds to other governmental funds from district maintenance, to pay indirect costs of federal grants and administrative costs of the alternative school. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

5. Capital Assets

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

	Balance 7/1/05	Additions	Retirements	Adjustments	Balance 6/30/06
Non-depreciable capital assets:					
Land	\$ 192,862	\$ -	\$ -	\$ -	\$ 192,862
Construction in progress	24,262	32,940	-	-	57,202
Total non-depreciable capital assets	217,124	32,940	-	-	250,064
Depreciable capital assets:					
Buildings	12,938,865	-	-	-	12,938,865
Improvements other than buildings	1,513,283	-	-	-	1,513,283
Mobile Equipment	1,472,032	121,470	(127,926)	7,776	1,473,352
Furniture and equipment	476,556	12,010	(41,679)	1	446,888
Total depreciable capital assets	16,400,736	133,480	(169,605)	7,777	16,372,388
Less accumulated depreciation for:					
Buildings	(2,530,750)	(258,778)	-	-	(2,789,528)
Improvements other than buildings	(312,453)	(60,532)	-	-	(372,985)
Mobile Equipment	(888,719)	(104,933)	110,135	-	(883,517)
Furniture and equipment	(364,603)	(40,085)	38,436	-	(366,252)
Total accumulated depreciation	(4,096,525)	(464,328)	148,571	-	(4,412,282)
Total depreciable capital assets, net	12,304,211	(330,848)	(21,034)	7,777	11,960,106
Governmental activities capital assets, net	\$ 12,521,335	\$ (297,908)	\$ (21,034)	\$ 7,777	\$ 12,210,170

Adjustments represent fixed assets purchased in previous years that were inadvertently omitted from the school district's fixed assets.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

5. Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 281,997
Support services	117,606
Non-instructional	64,725
Total depreciation expense	\$ 464,328

Commitments under construction contracts at June 30, 2006, are summarized as follows:

	Remaining Commitment	Required Future Financing
Baseball Fieldhouse	\$ 6,000	\$ -
Total	\$ 6,000	\$ -

6. Long-term Liabilities

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

	Balance 7/1/05	Additions	Reductions	Balance 6/30/06	Amounts due within one year
A. General obligation bonds payable	\$ 1,735,000	\$ -	\$ -	\$ 1,735,000	\$ 210,000
B. Compensated absences payable	123,112	3,356	9,341	117,127	6,585
C. Deferred Charges	(107,090)	-	13,386	(93,704)	-
Total	\$ 1,751,022	\$ 3,356	\$ 22,727	\$ 1,758,423	\$ 216,585

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:

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

6. Long-term Liabilities (Continued)

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				<u>\$ 2,140,000</u>	<u>\$ 1,735,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	210,000	65,155	275,155
2008	215,000	58,645	273,645
2009	225,000	51,510	276,510
2010	230,000	43,563	273,563
2011	235,000	34,938	269,938
2012-2013	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, 2006, 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 \$93,704. For additional details on Deferred Charges, see Notes 1(J) and 6(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.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

6. Long-term Liabilities (Continued)

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 6(A).

7. 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 10.75% 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, 2006, 2005, and 2004 were \$830,188, \$698,927, and \$643,356, respectively, which equaled the required contributions for each year.

8. Other Commitments

Commitments under construction contracts are described in Note 5.

9. Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are 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, June 30, 2006

9. 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
2007	\$ 24,403
2008	15,718
2009	11,531
2010	9,916
2011	5,287
2012-2016	23,401
2017-2021	18,669
2022-2026	18,669
2027-2031	12,151
2032-2036	5,826
2037-2041	1,347
2042-2047	225
	\$ 147,143

10. 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 119 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, June 30, 2006

11. Risk Management (Continued)

Each member of MSBAWCT contributes quarterly to a fund held by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, 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, 2006, \$1,705,000 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, and the operations of the consortium are included in its financial statements.

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, June 30, 2006

13. Alternative School Consortium (Continued)

Revenues:	
Local Sources	
Tuition from other LEA's within the state:	
Union Public School District	\$ 81,501
Scott County School District	168,911
Neshoba County School District	122,523
Newton Municipal School District	81,501
Enterprise School District	81,501
Forest Municipal School District	81,501
Philadelphia Public School District	81,501
Total tuition from other LEA's within the state	698,939
Interest	7,947
Total local sources	706,886
Total revenues	706,886
Expenditures:	
Salaries	555,878
Employee benefits	160,420
Purchased property services	65,483
Other purchased services	26,396
Supplies	24,080
Property	7,573
Other	630
Total expenditures	840,460
Excess (Deficiency) of Revenues Over Expenditures	(133,574)
Other financing sources/uses:	
Operating Transfers in	86,496
Operating Transfers out	(29,398)
Total other financing sources/uses	57,098
Net change in fund balance	(76,476)
Fund balance:	
July 1, 2005	180,650
June 30, 2006	\$ 104,174

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, June 30, 2006

14. 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	\$ 245,840
Tuition from other LEA's within the state:	
Union Public School District	30,184
Other local sources	64,733
Total local sources	<u>340,757</u>
State Sources	236,559
Federal Sources	33,292
Total revenues	<u>610,608</u>
Expenditures	
Salaries	545,220
Employee benefits	149,857
Purchased property services	50,969
Other purchased services	4,297
Supplies	44,558
Property	22,480
Other	
Total expenditures	<u>817,381</u>
Excess (Deficiency) of revenues over expenditures	(206,773)
Other financing sources/uses:	
Operating transfers in	210,241
Operating transfers out	(1,450)
Total other financing sources/uses	<u>208,791</u>
Net change in fund balance	2,018
Fund balance	
July 1, 2005	71,476
June 30, 2006	<u>\$ 73,494</u>

REQUIRED SUPPLEMENTARY INFORMATION

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NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP) Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,999,033	\$ 2,888,556	\$ 2,877,338	\$ (110,477)	\$ (11,218)
Intermediate	81,501	-	-	(81,501)	-
State sources	7,595,968	8,090,585	8,090,582	494,617	(3)
Federal sources	40,000	39,863	53,690	(137)	13,827
Total revenues	<u>10,716,502</u>	<u>11,019,004</u>	<u>11,021,610</u>	<u>302,502</u>	<u>2,606</u>
Expenditures:					
Instruction	6,496,949	6,387,374	6,343,961	109,575	43,413
Support services	3,468,819	3,979,924	4,036,975	(511,105)	(57,051)
Noninstructional services	108,371	126,342	126,334	(17,971)	8
Facilities acquisition & construction	6,000	32,940	32,940	(26,940)	-
Total expenditures	<u>10,080,139</u>	<u>10,526,580</u>	<u>10,540,210</u>	<u>(446,441)</u>	<u>(13,630)</u>
Excess (Deficiency) of revenues over expenditures	<u>636,363</u>	<u>492,424</u>	<u>481,400</u>	<u>(143,939)</u>	<u>(11,024)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	481,392	481,392	481,392	-
Sale of other property	-	9,884	9,883	9,884	(1)
Operating transfers in	-	1,165,756	1,165,754	1,165,756	(2)
Operating transfers out	-	(1,497,689)	(1,671,775)	(1,497,689)	(174,086)
Other financing sources	186,204	10,573	11,208	(175,631)	635
Other financing uses	(474,652)	-	(1,421)	474,652	(1,421)
Total other financing sources (uses)	<u>(288,448)</u>	<u>169,916</u>	<u>(4,959)</u>	<u>458,364</u>	<u>(174,875)</u>
Net change in fund balances	<u>347,915</u>	<u>662,340</u>	<u>476,441</u>	<u>314,425</u>	<u>(185,899)</u>
Fund Balances:					
July 1, 2005	-	-	2,759,830	-	2,759,830
June 30, 2006	<u>\$ 347,915</u>	<u>\$ 662,340</u>	<u>\$ 3,236,271</u>	<u>\$ 314,425</u>	<u>\$ 2,573,931</u>

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

NEWTON SCHOOL DISTRICT
Budgetary Comparison Schedule
Education Technology Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 15,236	\$ 8,548	\$ 7,740	\$ (6,688)	\$ (808)
Total Revenues	15,236	8,548	7,740	(6,688)	(808)
Expenditures:					
Support services	15,200	7,740	7,740	7,460	-
Total Expenditures	15,200	7,740	7,740	7,460	-
Excess (Deficiency) of revenues over Expenditures	36	808	-	772	(808)
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	36	808	-	772	(808)
Fund Balances:					
July 1, 2005	-	-	2,092	-	2,092
June 30, 2006	\$ 36	\$ 808	\$ 2,092	\$ 772	\$ 1,284

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, June 30, 2006

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 October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

3. Individual Fund Disclosures

The District Maintenance Fund has an excess of expenditures over budget in the amount of \$185,899. The fund with the excess of expenditures over budget is not in violation of state law since the school district has funds available to cover the expenditures that exceeded the budgeted expenditures.

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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, 2006

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Direct program:		
Distance learning & telemedicine loan and grant	10.855	\$ 38,796
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 47,134
Child nutrition cluster:		
School breakfast program	10.553	140,055
National school lunch program	10.555	366,277
Total child nutrition cluster		506,332
Total U.S. Department of Agriculture		592,262
<u>Federal Communications Commissions</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	17,865
Total Federal Communications Commission		17,865
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	479,053
Vocational education - basic grants to states	84.048	33,292
Safe and drug-free schools and communities - state grants	84.186	14,972
Fund for the improvement of education	84.215	41,322
Eisenhower professional development state grants	84.281	131,394
Innovative education program strategies	84.298	11,315
Education technology state grants	84.318	7,740
Rural education	84.358	77,025
English language acquisition grants	84.365	70
Hurricane education recovery act programs	84.938	43,355
Total		839,538
Special education cluster:		
Special education - grants to states	84.027	400,561
Special education - preschool grants	84.173	26,762
Total special education cluster		427,323
Total passed-through Mississippi Department of Education		1,266,861
Total U.S. Department of Education		1,266,861
<u>U.S. Department of Homeland Security</u>		
Passed through Mississippi Emergency Management Agency		
Disaster grants - public assistance grants	97.036	68,291
Total passed-through Mississippi Emergency Management Agency		68,291
Total U.S. Department of Homeland Security		68,291
<u>Other Federal Assistance</u>		
Direct program:		
Medicare reimbursement	93.XXX	1,699
Total Other Federal Assistance		1,699
Total for All Federal Awards		\$ 1,946,978

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, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,296,792	\$ 7,818,000	\$ 580,626	736,880	\$ 1,161,286
Other	3,497,374	827,039	134,019	108,107	2,428,209
Total	<u>\$ 13,794,166</u>	<u>\$ 8,645,039</u>	<u>\$ 714,645</u>	<u>\$ 844,987</u>	<u>\$ 3,589,495</u>
Total number of students	1,846				
Cost per student	\$ 7,472	\$ 4,683	\$ 387	\$ 458	\$ 1,944

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

Instruction and Other Student Instructional Expenditures – includes the activities dealing with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 function codes)

General Administration – includes expenditures for the following functions: Support Services – General Administration (2300s); and Support Services – Business (2500s)

School Administration – includes expenditures for the following function: Support Services – School Administration (2400s)

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

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

Salaries and fringe benefits – includes 100 and 200 range object codes

Other – includes all other expenditures

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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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, 2006, which collectively comprise the Newton County School District's basic financial statements and have issued my report thereon dated December 1, 2006. 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

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*.

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

December 1, 2006
Quitman, Mississippi

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

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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, 2006. 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, 2006.

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 did not note any 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

December 1, 2006
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, 2006, 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*, issued by the Comptroller General of the United States.

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 \$21,578 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

December 1, 2006
Quitman, Mississippi

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2006

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? | No |

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. Cluster: Child Nutrition
CFDA #: 10.553
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? | Yes |
| 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 |

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2006

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported by *Governmental Auditing Standards*.

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.