

NEWTON COUNTY SCHOOL DISTRICT

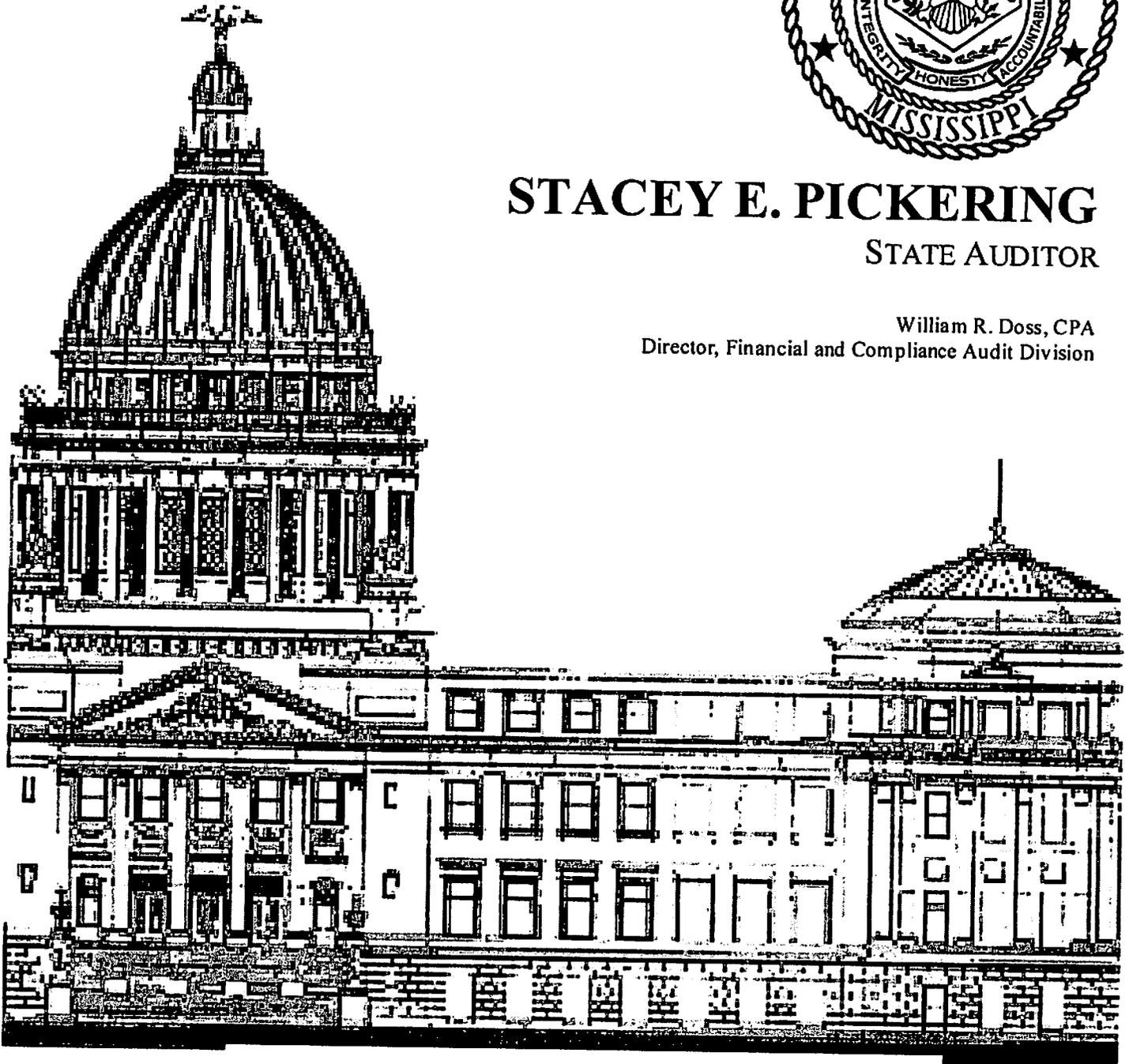
Audited Financial Statements
For the Year Ended June 30, 2007



STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division



A Report from the Education Audit Section

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NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NEWTON COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

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

Superintendent and School Board
Newton County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2007, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Newton County School District, as of June 30, 2007, 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.

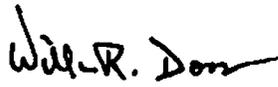
In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2009, on our consideration of the Newton County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 our audit.

The Management's Discussion and Analysis on pages 7 through 13 and the Budgetary Comparison Schedules and corresponding notes on pages 43 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Newton County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 22, 2009

NEWTON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. 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 for 2007 increased \$667,322, including a prior period adjustment of \$270,693 which represents a 4% increase from fiscal year 2006.
- General revenues account for \$10,844,184, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,897,361 or 26% of total revenues.
- The District had \$14,344,916 in expenses; only \$3,897,361 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,844,184 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,853,021 in revenues and \$10,889,401 in expenditures. The General Fund's fund balance increased by \$865,272, including a prior period adjustment of \$221,136, over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$30,649, including an adjustment of \$260,596. The decrease for 2007 was due to the disposal of a mower, a computer, a printer and a telephone system as well as the increase in accumulated depreciation.
- Long-term debt decreased by \$191,013. This decrease was due to the annual payment on long-term debt outstanding. In addition, the liability for compensated absences increased by \$18,987.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

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's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund's balance sheet and in the governmental fund's 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.

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.

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

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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 special revenue major fund.

Additionally, a schedule of expenditures of federal awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,514,112 as of June 30, 2007.

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

Table 1 presents a summary of the District's net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

**Table 1
Condensed Statement of Net Assets**

	Net Assets		Total Percentage Change 2006-2007
	June 30, 2007	June 30, 2006	
Current assets	\$ 5,072,359	4,430,850	14.48%
Capital assets, net	<u>12,179,521</u>	<u>12,210,170</u>	(0.25)%
Total assets	<u>17,251,880</u>	<u>16,641,020</u>	3.67%
Current liabilities	76,654	35,807	114.08%
Long-term debt outstanding	<u>1,661,114</u>	<u>1,758,423</u>	(5.53)%
Total liabilities	<u>1,737,768</u>	<u>1,794,230</u>	(3.15)%
Net assets:			
Invested in capital assets, net of	10,654,521	10,568,874	.81%
Restricted	813,844	852,874	(4.58)%
Unrestricted	<u>4,045,747</u>	<u>3,425,042</u>	18.12%
Total net assets	<u>\$ 15,514,112</u>	<u>14,846,790</u>	4.49%

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

- Decrease in net capital assets in the amount of \$30,649.
- The principal retirement of \$210,000 of long-term debt.

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$14,741,545. The total cost of all programs and services was \$14,344,916. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

**Table 2
Change(s) in Net Assets**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Total Percentage Change 2006-2007</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,628,484	763,588	113.3%
Operating grants and contributions	2,210,710	2,962,333	(25.4)%
Capital Grants and Contributions	58,167	172,585	(66.3)%
General revenues:			
Property taxes	1,897,919	1,967,709	(3.5)%
Grants and contributions not restricted	8,762,706	7,958,705	10.1%
Investment earnings	136,489	101,546	34.4%
Sixteenth section sources	22,016	38,546	(42.9)%
Other	25,054	526,937	(95.2)%
Total Revenues	<u>14,741,545</u>	<u>14,491,949</u>	1.7%
Expenses:			
Instruction	8,330,097	7,865,752	5.9%
Support services	4,828,617	5,016,748	(3.8)%
Non-instructional	1,089,730	1,187,746	(8.3)%
Sixteenth section	19,586	8,309	135.7%
Interest and other expense on long-term liabilities	76,886	34,178	125.0%
Total expenses	<u>14,344,916</u>	<u>14,112,733</u>	1.6%
Increase in net assets	<u>396,629</u>	<u>379,216</u>	4.6%
Net Assets, July 1	14,846,790	14,467,574	2.6%
Prior Period Adjustments	270,693	0	
Net Assets, Restated, July 1	<u>15,117,483</u>	<u>14,467,574</u>	4.5%
Net Assets, June 30	<u>\$ 15,514,112</u>	<u>14,846,790</u>	4.5%

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.

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Table 3
Net Cost of Governmental Activities

	Total Expenses		Total Percentage Change 2006-2007
	2007	2006	
Instruction	\$ 8,330,097	7,865,752	5.9%
Support services	4,828,617	5,016,748	(3.8)%
Non-instructional	1,089,730	1,187,746	(8.3)%
Sixteenth section	19,586	8,309	135.7%
Interest on long-term liabilities	76,886	34,178	125.0%
Total Net Expenses	\$ 14,344,916	14,112,733	1.6%

	Total Net (Expense) Revenue		Total Percentage Change 2006 2007
	2007	2006	
Instruction	\$ (6,076,740)	(5,412,403)	12.3%
Support services	(4,149,978)	(4,340,415)	(4.4)%
Non-instructional	(124,525)	(418,922)	(70.3)%
Sixteenth section	(19,426)	(8,309)	133.8%
Interest on long-term debt	(76,886)	(34,178)	125.0%
Total Net (Expense) Revenue	\$ (10,447,555)	(10,214,227)	2.3%

Net cost of governmental activities, \$10,447,555 was financed by general revenue, which is made up of primarily property taxes of \$1,897,919 and state and federal revenues of \$8,762,706. In addition, there was \$22,016 in Sixteenth Section sources.

- Investment earnings accounted for \$136,489 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 \$4,915,387, an increase of \$520,316, which includes the prior period adjustment of \$10,069 and the decrease in inventory of \$127. The amount of \$4,787,652 or 97% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$127,735 or 3% is reserved or designated to indicate that it is not available for spending because it has already been committed.

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$865,272, including a prior period adjustment of \$221,136. The fund balance of Other Governmental Funds showed a decrease in the amount of \$337,646, which includes a prior period adjustment of \$219,378 due primarily to errors in prior year amounts. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ (127)
Title I Fund	(560)
EHA Part B Fund	(6,623)

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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$17,054,412, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$431,960 from 2006 to 2007. Total accumulated depreciation as of June 30, 2007, was \$4,874,891 and total depreciation expense for the year was \$470,767, resulting in total net assets of \$12,179,521.

**Table 4
Capital Assets**

	<u>Capital Assets, Net of Depreciation</u>		Total Percentage Change 2006-2007
	<u>2007</u>	<u>2006</u>	
Land	\$ 192,862	192,862	0%
Construction in Progress	9,800	57,202	(82.9)%
Buildings	9,975,882	10,149,337	(1.7)%
Building improvements	232,300	0	
Improvements other than buildings	1,079,767	1,140,298	(5.3)%
Mobile equipment	614,337	589,835	4.20%
Furniture and equipment	74,573	80,636	(7.5)%
Total	<u>\$ 12,179,521</u>	<u>12,210,170</u>	(0.3)%

Debt Administration. At June 30, 2007, the District had \$1,525,000 in general obligation bonds outstanding, of which \$215,000 is due within one year. In addition, the liability for compensated absences increased from the prior year.

NEWTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Table 5
Outstanding Long-Term Debt at June 30

	Outstanding Long-term debt		Total Percentage Change 2006-2007
	2007	2006	
General obligation bonds payable	\$ 1,525,000	1,735,000	(12.1)%
Compensated absences payable	136,114	117,127	16.2%
Total	<u>\$ 1,661,114</u>	<u>1,852,127</u>	(10.3)%

Additional information on the district's long-term debt can be found in Note 5 included in 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's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,420,384
Due from other governments	393,441
Other receivables, net	136,744
Inventories	18,722
Long-term deferred charges	80,318
Restricted assets	22,750
Capital assets, non-depreciable:	
Land	192,862
Construction in progress	9,800
Capital assets, net of accumulated depreciation:	
Buildings	9,975,882
Building improvements	232,300
Improvements other than buildings	1,079,767
Mobile equipment	614,337
Furniture and equipment	74,573
Total Assets	<u>17,251,880</u>
Liabilities	
Accounts payable and accrued liabilities	61,301
Unearned revenue	15,353
Long-term liabilities, due within one year	
Capital related liabilities	215,000
Non-capital related liabilities	6,597
Long-term liabilities, due beyond one year	
Capital related liabilities	1,310,000
Non-capital related liabilities	129,517
Total Liabilities	<u>1,737,768</u>
Net Assets	
Invested in capital assets, net of related debt	10,654,521
Restricted net assets:	
Expendable:	
School-based activities	704,831
Debt service	5,856
Forestry improvements	44,655
Unemployment benefits	35,752
Non-expendable:	
Sixteenth section	22,750
Unrestricted	4,045,747
Total Net Assets	<u>\$ 15,514,112</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, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,330,097	1,250,950	944,240	58,167	(6,076,740)
Support services	4,828,617		678,639		(4,149,978)
Non-instructional	1,089,730	377,374	587,831		(124,525)
Sixteenth section	19,586	160			(19,426)
Interest on long-term liabilities	76,886				(76,886)
Total Governmental Activities	\$ 14,344,916	1,628,484	2,210,710	58,167	(10,447,555)
General Revenues:					
Taxes:					
					1,897,889
					30
Unrestricted grants and contributions:					
					8,710,905
					51,801
					136,489
					22,016
					25,054
					<u>10,844,184</u>
					<u>396,629</u>
					14,846,790
					<u>270,693</u>
					<u>15,117,483</u>
					<u>\$ 15,514,112</u>

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

NEWTON COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	EHA Part B Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,630,464	27,617			778,294	4,436,375
Investments					6,759	6,759
Due from other governments	149,066		80,141	39,844	122,525	391,576
Other receivables, net	131,854	190			4,700	136,744
Due from other funds	296,958	38,579		6,944	28,740	371,221
Inventories		18,722				18,722
Total Assets	\$ 4,208,342	85,108	80,141	46,788	941,018	5,361,397
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 43,827	1,386	8,414	6,944	730	61,301
Due to other funds	62,972	65,000	71,167	33,573	136,644	369,356
Unearned revenue			560	6,271	8,522	15,353
Total Liabilities	106,799	66,386	80,141	46,788	145,896	446,010
Fund Balances:						
Reserved for:						
Inventory		18,722				18,722
Debt service					5,856	5,856
Unemployment benefits					35,752	35,752
Forestry improvement purposes					44,655	44,655
Permanent fund purposes					22,750	22,750
Unreserved:						
Undesignated, reported in:						
General Fund	4,101,543					4,101,543
Special Revenue Funds					686,109	686,109
Total Fund Balances	4,101,543	18,722			795,122	4,915,387
Total Liabilities and Fund Balances	\$ 4,208,342	85,108	80,141	46,788	941,018	5,361,397

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, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,915,387
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,874,891.	12,179,521
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,661,114)
3. Bond issue costs are reported as long-term deferred charges in the Statement of Net Assets, but were reported as current period expenditures in the governmental funds.	<u>80,318</u>
Total Net Assets - Governmental Activities	<u>\$ 15,514,112</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, 2007

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	EHA Part B Fund		
Revenues:						
Local sources	\$ 2,987,145	367,448			350,393	3,704,986
State sources	8,811,094	5,087			372,764	9,188,945
Federal sources	54,782	594,573	470,164	375,317	299,519	1,794,355
Sixteenth section sources					37,086	37,086
Total Revenues	11,853,021	967,108	470,164	375,317	1,059,762	14,725,372
Expenditures:						
Instruction	6,840,197		266,789	210,969	715,942	8,033,897
Support services	3,896,707	96,626	170,806	170,971	438,236	4,773,346
Noninstructional services	146,730	898,650	24,715		45,180	1,115,275
Sixteenth section					19,586	19,586
Facilities acquisition and construction	5,767				9,800	15,567
Debt service:						
Principal					210,000	210,000
Interest					61,900	61,900
Other					1,600	1,600
Total Expenditures	10,889,401	995,276	462,310	381,940	1,502,244	14,231,171
Excess (Deficiency) of Revenues over Expenditures	963,620	(28,168)	7,854	(6,623)	(442,482)	494,201
Other Financing Sources (Uses):						
Insurance loss recoveries	10,490					10,490
Sale of transportation equipment	127					127
Sale of other property	5,556					5,556
Operating transfers in	86,197	19,857			410,024	516,078
Operating transfers out	(421,854)		(8,414)		(85,810)	(516,078)
Total Other Financing Sources (Uses)	(319,484)	19,857	(8,414)		324,214	16,173
Net Change in Fund Balances	644,136	(8,311)	(560)	(6,623)	(118,268)	510,374
Fund Balances:						
July 1, 2006	3,236,271	18,849	560	6,623	1,132,768	4,395,071
Prior period adjustments	221,136	8,311			(219,378)	10,069
July 1, 2006, as restated	3,457,407	27,160	560	6,623	913,390	4,405,140
Decrease in reserve for inventory		(127)				(127)
June 30, 2007	\$ 4,101,543	18,722	0	0	795,122	4,915,387

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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 510,374
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 assets purchased amounted to \$183,485 and the depreciation expense amounted to \$470,767.	(287,282)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	210,000
3. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and the expense amortized in the Statement of Activities.	(13,386)
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(3,963)
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(127)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(18,987)</u>
Change in Net Assets of Governmental Activities	<u>\$ 396,629</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 404,587
Due from other funds	<u>3,731</u>
Total Assets	\$ <u><u>408,318</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 383,975
Due to other funds	5,596
Due to student clubs	<u>18,747</u>
Total Liabilities	\$ <u><u>408,318</u></u>

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

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(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 to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

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.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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 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 funds:

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

School Food Service Fund - This fund accounts for the school district's revenues and expenditures associated with providing to the students of Newton County School District breakfast and lunch.

Title I Fund - This fund accounts for the federal revenue received under the Title I grants to local educational agencies program and the expenditures incurred as approved by this program.

EHA Part B Fund - This is the school district's fund that operates the special education grants for states to local educational agencies passed through the Mississippi Department of Education.

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

Additionally, the school district reports the following fund 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 the 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.

Newton County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

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 *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* 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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of three 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 three months when acquired.

Investments are reported at fair 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.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

I. 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 acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term Liabilities.

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.

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 one year) interfund loan receivables are reported as "due from other funds" and are considered 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.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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.

L. Equity Classifications.

Government-wide Financial Statements:

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

1. 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 borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. 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 a portion of the 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.

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.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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

(2) Cash and Cash Equivalents, and Investments.

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

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

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,443,134 (which includes \$6,759 in certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$404,587, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$4,420,384 and restricted assets of \$22,750. The restricted assets of \$22,750 represent the cash and cash equivalents of \$15,991 and investments in certificates of deposit with original maturities beyond three months of \$6,759 of the Sixteenth Section Principal Fund (Permanent Fund), which is legally restricted and may not be used for purposes that support the district's programs. The bank balance of \$5,187,355 represents cash and cash equivalents of \$5,180,596 and certificates of deposit of \$6,759 with original maturities beyond three months that are reported as restricted assets on Exhibit A and investments on Exhibit C.

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, 2007, none of the district's bank balance of \$5,187,355 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of deposit	5 years	\$ <u>6,759</u>	Not rated
Total Investments		\$ <u><u>6,759</u></u>	

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 296,958	62,972
School Food Service Fund	38,579	65,000
Title I Fund		71,167
EHA Part B Fund	6,944	33,573
Other governmental funds	28,740	136,644
Total	<u>371,221</u>	<u>369,356</u>
Fiduciary Funds	<u>3,731</u>	<u>5,596</u>
Total	<u>\$ 374,952</u>	<u>374,952</u>

The purpose of the above loans represents 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 86,197	421,854
School Food Service Fund	19,857	
Title I Fund		8,414
Other governmental funds	410,024	85,810
Total	<u>\$ 516,078</u>	<u>516,078</u>

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 activities of the fund making the transfer.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2007
Non-depreciable capital assets:						
Land	\$ 192,862					192,862
Construction in progress	57,202	15,567		(81,090)	18,121	9,800
Total non-depreciable capital assets	250,064	15,567	0	(81,090)	18,121	202,662
Depreciable capital assets:						
Buildings	12,938,865			81,090	19,989	13,039,944
Building improvements					252,500	252,500
Improvements other than buildings	1,513,283					1,513,283
Mobile equipment	1,473,352	123,659	7,840			1,589,171
Furniture and equipment	446,888	44,259	21,801		(12,494)	456,852
Total depreciable capital assets	16,372,388	167,918	29,641	81,090	259,995	16,851,750
Less accumulated depreciation for:						
Buildings	2,789,528	263,226			11,308	3,064,062
Building improvements		10,100			10,100	20,200
Improvements other than buildings	372,985	60,531				433,516
Mobile equipment	883,517	98,373	7,056			974,834
Furniture and equipment	366,252	38,537	18,622		(3,888)	382,279
Total accumulated depreciation	4,412,282	470,767	25,678	0	17,520	4,874,891
Total depreciable capital assets, net	11,960,106	(302,849)	3,963	81,090	242,475	11,976,859
Governmental activities capital assets, net	\$ 12,210,170	(287,282)	3,963	0	260,596	12,179,521

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 300,039
Support services	104,419
Non-instructional	66,309
Total Depreciation Expense	\$ 470,767

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

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(5) Long-term Liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds payable	\$ 1,735,000		210,000		1,525,000	215,000
B. Compensated absences payable	117,127	18,987			136,114	6,597
Total	\$ 1,852,127	18,987	210,000	0	1,661,114	221,597

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2002	3.55 - 4.2%	09-01-2002	07-15-2013	\$ 2,140,000	1,525,000
Total				\$ 2,140,000	1,525,000

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

	Year Ending June 30	Principal	Interest	Total
2008	\$ 215,000	55,098	270,098	
2009	225,000	47,556	272,556	
2010	230,000	39,250	269,250	
2011	235,000	30,238	265,238	
2012	255,000	20,374	275,374	
2013 - 2017	365,000	12,855	377,855	
Total	\$ 1,525,000	205,371	1,730,371	

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, 2007, 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, Miss. Code Ann.(1972). This debt will be retired from the 2002 G. O. Refinancing Bond Fund.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

B. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were \$915,648, \$830,188 and \$698,927, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2008	\$ 17,156
2009	12,476
2010	10,333
2011	9,778
2012	5,350
2013 - 2017	21,980
2018 - 2022	18,669
2023 - 2027	18,669
2028 - 2032	9,970
Thereafter	<u>6,165</u>
Total	<u>\$ 130,546</u>

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. Capital assets that were not recorded on the district's books.	\$ 260,596
2. Error in recording prior year amounts.	10,069
3. Rounding error on prior year audit report.	28
Total	\$ 270,693

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

Major Funds	Explanations	Amount
General Fund	Error in prior year amounts.	\$ 221,136
School Food Service Fund	Error in prior year amounts.	8,311
Other governmental funds	Error in prior year amounts.	(219,378)
	Total	\$ 10,069

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member'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. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(10) Prior Year Defeasance of Debt.

In prior years, the Newton County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$1,525,000 of outstanding bonds (including prior years' refundings) is considered defeased.

(11) 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, 2007

East Central Alternative School Consortium
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2007

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Union Public School District	\$ 95,952
Scott County School District	204,858
Neshoba County School District	155,202
Newton Municipal School District	97,311
Enterprise School District	95,952
Forest Municipal School District	95,952
Philadelphia Public School District	95,952
Total tuition from other LEA's within the state	<u>841,179</u>
Interest	7,105
Total local sources	<u>848,284</u>
Total Revenues	<u>848,284</u>
Expenditures	
Salaries	541,111
Employee benefits	160,768
Purchased property services	35,299
Other purchased services	21,124
Supplies	30,106
Property	3,613
Other	210
Total Expenditures	<u>792,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>56,053</u>
Other Financing Sources/Uses:	
Operating Transfers in	95,952
Operating Transfers out	(39,728)
Total Other Financing Sources/Uses	<u>56,224</u>
Net Change in Fund Balance	<u>112,277</u>
Fund Balance:	
July 1, 2006	104,174
June 30, 2007	\$ <u><u>216,451</u></u>

Newton County School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(12) Vocational School Consortium.

The school district entered into a Vocational Educational 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 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, 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.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2007

Revenues	
Local sources	
Tax	\$ 255,054
Tuition from other LEA's within the state:	
Union Public School District	31,397
Other local sources	56,355
Total tuition from other LEA's within the state	<u>342,806</u>
Total local sources	<u>342,806</u>
State sources	
Federal sources	257,809
Total Revenues	<u>33,207</u> <u>633,822</u>
Expenditures	
Salaries	560,938
Employee benefits	156,088
Purchased property services	52,458
Other purchased services	6,038
Supplies	35,405
Property	29,988
Other	530
Total Expenditures	<u>841,445</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(207,623)</u>
Other Financing Sources/Uses:	
Operating Transfers In	210,732

Newton County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

Operating Transfers Out		(8,028)
Total Other Financing Sources/Uses		<u>202,704</u>
Net Change in Fund Balance		<u>(4,919)</u>
Fund Balance:		
July 1, 2006		73,494
June 30, 2007	\$	<u><u>68,575</u></u>

(13) Long-term Deferred Charges.

Deferred charges represent bond issuance costs in the amount of \$61,848, net amortization of \$27,593 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 \$38,386.

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,023,407	2,987,158	2,987,145	(36,249)	(13)
State sources	8,462,270	8,811,096	8,811,094	348,826	(2)
Federal sources	57,500	54,782	54,782	(2,718)	
Total Revenues	11,543,177	11,853,036	11,853,021	309,859	(15)
Expenditures:					
Instruction	6,760,404	6,840,261	6,840,197	(79,857)	64
Support services	3,849,025	3,896,836	3,896,707	(47,811)	129
Noninstructional services	250,745	128,015	146,730	122,730	(18,715)
Facilities acquisition and construction		5,767	5,767	(5,767)	
Total Expenditures	10,860,174	10,870,879	10,889,401	(10,705)	(18,522)
Excess (Deficiency) of Revenues over Expenditures	683,003	982,157	963,620	299,154	(18,537)
Other Financing Sources (Uses):					
Insurance loss recoveries		10,490	10,490	10,490	
Sale of transportation equipment	3,000		127	(3,000)	127
Sale of other property	3,000	5,684	5,556	2,684	(128)
Operating transfers in	331,594	1,317,204	86,197	985,610	(1,231,007)
Operating transfers out	(398,339)	(1,652,861)	(421,854)	(1,254,522)	1,231,007
Total Other Financing Sources (Uses)	(60,745)	(319,483)	(319,484)	(258,738)	(1)
Net Change in Fund Balances	622,258	644,136	644,136	40,416	(18,536)
Fund Balances:					
July 1, 2006			3,236,271		3,236,271
Prior period adjustments		(7,000)	221,136	(7,000)	228,136
July 1, 2006, as restated		(7,000)	3,457,407	(7,000)	3,464,407
June 30, 2007	\$ 622,258	655,674	4,101,543	33,416	3,445,869

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

NEWTON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 330,400	367,454	367,448	37,054	(6)
State sources	40,000	5,087	5,087	(34,913)	
Federal sources	510,000	594,575	594,573	84,575	(2)
Total Revenues	880,400	967,116	967,108	86,716	(8)
Expenditures:					
Support services	105,271	96,635	96,626	8,636	9
Noninstructional services	902,033	917,525	898,650	(15,492)	18,875
Total Expenditures	1,007,304	1,014,160	995,276	(6,856)	18,884
Excess (Deficiency) of Revenues over Expenditures	(126,904)	(47,044)	(28,168)	79,860	18,876
Other Financing Sources (Uses):					
Operating transfers in		19,858	19,857	19,858	(1)
Total Other Financing Sources (Uses)		19,858	19,857	19,858	(1)
Net Change in Fund Balances	(126,904)	(27,186)	(8,311)	99,718	18,875
Fund Balances:					
July 1, 2006			18,849		18,849
Prior period adjustments			8,311		8,311
July 1, 2006, as restated			27,160		27,160
Decrease in reserve for inventory			(127)		(127)
June 30, 2007	\$ (126,904)	(27,186)	18,722	99,718	45,908

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

NEWTON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 486,863	470,725	470,164	(16,138)	(561)
Total Revenues	<u>486,863</u>	<u>470,725</u>	<u>470,164</u>	<u>(16,138)</u>	<u>(561)</u>
Expenditures:					
Instruction	272,645	266,791	266,789	5,854	2
Support services	174,493	170,814	170,806	3,679	8
Noninstructional services	22,659	24,717	24,715	(2,058)	2
Total Expenditures	<u>469,797</u>	<u>462,322</u>	<u>462,310</u>	<u>7,475</u>	<u>12</u>
Excess (Deficiency) of Revenues over Expenditures	<u>17,066</u>	<u>8,403</u>	<u>7,854</u>	<u>(8,663)</u>	<u>(549)</u>
Other Financing Sources (Uses):					
Operating transfers out	(8,550)	(8,415)	(8,414)	135	1
Total Other Financing Sources (Uses)	<u>(8,550)</u>	<u>(8,415)</u>	<u>(8,414)</u>	<u>135</u>	<u>1</u>
Net Change in Fund Balances	<u>8,516</u>	<u>(12)</u>	<u>(560)</u>	<u>(8,528)</u>	<u>(548)</u>
Fund Balances:					
July 1, 2006			560		560
June 30, 2007	<u>\$ 8,516</u>	<u>(12)</u>	<u>0</u>	<u>(8,528)</u>	<u>12</u>

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

NEWTON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA Part B Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 434,129	381,513	375,317	(52,616)	(6,196)
Total Revenues	<u>434,129</u>	<u>381,513</u>	<u>375,317</u>	<u>(52,616)</u>	<u>(6,196)</u>
Expenditures:					
Instruction	252,171	210,980	210,969	41,191	11
Support services	<u>169,395</u>	<u>170,983</u>	<u>170,971</u>	<u>(1,588)</u>	<u>12</u>
Total Expenditures	<u>421,566</u>	<u>381,963</u>	<u>381,940</u>	<u>39,603</u>	<u>23</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,563</u>	<u>(450)</u>	<u>(6,623)</u>	<u>(13,013)</u>	<u>(6,173)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(7,673)</u>			<u>7,673</u>	
Total Other Financing Sources (Uses)	<u>(7,673)</u>			<u>7,673</u>	
Net Change in Fund Balances	<u>4,890</u>	<u>(450)</u>	<u>(6,623)</u>	<u>(5,340)</u>	<u>(6,173)</u>
Fund Balances:					
July 1, 2006			<u>6,623</u>		<u>6,623</u>
June 30, 2007	<u>\$ 4,890</u>	<u>(450)</u>	<u>0</u>	<u>(5,340)</u>	<u>450</u>

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, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Newton County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	54,370
Child nutrition cluster:		
School breakfast program	10.553	159,443
National school lunch program	10.555	394,136
Total child nutrition cluster		553,579
Total U.S. Department of Agriculture		607,949
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	45,247
Total Federal Communications Commission		45,247
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	470,724
Career and technical education - basic grants to states	84.048	33,400
Safe and drug-free schools and communities - state grants	84.186	9,825
Fund for the improvement of education	84.215	45,450
State grants for innovative programs	84.298	3,232
Education technology state grants	84.318	16,000
Teacher quality enhancement grants	84.336	1,279
Rural education	84.358	45,814
Improving teacher quality state grants	84.367	122,385
Total		748,109
Special Education cluster:		
Special education - grants to states	84.027	384,920
Special education - preschool grants	84.173	28,380
Total special education cluster		413,300
Total passed-through Mississippi Department of Education		1,161,409
Total U.S. Department of Education		1,161,409
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	711
Total passed-through Mississippi Department of Education		711
Total U.S. Department of Health and Human Services		711
Total for All Federal Awards		\$ 1,815,316

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant 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, 2007

<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	\$ 10,756,734	8,330,447	472,284	741,544	1,212,459
Other	3,474,437	987,121	86,959	90,778	2,309,579
Total	\$ 14,231,171	9,317,568	559,243	832,322	3,522,038
Total number of students *	1,770				
Cost per student	\$ 8,040	5,264	316	470	1,990

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

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

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

NEWTON COUNTY SCHOOL DISTRICT

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

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

Superintendent and School Board
Newton County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Newton County School District as of and for the year ended June 30, 2007, which collectively comprise Newton County School District's basic financial statements and have issued our report thereon dated May 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 07-01, 07-02, 07-03, and 07-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated May 22, 2009, which is included in this report.

Newton County School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Newton County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use 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, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 22, 2009



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Newton County School District

Compliance

We 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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our 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, 2007.

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 our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

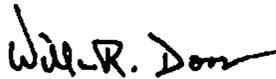
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 22, 2009

NEWTON COUNTY SCHOOL DISTRICT

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

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

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

Superintendent and School Board
Newton County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2007, which collectively comprise Newton County School District's basic financial statements and have issued our report thereon dated May 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,021 of classroom supply funds carried over from previous years.

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

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

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

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

1. Rents Due on Sixteenth Section Leases Should Be Collected Promptly

Finding

Section 29-3-57, Miss. Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases. This section further stipulates that upon a 60 day default in payment of any rentals according to the terms of the lease, the lease shall be terminated unless the board finds extenuating circumstances were present.

During our test of sixteenth section leases, we noted eight out of 20 sixteenth section leases tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Inadequate understanding of the laws concerning sixteenth section leases resulted in this noncompliance.

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of the sixteenth section lands and forfeiture of any interest that the district could have earned on this income.

Recommendation

We recommend that the district comply with Section 29-3-57, Miss. Code Ann. (1972), when leases are in default for more than 60 days from the date due by declaring the lease terminated unless the board of education finds extenuating circumstances are present and documents such in its minutes.

School District's Response

The Newton County School District will review all sixteenth section leases to ensure that they are not more than 60 days in default. Any leases that are in default 60 or more days will be brought before the school board so that action may be taken.

2. Interest Earned Should Be Allocated to Individual Funds within the Pooled Bank Account

Finding

Section 37-59-43(3), Miss. Code Ann. (1972), states, "All earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars (\$100) in any fiscal year,..... shall be deposited in the district fund from which the investment was made..."

During our test of cash, we noted that interest earned in excess of \$100 in the pooled bank account was not allocated to the funds from which the investment was made.

Inadequate controls concerning interest resulted in this noncompliance with Section 37-59-43(3), Miss. Code Ann. (1972).

Recommendation

We recommend the district comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires earnings from funds in excess of \$100 in any one fiscal year be deposited in the fund from which the investment was made.

School District's Response

Interest in the pooled bank will be properly allocated to each fund in the bank account.

3. Superintendent Should Provide the Board with Monthly Financial Statements

Finding

Section 37-9-18(1), Miss. Code Ann. (1972), states, "The superintendent of schools shall furnish to the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month."

During our test of financial statements, we noted that the financial statements given to the school board only contained the disbursements by fund. Only the district maintenance fund receipts were provided to the board for approval.

Inadequate controls concerning financial statements could result in the board members being uninformed of the revenue activity of the district.

Recommendation

We recommend that the district comply with Section 37-9-18(1), Miss. Code Ann. (1972), that requires the superintendent to furnish the school board a financial statement of receipts and disbursements, by fund, on or before the last working day of the following month covering the prior month.

School District's Response

The school board will be provided a monthly financial statement of receipts and disbursements, by fund, on or before the last working day of the following month covering the prior month.

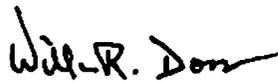
The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Newton County School District's response to the findings included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use 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, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 22, 2009

NEWTON COUNTY SCHOOL DISTRICT

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NEWTON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWTON COUNTY SCHOOL DISTRICT

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Newton County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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 weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|--------------|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that is not considered to be a material weakness? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| a. | Child Nutrition Cluster | |
| CFDA #10.553 | School Breakfast Program | |
| CFDA #10.555 | National School Lunch Program | |
| b. | Special Education Cluster | |
| CFDA #84.027 | Special Education - Grants to States | |
| CFDA #84.173 | Special Education - Preschool Grants | |
| 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 findings and questioned cost 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
For the Year Ended June 30, 2007

Section 2: Financial Statement Findings

Significant Deficiencies Not Considered to Be Material Weaknesses

07-1. Internal Controls Relating to Segregation of Duties Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of internal controls, we noted that the secretary performed the following functions in the cash receipts/revenue cycle, which indicates a lack of segregation of duties:

- Received the mail
- Sorted the mail
- Stamped checks as “received” and “deposit only”
- Receipted funds
- Prepared deposits
- Took deposits to the bank

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and the district personnel would not detect the problem while performing their normal duties.

Recommendation

We recommend the district revise its system of cash receipts/revenue functions whereby duties would be divided to the greatest possible extent.

07-2. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented.

During our tests of payroll expenditures, we found that supporting documentation for nonexempt employees was nonexistent, incorrect, or was not used to calculate the amount of salary an employee had earned. Also, we noted two employees who were not approved by the board.

As a result of inadequate internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation, and payments were processed to employees not approved by the board.

Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures. We also recommend that all employees be approved by the board and that the approval be documented in the board minutes.

Newton County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

07-3. Internal Controls Surrounding Accounts Payable Expenditures Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and reporting of all funds.

During our test of 32 accounts payable expenditures totaling \$441,152 we noted the following:

- One purchase order in the amount of \$825 for basketball shoes was not signed by the purchasing agent.
- Four invoices for printing services totaling \$769 and two invoices for pens totaling \$327 were not signed to indicate receipt of goods or services.
- One payment to the MS College School of Education for training in the amount of \$50 was not supported by an invoice.
- Two payments did not agree to the invoices supporting the payments. A payment of \$3,409 for music supplies was only supported by invoices totaling \$2,829, and a payment of \$1,472 for snacks was only supported by invoices totaling \$1,167.

Inadequate internal controls surrounding the expenditures and disbursements cycle could result in misappropriation or loss of assets.

Recommendation

We recommend the district implement internal controls to require purchase orders be completed and approved before purchases are made and require all invoices or receiving documents be signed to indicate receipt of goods prior to payment to the vendor. Procedures should be implemented to ensure payments are supported by invoices.

07-4. Internal Controls Related to Fiduciary Funds Should Be Strengthened

Finding

Management is responsible for ensuring that policies and procedures are in place regarding fiduciary funds and that all assets held in a fiduciary capacity are properly safeguarded. Proper internal controls require the school board to approve all accounts that will be held in a fiduciary capacity.

During test work performed on club fund balances, we noted that the Senior Class club fund had a negative cash balance of \$278, at June 30, 2007. This fund was held in a pooled bank account with other club funds. Without approval from the other student clubs, the district does not have authority to loan other clubs' money. This situation represents an internal control weakness over the custody of fiduciary fund assets.

Due to inadequate internal controls, club accounts were not monitored to ensure that loans were not made among student clubs without authorization.

Inadequate internal controls surrounding fiduciary funds could result in misappropriation of assets.

Recommendation

We recommend that the district implement policies and procedures which would ensure that club funds are properly recognized and that the assets are properly segregated to safeguard each club's assets.

Newton County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 3: Federal Award Findings and Questioned Costs

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

NEWTON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

NEWTON COUNTY SCHOOL DISTRICT

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Newton County School District

Pat Ross - Superintendent

Wayne McDill - Assistant Superintendent

15305 Highway 15 • Post Office Box 97 • Decatur, MS 39327

Telephone 601-635-2317 • Fax 601-635-4025

Financial & Compliance Audit Division

As required by section __.315(b) of OMB Circular A-133, the Newton County School District has proposed and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

Finding

Corrective Action Plan Details

07-1

- a. Name of contact person responsible for corrective action:

Cay Clark
Financial Director
(601) 635-2806

- b. Corrective action planned:

The Newton County School District will revise its system of cash receipts so that the duties will be properly segregated.

- c. Anticipated completion date:

Corrective action should be completed by June 30, 2009.

Finding

Corrective Action Plan Details

07-2

- a. Name of contact person responsible for corrective action:

Cay Clark
Financial Director
(601) 635-2806

- b. Corrective action planned:

The school district will follow its policies and procedures to ensure that adequate documentation to support payroll and payroll related expenditures are maintained. All employees will be board approved and documented in the minutes.

- c. Anticipated completion date:
Corrective action has been taken.

Finding

07-3

Corrective Action Plan Details

- a. Name of contact person responsible for corrective action:

Cay Clark
Financial Director
(601) 635-2806

- b. Corrective action planned:

The school district will follow its policies and procedures to ensure that the requirements of state purchasing laws are met for accounts payable expenditures.

- c. Anticipated completion date:

Corrective action has been taken.

Finding

07-4

Corrective Action Plan Details

- a. Name of contact person responsible for corrective action:

Cay Clark
Financial Director
(601) 635-2806

- b. Corrective action planned:

The Newton County District will follow its policies regarding fiduciary funds to ensure that club accounts are properly monitored and that loans are not made among student clubs without authorization.

c. Anticipated completion date:

Corrective action has been taken.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Pat Ross". The signature is fluid and cursive, with a long horizontal stroke at the end.

Pat Ross
Superintendent of Education
Newton County School District