



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

NEWTON COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008



Newton County School District

Table of Contents

Financial Audit Report	
Independent Auditor's Report on the Financial Statements and Supplemental Information	1 - 2
Management's Discussion and Analysis	5 - 12
Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements	23-40
Required Supplementary Information	
Budgetary Comparison Schedule	
Budgetary Comparison Schedule - General Fund	43
Budgetary Comparison Schedule - School Food Service Fund	44
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	45
Budgetary Comparison Schedule - Middle School Expansion Fund	46
Notes to the Required Supplementary Information	47
Supplemental Information	
Schedule of Expenditures of Federal Awards	51
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	52
Other Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	55
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	56
Reports on Compliance and Internal Control	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	59-60
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	61-62
Independent Auditor's Report on Compliance with State Laws and Regulations	65-67
Schedule of Findings and Questioned Costs	71-73
Corrective Action Plan	77-78



FINANCIAL AUDIT REPORT

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Newton County School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2008, which collectively comprise the Newton County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newton County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2009, on my consideration of the Newton County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 5 through 12 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



Stephen D. Myrick
Certified Public Accountant

November 9, 2009
Quitman, Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

(THIS PAGE INTENTIONALLY LEFT BLANK)



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

NEWTON COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. 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 2008 increased \$960,454, which represents a 6% increase from fiscal year 2007.
- General revenues amounted to \$11,954,203 and \$10,844,184, or 75% and 74% of all revenues for fiscal years 2008 and 2007, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,883,073 or 25% of total revenues for 2008 and \$3,897,361 or 26% of total revenue for 2007.
- The District had \$14,876,822 and \$14,344,916 in expenses for fiscal years 2008 and 2007; only \$3,883,073 for 2008 and \$3,897,361 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,954,203 for 2008 and \$10,844,184 for 2007 were adequate to provide for these programs.

- Among major funds, the General Fund had \$12,828,157 in revenues and \$11,561,067 in expenditures for 2008, and \$11,853,021 in revenues and \$10,889,401 in expenditures in 2007. The General Fund's fund balance increased \$865,272 from 2006 to 2007, and decreased \$449,197 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, decreased by \$30,649 in 2007 and increased by \$1,051,462 in 2008. The increase in 2008 was due to the construction in progress for a new classroom building at the Newton County Middle School.
- Long-term debt decreased by \$215,000 in 2008 and decreased by \$210,000 for 2007. This decrease was due to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$12,512 in 2008 and increased by \$18,987 for 2007.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's statement of revenues, expenditures, and changes in fund balances is reconciled to the statement of activities to facilitate this comparison between governmental funds and governmental activities.

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

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.

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$16,474,566 as of June 30, 2008.

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 year ended June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007	Percentage Change
Current assets	\$ 5,013,113	\$ 5,072,359	(1.2)%
Capital assets, net	<u>13,230,983</u>	<u>12,179,521</u>	8.6%
Total Assets	<u>18,244,096</u>	<u>17,251,880</u>	5.8%
Current liabilities	402,860	\$ 76,654	426%
Long-term debt outstanding	<u>1,366,670</u>	<u>1,661,114</u>	(17.7)%
Total Liabilities	<u>1,769,530</u>	<u>1,737,768</u>	1.8%
Net assets:			
Invested in capital assets, net of related debt	11,987,915	\$ 10,654,521	12.5%
Restricted	901,540	813,844	10.8%
Unrestricted	<u>3,585,111</u>	<u>4,045,747</u>	(11.4)%
Total Net Assets	\$ <u>16,474,566</u>	\$ <u>15,514,112</u>	6.2%

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

- Increase in net capital assets in the amount of \$1,051,462.
- The principal retirement of \$215,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2008 and June 30, 2007 were \$15,837,276 and \$14,741,545, respectively. The total cost of all programs and services was \$14,876,822 for 2008 and \$14,344,916 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and June 30, 2007.

Table 2
Change(s) in Net Assets

	Year Ended June 30, 2008	Year Ended June 30, 2007	Percentage Change
Revenues:			
Program revenues	\$ 3,883,073	3,897,361	(.37)%
General revenues	<u>11,954,203</u>	<u>10,844,184</u>	10.2%
Total revenues	<u>15,837,276</u>	<u>14,741,545</u>	7.4%
Expenses:			
Instruction	8,741,001	8,330,097	4.9%
Support services	4,780,174	4,828,617	(1.0)%
Non-instructional	1,269,824	1,089,730	16.5%
Sixteenth Section	29,125	19,586	48.7%
Interest on long-term liabilities	<u>56,698</u>	<u>76,886</u>	(26.3)%
Total expenses	<u>14,876,822</u>	<u>14,344,916</u>	3.7%
Increase (Decrease) in Net Assets	960,454	396,629	142%
Net Assets, July 1	15,514,112	14,846,790	4.5%
Prior Period Adjustments	0	<u>270,693</u>	
Net Assets, Restated, July 1	<u>15,514,112</u>	<u>15,117,483</u>	2.6%
Net Assets, June 30	<u>\$ 16,474,566</u>	<u>15,514,112</u>	6.2%

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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Instruction	\$ 8,741,001	8,330,097	4.9%
Support Services	4,780,174	4,828,617	(1.0)%
Non-instructional	1,269,824	1,089,730	16.5%
Sixteenth Section	29,125	19,586	48.7%
Interest on long-term liabilities	<u>56,698</u>	<u>76,886</u>	(26.3)%
Net expenses	\$ <u>14,876,822</u>	<u>14,344,916</u>	3.7%

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Instruction	\$ (6,166,493)	(6,076,740)	1.5%
Support Services	(4,233,831)	(4,149,978)	2.0%
Non-instructional	(530,016)	(124,525)	326.0%
Sixteenth Section	(6,711)	(19,426)	(65.0)%
Interest on long-term liabilities	<u>(56,698)</u>	<u>(76,886)</u>	(26.3)%
Total net (expense) revenue	\$ <u>(10,993,749)</u>	<u>(10,447,555)</u>	5.2%

- Net cost of governmental activities, (\$10,993,749 and \$10,447,555) was financed by general revenue, which is made up of primarily property taxes of (\$1,863,545 for 2008 and \$1,897,919 for 2007) and state and federal revenues of (\$9,704,433 for 2008 and \$8,762,706 for 2007). In addition, there was \$200,847 and \$22,016 in Sixteenth Section sources for 2008 and 2007, respectively.

- Investment earnings amounted to \$153,944 for 2008 and \$136,489 for 2007.

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 \$4,610,251, a decrease of \$307,086, and an increase in inventory of \$1,950. \$4,489,122 or 97% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$121,129 or 3% is reserved

or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$449,197. The fund balance of Other Governmental Funds showed a decrease of \$55,069. These decreases can be attributed to a reduction in funding and increased operating costs. The 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	\$ (1,950)
16 th Section Interest	199,130
Middle School Expansion	-0-

BUDGETARY HIGHLIGHTS

During 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 major special revenue funds is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$18,534,874, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,480,462 from 2007. Total accumulated depreciation as of June 30, 2008 was \$5,303,891, and total depreciation expense for the year was \$465,583, resulting in total net capital assets of \$13,230,983.

Table 4
Capital Assets, Net of Depreciation

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 192,862	\$ 192,862	0.0%
Construction in Progress	1,263,522	9,800	12793.0%
Buildings	9,754,969	9,975,882	(2.2)%
Building improvements	222,200	232,300	(4.3)%
Improvements other than buildings	1,019,236	1,079,767	(5.6)%
Mobile equipment	693,811	614,337	12.9%
Furniture and equipment	84,383	74,573	13.2%
Total	\$ 13,230,983	\$ 12,179,521	8.6%

Debt Administration. At June 30, 2008, the District had \$1,310,000 in outstanding long-term debt, of which \$225,000 is due within one year. The liability for compensated absences decreased from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,310,000	\$ 1,525,000	(14.1)%
Compensated absences payable	<u>123,602</u>	<u>136,114</u>	(9.2)%
Total	\$ <u>1,433,602</u>	\$ <u>1,661,114</u>	(13.7)%

Additional information of the District's long-term debt can be found in Note 6 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 revenues. Latest enrollment figures indicate that student enrollment in the District will continue to increase. The budget for the next fiscal year will take into account this increase in funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEWTON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 4,511,431
Due from other governments	339,593
Other receivables, net	117,950
Inventories and prepaid items	20,672
Restricted assets	23,467
Capital assets, not being depreciated:	
Land	192,862
Construction in progress	1,263,522
Capital assets, net of accumulated depreciation:	
Buildings	9,754,969
Building improvements	222,200
Improvements other than buildings	1,019,236
Mobile equipment	693,811
Furniture and equipment	84,383
Total Assets	<u>\$ 18,244,096</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 402,539
Unearned revenue	321
Long-term liabilities, due within one year	
Capital related liabilities	225,000
Non-capital related liabilities	7,110
Long-term liabilities, due beyond one year	
Capital related liabilities, net	1,018,068
Non-capital related liabilities	116,492
Total Liabilities	<u>\$ 1,769,530</u>
Net Assets:	
Investment in capital assets, net of related debt	\$ 11,987,915
Restricted net assets:	
Expendable:	
School-based activities	801,083
Debt service	6,069
Forestry improvements	41,019
Unemployment benefits	29,902
Non-expendable:	
Sixteenth section	23,467
Unrestricted	3,585,111
Total Net Assets	<u>\$ 16,474,566</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, 2008**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
					Governmental Activities
Governmental Activities:					
Instruction	\$ 8,741,001	\$ 424,235	\$ 2,150,273	\$ -	\$ (6,166,493)
Support services	4,780,174	345,169	25,434	175,740	(4,233,831)
Non-instructional	1,269,824	26,544	713,264	-	(530,016)
Sixteenth section	29,125	22,414	-	-	(6,711)
Interest on long-term liabilities	56,698	-	-	-	(56,698)
Total governmental activities	\$ 14,876,822	\$ 818,362	\$ 2,888,971	\$ 175,740	(10,993,749)
General Revenues:					
Taxes:					
					1,863,506
					39
Unrestricted grants and contributions:					
					9,645,871
					58,562
					153,944
					200,847
					5,399
					26,035
					<u>11,954,203</u>
					960,454
					15,514,112
					<u>\$ 16,474,566</u>

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

Exhibit C

NEWTON COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	School Food Service	16th Section Interest	Middle School Expansion	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 3,623,599	\$ 9,208	\$ 605,459	\$ -	\$ 289,873	\$ 4,528,139
Investments	-	-	-	-	6,759	6,759
Due from other governments	167,457	-	32,307	-	139,829	339,593
Other receivable	78,183	190	-	-	32,878	111,251
Due from other funds	532,790	103,670	-	335,782	23,176	995,418
Inventories and prepaid items	-	20,672	-	-	-	20,672
Total Assets	\$ 4,402,029	\$ 133,740	\$ 637,766	\$ 335,782	\$ 492,515	\$ 6,001,832
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 54,050	\$ 18	\$ 1,658	\$ 335,782	\$ 5,176	\$ 396,684
Due to other funds	695,633	115,000	-	-	183,943	994,576
Deferred revenue	-	-	-	-	321	321
Total Liabilities	749,683	115,018	1,658	335,782	189,440	1,391,581
Fund Balances:						
Reserved for:						
Inventory	-	20,672	-	-	-	20,672
Debt service	-	-	-	-	6,069	6,069
Unemployment benefits	-	-	-	-	29,902	29,902
Forestry improvement purposes	-	-	-	-	41,019	41,019
Permanent fund purposes	-	-	-	-	23,467	23,467
Unreserved:						
Undesignated, reported in:						
General fund	3,652,346	-	-	-	-	3,652,346
Special Revenue funds	-	(1,950)	636,108	-	146,252	780,410
Capital Projects funds	-	-	-	-	-	-
Debt Service funds	-	-	-	-	56,366	56,366
Total Fund Balances	3,652,346	18,722	636,108	-	303,075	4,610,251
Total Liabilities and Fund Balances	\$ 4,402,029	\$ 133,740	\$ 637,766	\$ 335,782	\$ 492,515	\$ 6,001,832

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, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,610,251
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,303,891.	13,230,983
2. Long-term liabilities, net of deferred issuance costs of \$66,932 are not due and payable in the current period and therefore are not reported in the funds.	(1,366,670)
3. Rounding	<u>2</u>
Total Net Assets - Governmental Activities	<u>\$ 16,474,566</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 2008

	Major Funds					Total Governmental Funds
	General Fund	School Food Service	16th Section Interest	Middle School Expansion	Other Governmental Funds	
Revenues:						
Local sources	\$ 3,029,188	\$ 356,969	\$ -	\$ -	\$ 361,795	\$ 3,747,952
State sources	9,745,308	5,257	-	-	323,219	10,073,784
Federal sources	53,661	607,561	-	-	1,155,878	1,817,100
Sixteenth section sources	-	-	199,731	-	24,247	223,978
Total Revenues	12,828,157	969,787	199,731	-	1,865,139	15,862,814
Expenditures:						
Instruction	7,312,668	-	-	-	1,163,887	8,476,555
Support services	4,077,505	83,221	-	-	708,105	4,868,831
Noninstructional services	130,313	953,608	-	-	121,544	1,205,465
Sixteenth section	-	-	1,960	-	27,165	29,125
Facilities acquisition and construction	40,581	-	-	1,253,722	-	1,294,303
Debt service:						
Principal	-	-	-	-	215,000	215,000
Interest	-	-	-	-	55,098	55,098
Other	-	-	-	-	1,600	1,600
Total Expenditures	11,561,067	1,036,829	1,960	1,253,722	2,292,399	16,145,977
Excess (Deficiency) of Revenues over Expenditures	1,267,090	(67,042)	197,771	(1,253,722)	(427,260)	(283,163)
Other Financing Sources (Uses):						
Sale of other property	1,898	-	-	-	-	1,898
Operating transfers in	1,349,284	84,948	-	1,253,722	413,190	3,101,144
Operating transfers out	(3,041,712)	(19,856)	-	-	(39,576)	(3,101,144)
Insurance loss recoveries	5,399	-	-	-	-	5,399
Other financing uses	(31,156)	-	-	-	(4,700)	(35,856)
Other financing sources	-	-	1,359	-	3,277	4,636
Total other financing sources (uses)	(1,716,287)	65,092	1,359	1,253,722	372,191	(23,923)
Net Change in Fund Balances	(449,197)	(1,950)	199,130	-	(55,069)	(307,086)
Fund Balances:						
July 1, 2007	4,101,543	18,722	436,978	-	358,144	4,915,387
Increase in reserve for inventory	-	1,950	-	-	-	1,950
June 30, 2008	\$ 3,652,346	\$ 18,722	\$ 636,108	\$ -	\$ 303,075	\$ 4,610,251

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, 2008

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (307,086)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$1,528,900, the depreciation expense amounted to \$465,853.	1,063,047
2. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities.	(13,386)
3. 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	(11,585)
4. 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.	215,000
5. Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include a net decrease in compensated absences.	12,512
6. Increase in the inventory reported as an adjustment to fund balance in the governmental, but noninstructional expenditures are decreased in the Statement of Activities.	1,950
6. Rounding	2
Change in Net Assets of Governmental Activities	\$ 960,454

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

NEWTON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 493,430
Due from other funds	<u>5,857</u>
Total assets	<u><u>\$ 499,287</u></u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 471,731
Due to other funds	6,699
Due to student clubs	<u>20,857</u>
Total liabilities	<u><u>\$ 499,287</u></u>

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board where each member was elected by the citizens of each defined county district. For financial reporting purposes, Newton County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on the net assets' use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

School Food Service Fund – This fund accounts for the school district’s revenues and expenditures associated with providing to the students breakfast and lunch.

Sixteenth Section Fund – This fund is used to account for expendable revenue earned from sixteenth section lands and the related expenditures.

Middle School Expansion Fund – This fund accounts for the school district’s revenues and expenditures associated with the expansion of the middle school.

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:

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when the liability is incurred or the economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

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

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

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

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Governmental Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 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. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
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	*	*

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

7. Compensated Absences

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

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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. The following represents 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.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

1. Summary of Significant Accounting Policies (Continued).

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

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

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

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.

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 districts' 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.

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;

NEWTON COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

2. Cash and Cash Equivalents, and Investments (Continued).

(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), 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 \$4,534,898 (which includes \$6,759 of certificates of deposit with original maturities beyond three months and reported on exhibit C as investments) and \$493,430, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$4,511,431 and restricted assets of \$23,467. The restricted assets of \$23,467 represent cash and cash equivalents of \$16,708 and investment in certificates of deposit with original maturities beyond three months of \$6,759 from 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 was \$5,296,878 represents cash and cash equivalents of \$5,290,119 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, 2008, none of the district's bank balance of \$5,296,878 was exposed to custodial credit risk.

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>	

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

2. Cash and Cash Equivalents, and Investments (Continued).

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.

Custodial Credit Risk - Investments - Custodial credit risk is 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 the outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

3. Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 234,679
	School Food Service	115,000
	Other Governmental Funds	176,412
	Fiduciary Funds	6,699
School Food Service	General Fund	103,670
Middle School Expansion	General Fund	335,782
Other Governmental Funds	General Fund	15,645
	Other Governmental Funds	7,531
Fiduciary Funds	General Fund	5,857
Total		<u>\$ 1,001,275</u>

The purpose of the above loans represent the recording of indirect costs in federal grants, loans for working capital and interest earned in agency funds that will be transferred to the district maintenance.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

3. Interfund Receivables, Payables and Transfers (Continued).

B. Interfund Transfers:

Transfer Out	Transfer In	Amount
General Fund	General Fund	\$ 1,310,715
	School Food Service	84,948
	Middle School Expansion	1,253,722
	Other Governmental Funds	392,327
School Food Service	General Fund	19,856
Other Governmental Funds	General Fund	18,713
	Other Governmental Funds	20,863
Total		\$ 3,101,144

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

4. Restricted Assets.

The restricted assets represent the cash and investment balance, totaling \$16,708 and \$6,759, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for the purposes that support the district's programs.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

5. Capital Assets.

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

	Balance 7/1/07	Additions	Retirements	Adjustments	Balance 6/30/08
Non-depreciable capital assets:					
Land	\$ 192,862	\$ -	\$ -	\$ -	\$ 192,862
Construction in progress	9,800	1,253,722	-	-	1,263,522
Total non-depreciable capital assets	202,662	1,253,722	-	-	1,456,384
Depreciable capital assets:					
Buildings	13,039,944	40,581	-	-	13,080,525
Building improvements	252,500	-	-	-	252,500
Improvements other than buildings	1,513,283	-	-	-	1,513,283
Mobile Equipment	1,589,171	201,814	18,370	-	1,772,615
Furniture and equipment	456,852	32,783	30,068	-	459,567
Total depreciable capital assets	16,851,750	275,178	48,438	-	17,078,490
Less accumulated depreciation for:					
Buildings	3,064,062	261,494	-	-	3,325,556
Building improvements	20,200	10,100	-	-	30,300
Improvements other than buildings	433,516	60,531	-	-	494,047
Mobile Equipment	974,834	111,056	7,086	-	1,078,804
Furniture and equipment	382,279	22,672	29,767	-	375,184
Total accumulated depreciation	4,874,891	465,853	36,853	-	5,303,891
Total depreciable capital assets, net	11,976,859	(190,675)	11,585	-	11,774,599
Governmental activities capital assets, net	\$ 12,179,521	\$ 1,063,047	\$ 11,585	\$ -	\$ 13,230,983

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 280,588
Support services	118,956
Non-instructional	66,309
Total depreciation expense	\$ 465,853

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

6. Long-term Liabilities.

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

	Balance 7/1/07	Additions	Reductions	Adjustments	Balance 6/30/08	Amounts due within one year
A. General obligation bonds payable	\$ 1,525,000	\$ -	\$ 215,000	-	\$ 1,310,000	\$ 225,000
B. Compensated absences payable	136,114	-	7,832	(4,680)	123,602	7,110
C. Deferred Charges	(80,318)	-	13,386	-	(66,932)	-
Total	<u>\$ 1,580,796</u>	<u>\$ -</u>	<u>\$ 236,218</u>	<u>(4,680)</u>	<u>\$ 1,366,670</u>	<u>\$ 232,110</u>

A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bond, refinancing 2002	Varies	09/01/02	07/15/13	\$ 2,140,000	\$ 1,310,000
Total				<u>\$ 2,140,000</u>	<u>\$ 1,310,000</u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30	Principal	Interest	Total
2009	225,000	51,510	276,510
2010	230,000	43,563	273,563
2011	235,000	34,938	269,938
2012	255,000	20,374	275,374
2013	240,000	10,230	250,230
2014	125,000	2,625	127,625
Total	<u>\$ 1,310,000</u>	<u>\$ 163,240</u>	<u>\$ 1,473,240</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the school district did not have any bonded indebtedness outstanding that was subject to these limitations.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

6. Long-term Liabilities (Continued).

The current refunding is exempt from limitation by Section 31-15-17. This debt will be retired from the 2002 G. O. Refinancing Bond and EEF Building Funds.

General obligation bonds payable outstanding of \$1,310,000 is reflected on the Statement of Net Assets net of unamortized deferred charges of \$66,932. For additional details on Deferred Charges, see Notes 1(F)(8) and 6(C).

B. Compensated absences payable

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

C. Deferred Charges

Deferred charges represent bond issuance costs in the amount of \$61,848, net accumulated amortization of \$33,302 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 \$46,063. See also Note 1(F)(8) and 6(A).

7. Prior Year Defeasance of Debt.

In prior years, the school district defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old certificates of participation. Accordingly, the trust account assets and liability for the defeased debt are not included in the school district's financial statements. On June 30, 2008, \$1,335,000 of bonds outstanding is defeased.

8. 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.

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

8. Defined Benefit Pension Plan (Continued).

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's rate for fiscal year ended June 30, 2008 was 11.85% 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, 2008, 2007, and 2006 were \$1,007,488, \$915,648, and \$830,188, respectively, which equaled the required contributions for each year.

9. Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 16,646
2010	16,099
2011	14,249
2012	10,155
2013	9,225
2014-2018	20,645
2019-2023	17,995
2024-2028	17,995
2029-2033	6,332
2034-2038	3,896
2039-2043	774
2044-2048	75
	<u>\$ 134,086</u>

10. Risk Management.

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2008

10. Risk Management (Continued).

Participation in Public Entity Risk Pool.

The school district is a member of Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation 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.

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.

NEWTON COUNTY SCHOOL DISTRICT

Notes to Financial Statements

For the Year Ended June 30, 2008

11. Alternative School Consortium (Continued).

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.

East Central Alternative School Consortium
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2008

Revenues	
Local Sources	
Tuition from other LEA's within the state:	
Union Public School District	\$ 99,576
Scott County School District	214,088
Neshoba County School District	163,305
Newton Municipal School District	99,576
Enterprise School District	99,576
Forest Municipal School District	99,576
Philadelphia Public School District	99,576
Total tuition from other LEA's within the state	<u>875,273</u>
Interest	10,003
Total local sources	<u>885,276</u>
Total revenues	<u>885,276</u>
Expenditures:	
Salaries	560,328
Employee benefits	165,215
Purchased property services	52,294
Other purchased services	19,427
Supplies	24,443
Property	13,176
Other	1,443
Total expenditures	<u>836,326</u>
Excess (Deficiency) of Revenues Over Expenditures	48,950
Other financing sources/uses:	
Operating Transfers in	104,804
Operating Transfers out	(28,892)
Miscellaneous	(1,360)
Total other financing sources/uses	<u>74,552</u>
Net change in fund balance	123,502
Fund balance:	
July 1, 2007	216,451
June 30, 2008	<u>\$ 339,953</u>

NEWTON COUNTY SCHOOL DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2008**

12. Vocational School Consortium.

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

Section 37-31-73, 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, 2008

Revenues	
Local Sources	
Taxes	\$ 256,193
Tuition from other LEA's within the state:	
Union Public School District	32,878
Other local sources	60,789
Total local sources	<u>349,860</u>
State Sources	234,793
Federal Sources	32,620
Total revenues	<u>617,273</u>
Expenditures	
Salaries	553,689
Employee benefits	161,336
Purchased property services	48,224
Other purchased services	5,650
Supplies	36,817
Property	27,307
Other	650
Total expenditures	<u>833,673</u>
Excess (Deficiency) of revenues over expenditures	(216,400)
Other financing sources/uses:	
Operating transfers in	173,388
Operating transfers out	(20,863)
Miscellaneous	(4,700)
Total other financing sources/uses	<u>147,825</u>
Net change in fund balance	(68,575)
Fund balance	
July 1, 2007	68,575
June 30, 2008	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,125,211	\$ 3,030,558	\$ 3,029,188	\$ (94,653)	\$ (1,370)
State sources	9,442,843	9,745,309	9,745,308	302,466	(1)
Federal sources	27,500	53,661	53,661	26,161	-
Total revenues	<u>12,595,554</u>	<u>12,829,528</u>	<u>12,828,157</u>	<u>233,974</u>	<u>(1,371)</u>
Expenditures:					
Instruction	7,150,574	7,312,728	7,312,668	(162,154)	60
Support services	4,435,685	4,077,650	4,077,505	358,035	145
Noninstructional services	301,236	130,321	130,313	170,915	8
Facilities acquisition & construction	-	40,582	40,581	(40,582)	1
Total expenditures	<u>11,887,495</u>	<u>11,561,281</u>	<u>11,561,067</u>	<u>326,214</u>	<u>214</u>
Excess (Deficiency) of revenues over expenditures	<u>708,059</u>	<u>1,268,247</u>	<u>1,267,090</u>	<u>560,188</u>	<u>(1,157)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	5,400	5,399	5,400	(1)
Sale of other property	6,000	1,899	1,898	(4,101)	(1)
Operating transfers in	130,665	1,349,288	1,349,284	1,218,623	(4)
Operating transfers out	(660,379)	(2,705,932)	(3,041,712)	(2,045,553)	(335,780)
Other financing uses	-	(32,516)	(31,156)	(32,516)	1,360
Total other financing sources (uses)	<u>(523,714)</u>	<u>(1,381,861)</u>	<u>(1,716,287)</u>	<u>(858,147)</u>	<u>(334,426)</u>
Net change in fund balances	<u>184,345</u>	<u>(113,614)</u>	<u>(449,197)</u>	<u>(297,959)</u>	<u>(335,583)</u>
Fund Balances:					
July 1, 2007	-	-	4,101,543	-	4,101,543
June 30, 2008	<u>\$ 184,345</u>	<u>\$ (113,614)</u>	<u>\$ 3,652,346</u>	<u>\$ (297,959)</u>	<u>\$ 3,765,960</u>

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

NEWTON SCHOOL DISTRICT
Budgetary Comparison Schedule
School Food Service
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP) Basis	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 361,900	\$ 353,369	\$ 356,969	\$ (8,531)	\$ 3,600
State Sources	40,000	5,258	5,257	(34,742)	(1)
Federal Sources	530,000	607,563	607,561	77,563	(2)
Total Revenues	<u>931,900</u>	<u>966,190</u>	<u>969,787</u>	<u>34,290</u>	<u>3,597</u>
Expenditures:					
Support services	76,288	83,230	83,221	(6,942)	9
Noninstructional services	997,083	953,627	953,608	43,456	19
Total Expenditures	<u>1,073,371</u>	<u>1,036,857</u>	<u>1,036,829</u>	<u>36,514</u>	<u>28</u>
Excess (Deficiency) of revenues over Expenditures	<u>(141,471)</u>	<u>(70,667)</u>	<u>(67,042)</u>	<u>70,804</u>	<u>3,625</u>
Other financing sources (uses):					
Operating transfers in	-	84,949	84,948	84,949	(1)
Operating transfers out	-	(19,858)	(19,856)	(19,858)	2
Other sources	-	3,606	-	3,606	(3,606)
Total Other Financing Sources (Uses)	<u>-</u>	<u>68,697</u>	<u>65,092</u>	<u>68,697</u>	<u>(3,605)</u>
Net Change in Fund Balances	<u>(141,471)</u>	<u>(1,970)</u>	<u>(1,950)</u>	<u>139,501</u>	<u>20</u>
Fund Balances:					
July 1, 2007	-	-	18,722	-	18,722
Increase in inventory	-	-	1,950	-	1,950
June 30, 2008	<u>\$ (141,471)</u>	<u>\$ (1,970)</u>	<u>\$ 18,722</u>	<u>\$ 139,501</u>	<u>\$ 20,692</u>

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

NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP) Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Sixteenth section sources	\$ 36,400	\$ 199,735	\$ 199,731	\$ 163,335	\$ (4)
Total Revenues	36,400	199,735	199,731	163,335	(4)
Expenditures:					
Facilities acquisition and construction	4,800	1,961	1,960	2,839	1
Total Expenditures	4,800	1,961	1,960	2,839	1
Excess (Deficiency) of revenues over Expenditures	31,600	197,774	197,771	166,174	(3)
Other financing sources (uses):					
Operating transfers in	800	-	-	(800)	-
Other financing sources	-	-	1,359	-	1,359
Total Other Financing Sources (Uses)	800	-	1,359	(800)	1,359
Net Change in Fund Balances	32,400	197,774	199,130	165,374	1,356
Fund Balances:					
July 1, 2007	-	-	436,978	-	436,978
June 30, 2008	\$ 32,400	\$ 197,774	\$ 636,108	\$ 165,374	\$ 438,334

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

NEWTON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule
Middle School Expansion Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP) Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
Expenditures:					
Facilities acquisition and construction	320,000	917,941	1,253,722	(597,941)	(335,781)
Total Expenditures	320,000	917,941	1,253,722	(597,941)	(335,781)
Excess (Deficiency) of revenues over Expenditures	(320,000)	(917,941)	(1,253,722)	(597,941)	(335,781)
Other financing sources (uses):					
Operating transfers in	320,000	917,941	1,253,722	597,941	335,781
Total Other Financing Sources (Uses)	320,000	917,941	1,253,722	597,941	335,781
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	-	-	-	-	-
June 30, 2008	\$ -	\$ -	\$ -	\$ -	\$ -

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

NEWTON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, June 30, 2008

Notes to the Required Supplementary Information

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedules present 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 and Capital Project Fund consistent with accounting principles generally accepted in the United States of America.

(THIS PAGE INTENTIONALLY LEFT BLANK)

SUPPLEMENTAL INFORMATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Direct program:		
Distance learning & telemedicine loan and grant	10.855	\$ 61,783
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	54,088
Child nutrition cluster:		
School breakfast program	10.553	152,303
National school lunch program	10.555	401,170
Total child nutrition cluster		553,473
Total U.S. Department of Agriculture		669,344
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	46,125
Total Federal Communications Commission		46,125
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	420,984
Vocational education - basic grants to states	84.048	32,620
Safe and drug-free schools and communities - state grants	84.186	9,626
Eisenhower professional development state grants	84.281	140,369
Innovative education program strategies	84.298	1,462
Education technology state grants	84.318	4,901
Special education - state personnel development	84.323	71,687
Rural education	84.358	55,754
Total		737,403
Special education cluster:		
Special education - grants to states	84.027	328,515
Special education - preschool grants	84.173	16,818
Total special education cluster		345,333
Total passed-through Mississippi Department of Education		1,082,736
Total U.S. Department of Education		1,082,736
<u>Other Federal Assistance</u>		
Direct program:		
Medicare reimbursement	93.XXX	1,438
Total Other Federal Assistance		1,438
Total for All Federal Awards		\$ 1,799,643

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The Distance Learning & Telemedicine Loan and Grant represents a 2006 grant that was finalized in the current fiscal year.

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,895,941	\$ 8,265,091	\$ 610,558	546,527	\$ 1,473,765
Other	5,250,036	1,344,252	111,897	95,938	3,697,949
Total	<u>\$ 16,145,977</u>	<u>\$ 9,609,343</u>	<u>\$ 722,455</u>	<u>\$ 642,465</u>	<u>\$ 5,171,714</u>
Total number of students	1,821				
Cost per student	\$ 8,867	\$ 5,277	\$ 397	\$ 353	\$ 2,840

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

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

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

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

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

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

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

Other – includes all other expenditures

OTHER SUPPLEMENTAL INFORMATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

	2008	2007	Unaudited	
		*	*	*
	2006	2005		
Revenues:				
Local sources	\$ 3,029,188	\$ 2,987,145	\$ 2,877,338	\$ 2,827,588
State sources	9,745,308	8,811,094	8,090,582	7,330,319
Federal sources	53,661	54,782	53,690	46,693
Total Revenues	<u>12,828,157</u>	<u>11,853,021</u>	<u>11,021,610</u>	<u>10,204,600</u>
Expenditures:				
Instruction	7,312,668	6,840,197	6,343,961	5,793,265
Support services	4,077,505	3,896,707	4,036,975	3,192,149
Noninstructional services	130,313	146,730	126,334	114,108
Facilities acquisition and construction	40,581	5,767	32,940	24,335
Total Expenditures	<u>11,561,067</u>	<u>10,889,401</u>	<u>10,540,210</u>	<u>9,123,857</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,267,090</u>	<u>963,620</u>	<u>481,400</u>	<u>1,080,743</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	5,399	10,490	481,392	-
Sale of other property	1,898	5,683	9,883	57
Operating transfers in	1,349,284	86,197	1,165,754	1,385,831
Operating transfers out	(3,041,712)	(421,854)	(1,671,775)	(2,021,254)
Other financing sources	-	-	11,208	1,299
Other financing uses	(31,156)	-	(1,421)	-
Total Other Financing Sources (Uses)	<u>(1,716,287)</u>	<u>(319,484)</u>	<u>(4,959)</u>	<u>(634,067)</u>
Net Change in Fund Balances	<u>(449,197)</u>	<u>644,136</u>	<u>476,441</u>	<u>446,676</u>
Fund Balances:				
July 1,	4,101,543	3,236,271	2,759,830	2,450,791
Prior period adjustments	-	221,136	-	(137,637)
July 1, restated	<u>4,101,543</u>	<u>3,457,407</u>	<u>2,759,830</u>	<u>2,313,154</u>
June 30,	<u>\$ 3,652,346</u>	<u>\$ 4,101,543</u>	<u>\$ 3,236,271</u>	<u>\$ 2,759,830</u>

* Source - Prior Year Audit Reports

NEWTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
Last Four Years

	2008	2007 *	Unaudited	
			2006 *	2005 *
Revenues:				
Local sources	\$ 3,747,952	\$ 3,704,986	\$ 3,559,398	\$ 3,500,409
State sources	10,073,784	9,188,945	8,412,324	7,664,764
Federal sources	1,817,100	1,794,355	1,973,976	2,182,296
Sixteenth section sources	223,978	37,086	39,281	177,375
Total Revenues	15,862,814	14,725,372	13,984,979	13,524,844
Expenditures:				
Instruction	8,476,555	8,033,897	7,607,134	6,894,114
Support services	4,868,831	4,773,346	4,988,584	4,361,565
Noninstructional services	1,205,465	1,115,275	1,123,021	1,165,609
Sixteenth section	29,125	19,586	8,309	94,544
Facilities acquisition and construction	1,294,303	15,567	32,940	289,792
Debt service:				
Principal	215,000	210,000	-	205,000
Interest	55,098	61,900	32,578	70,793
Other	1,600	1,600	1,600	1,600
Total Expenditures	16,145,977	14,231,171	13,794,166	13,083,017
Excess (Deficiency) of Revenues over Expenditures	(283,163)	494,201	190,813	441,827
Other Financing Sources (Uses):				
Insurance loss recoveries	5,399	10,490	488,549	-
Sale of other property	1,898	5,683	9,883	57
Operating transfers in	3,101,144	516,078	1,700,042	2,031,827
Operating transfers out	(3,101,144)	(516,078)	(1,700,042)	(2,031,827)
Other financing sources	4,636	-	11,208	1,299
Other financing uses	(35,856)	-	(1,421)	-
Total Other Financing Sources (Uses)	(23,923)	16,173	508,219	1,356
Net Change in Fund Balances	(307,086)	510,374	699,032	443,183
Fund Balances:				
July 1,	4,915,387	4,395,071	3,696,039	3,252,856
Prior period adjustments	-	10,069	-	-
	4,915,387	4,405,140	3,696,039	3,252,856
Increase in reserve for inventory	1,950	(127)	-	-
June 30,	\$ 4,610,251	\$ 4,915,387	\$ 4,395,071	\$ 3,696,039

* Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Newton County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2008, which collectively comprise the Newton County School District's basic financial statements and have issued my report thereon dated November 9, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of the 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 that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in the internal control over financial reporting that I 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 a 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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 08-1, 08-2 and 08-3 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.

My 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, I believe 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance or other matters that I have reported to management of the school district in a separate letter dated November 9, 2009, which is included in this report.

Newton County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit Newton County School District's responses and, accordingly, I express no opinion on them.

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



Stephen D. Myrick
Certified Public Accountant

November 9, 2009
Quitman, Mississippi

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Newton County School District

Compliance

I have audited the compliance of the Newton County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the district's compliance based on my audit.

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

In my opinion, Newton County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

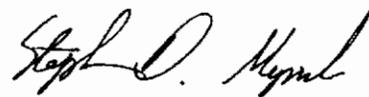
The management of the Newton County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My 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 entity's internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I 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.



Stephen D. Myrick
Certified Public Accountant

November 9, 2009
Quitman, Mississippi

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

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

103 North Archusa Avenue
P. O. Box 540
Quitman, MS 39355

Telephone and Fax: (601) 776-4547
E-Mail: stephenmyrickcpa@bellsouth.net

Member
American Institute of
Certified Public Accountants

Member
Mississippi Society of
Certified Public Accountants

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

Superintendent and School Board
Newton County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton County School District as of and for the year ended June 30, 2008, which collectively comprise Newton County School District's basic financial statements and have issued my report thereon dated November 9, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$2,801 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 my 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, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and accordingly, I do not express such an opinion.

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

1. Finding

As stated in the prior year, 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 my test of sixteenth section leases, I observed seven instances where sixteenth section leases 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).

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

Recommendation

I 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 due date by declaring the lease terminated unless the board finds extenuating circumstances are present and documents those circumstances in the board minutes.

School District's Response

Due to the timing of the previous year's audit, corrective action could not be taken during the 2008 fiscal year. However, the Newton County School District has since taken corrective action. The 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 days or more will be brought before the school board so that action may be taken.

2. 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." As stated in the prior year, 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

I 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 last working day of the following month covering the prior month.

Response

Due to the timing of the previous year's audit, the corrective action could not be taken during the 2008 fiscal year. However, the Newton County School District has since taken corrective action. The school board is being 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 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 District's responses to the findings included in this report were not audited and, accordingly, I express no opinion on them.

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



Stephen D. Myrick
Certified Public Accountant

November 9, 2009
Quitman, Mississippi

(THIS PAGE INTENTIONALLY LEFT BLANK)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 6. Audit finding(s) reported as required by Section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Program name: Title I grants to local Educational agencies | |
| CFDA #: 84.010 | |
| b. Program name: Distance learning & Telemedicine Loan and Grant | |
| CFDA #: 10.855 | |
| 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 |

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2008

10. Prior fiscal year audit finding(s) relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133?

No

Section 2: Financial Statement Findings

08-1. Finding

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

As stated in the prior year, I observed that the secretary at the district office performed the following functions in the cash receipts/revenue cycle:

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

Without proper segregation of duties, the risk that assets could be misappropriated or lost increases.

Recommendation

I recommend that the district further segregate these duties among office personnel.

08-2. Finding

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

During my tests of payroll expenditures, I observed the following instances where adequate documentation was not maintained:

- Nine instances where timesheets for nonexempt employees could not be located.
- Two instances where the pay rate authorized by the board was not documented in the board minutes.
- Four instances where PERS Form 4B "Certification Acknowledgement of Reemployment of Retiree" was not timely filed.

NEWTON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2008

As a result of inadequate internal controls for payroll expenditures, payments to nonexempt employees were made without adequate supporting documentation or proper authorizations such as timesheets or authorized pay rates and forms required to be filed with PERS when state retirees are hired were not timely filed.

Payments of wages without inadequate records could result in employees being improperly compensated.

Recommendation

I recommend that the district establish internal controls that will ensure that adequate documentation is maintained on nonexempt employees, pay rates are properly approved by the board and forms required to be filed with PERS are timely filed.

08-3. Finding

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

During my test of expenditures, I observed the following:

- Two instances where the invoice amount was different from the amount listed on the purchase order.
- Two instances where quotes were not properly obtained.

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

Recommendation

I recommend that the district establish additional internal controls to ensure that invoices are compared to the purchase order to ensure that the price quoted when the goods are ordered is the price paid. I also recommend that additional internal controls are established to ensure that quotes are obtained when required.

Section 3: Federal Award Findings and Questioned Cost

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

CORRECTIVE ACTION PLAN

(THIS PAGE INTENTIONALLY LEFT BLANK)



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, 2008:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-1	<p>a. Name of contact person responsible for corrective action:</p> <p>Cay Clark Financial Director (601) 635-2806</p> <p>b. Corrective action planned:</p> <p>Due to the timing of the previous year audit, this finding could not be corrected during the current year. However, the Newton County School District has since revised its system of cash receipts so that the duties will be properly segregated.</p> <p>c. Anticipated completion date:</p> <p>Corrective action has been taken.</p>
<u>Finding</u>	<u>Corrective Action Plan Details</u>
08-2	<p>a. Name of contact person responsible for corrective action:</p> <p>Cay Clark Financial Director (601) 635-2806</p> <p>b. Corrective action planned:</p> <p>The school district will follow its policies and procedures to ensure that adequate documentation to support payroll and payroll related</p>

expenditures are maintained. All employees will be board approved and documented in the minutes. All reemployed retirees will be required to complete a PERS Form 4B "Certification Acknowledgement of Reemployment of Retiree".

c. Anticipated completion date:

Corrective action has been taken.

Finding

08-3

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.

Sincerely yours,



Pat Ross
Superintendent of Education
Newton County School District