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**Newton Municipal School District**

**Audited Financial Statements  
For the Year Ended June 30, 2008**

**Suzanne E. Smith, CPA**



# NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT  
FINANCIAL AUDIT REPORT

NEWTON MUNICIPAL SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Newton Municipal 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 Municipal School District as of and for the year ended June 30, 2008, which collectively comprise the Newton Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Newton Municipal 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 Municipal 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 April 13, 2009, on my consideration of the Newton Municipal School District's internal control over financial reporting and on 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 13 and the Budgetary Comparison Schedules and related notes on pages 41 through 48 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 primarily 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 Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds – Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances – General Funds – Last Four Years included as other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. I did not audit the information and express no opinion on it.



Meridian, MS  
April 13, 2009

NEWTON MUNICIPAL SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS

NEWTON MUNICIPAL SCHOOL DISTRICT

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**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

The discussion and analysis of Newton Municipal 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 financial statements and the notes to the basic 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.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$35,589, including a prior period adjustment of (\$3,956), which represents a 0.5 % increase from the fiscal year 2007.
- General revenues accounted for \$7,457,164 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,304,641, or 23% of total revenues.
- The District had \$9,722,260 in expenses; only \$2,304,641 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,457,164 were adequate to provide for these programs.
- Among major funds, the General Fund had \$6,848,987 in revenues and \$6,786,476 in expenditures. The General Fund's fund balance decreased \$135,428 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$149,136.
- Long-term debt decreased by \$104,491.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

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 services, interest on long-term liabilities, and other debt service expenditures.

The government-wide financial statements can be found in this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are provided as Exhibit C-1 and Exhibit D-1 of the financial statements.

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

The basic governmental fund financial statements can be found in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate statement of fiduciary assets and liabilities shown as Exhibit E of the financial statements.

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

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found following the notes to the financial statements.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133, and a schedule of instructional, administrative and other expenditures for governmental funds can be found in the report section entitled Supplementary Information.

A Four-Year Comparison of the Schedule of Revenues, Expenditures, and Changes in Fund Balances for Total Governmental Funds and a similar Four-Year Comparison for the General fund can be found in the report section entitled Other Supplementary Information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Newton Municipal School District, assets exceeded liabilities by \$6,606,982 as of June 30, 2008.

The District's net assets reflects its investment in capital assets (e.g. land, buildings, building improvements, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and 2007.

|   | <b>2008</b>                | <b>2007</b>                | <b>% Change</b> |
|---|----------------------------|----------------------------|-----------------|
| <b>Assets</b>                                   |                            |                            |                 |
| Current assets                                  | \$ 2,855,137               | \$ 2,781,985               | 2.6%            |
| Capital assets, net                             | <u>6,521,066</u>           | <u>6,670,202</u>           | -2.2%           |
| <b>Total Assets</b>                             | <u><u>9,376,203</u></u>    | <u><u>9,452,187</u></u>    | -0.8%           |
| <b>Liabilities</b>                              |                            |                            |                 |
| Current liabilities                             | \$ 53,338                  | \$ 60,420                  | -11.7%          |
| Long-term liabilities                           | <u>2,715,883</u>           | <u>2,820,374</u>           | -3.7%           |
| <b>Total Liabilities</b>                        | <u><u>2,769,221</u></u>    | <u><u>2,880,794</u></u>    | -3.9%           |
| <b>Net Assets:</b>                              |                            |                            |                 |
| Invested in capital assets, net of related debt | \$ 3,866,066               | \$ 3,908,875               | -1.1%           |
| Restricted                                      | 1,843,222                  | 1,627,560                  | 13.3%           |
| Unrestricted                                    | <u>897,694</u>             | <u>1,034,958</u>           | -13.3%          |
| <b>Total Net Assets</b>                         | <u><u>\$ 6,606,982</u></u> | <u><u>\$ 6,571,393</u></u> | 0.5%            |

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

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

- The principal payment of long-term liabilities in the amount of \$106,327.
- Current year depreciation expense charges of \$225,888 and additions of capital assets of \$76,752.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$9,761,805. The total cost of all programs and services was \$9,722,260. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007.

|   | 2008                | 2007                | % Change |
|---|---------------------|---------------------|----------|
| <b>Revenues</b>                         |                     |                     |          |
| <b>Program Revenues</b>                 |                     |                     |          |
| Charges for Services                    | \$ 178,681          | \$ 229,558          | -22.2%   |
| Operating grants and contributions      | <u>2,125,960</u>    | <u>1,981,086</u>    | 7.3%     |
| <b>Total Program Revenues</b>           | <u>2,304,641</u>    | <u>2,210,644</u>    | 4.3%     |
| <b>General Revenues</b>                 |                     |                     |          |
| Property taxes                          | \$ 2,039,765        | \$ 1,916,690        | 6.4%     |
| Unrestricted grants and contributions   | 5,109,412           | 4,792,245           | 6.6%     |
| Other general revenues                  | <u>307,987</u>      | <u>416,379</u>      | -26.0%   |
| <b>Total General Revenues</b>           | <u>7,457,164</u>    | <u>7,125,314</u>    | 4.7%     |
| <b>Total Revenues</b>                   | <u>9,761,805</u>    | <u>9,335,958</u>    | 4.6%     |
| <b>Expenses</b>                         |                     |                     |          |
| Instruction                             | \$ 5,382,568        | \$ 4,987,166        | 7.9%     |
| Support Services                        | 3,622,884           | 3,644,705           | -0.6%    |
| Non-instructional                       | 590,103             | 555,118             | 6.3%     |
| Sixteenth section                       | 53,577              | 16,698              | 220.9%   |
| Interest on long-term liabilities       | <u>73,128</u>       | <u>77,329</u>       | -5.4%    |
| <b>Total Expenses</b>                   | <u>9,722,260</u>    | <u>9,281,016</u>    | 4.8%     |
| <b>Increase(Decrease) in net assets</b> | \$ <u>39,545</u>    | \$ <u>54,942</u>    | -28.0%   |
| Net Assets, July 1                      | 6,571,393           | 6,496,515           | 1.2%     |
| Prior Period Adjustments                | <u>(3,956)</u>      | 19,936              | -119.8%  |
| Net Assets, June 30                     | <u>\$ 6,606,982</u> | <u>\$ 6,571,393</u> | 0.5%     |

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues for Sixteenth Section charges for services decreased \$26,749 due to a decrease in timber sales revenue from the 2007 year. Other general revenues from Sixteenth section sources also decreased by \$166,439 due to a decrease in timber sales revenue from the 2007 year.

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

- Sixteenth section expenses increased \$36,879 from the previous year. The increased expenses represent payments for services provided for the care of trust lands.

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

|                                      | 2008                | 2007                | 2008<br>Net<br>(Expense)<br>Revenue | 2007<br>Net<br>(Expense)<br>Revenue |
|--------------------------------------|---------------------|---------------------|-------------------------------------|-------------------------------------|
| Instruction                          | \$ 5,382,568        | \$ 4,987,166        | \$ (4,483,688)                      | \$ (4,240,326)                      |
| Support services                     | 3,622,884           | 3,644,705           | (2,818,216)                         | (2,789,917)                         |
| Non-instructional                    | 590,103             | 555,118             | (55,585)                            | (39,430)                            |
| Sixteenth section                    | 53,577              | 16,698              | (28,662)                            | 34,966                              |
| Interest on long-term liabilities    | 73,128              | 77,329              | (31,468)                            | (77,329)                            |
| Other                                | 0                   | 0                   | 0                                   | 41,664                              |
| <b>Total Governmental Activities</b> | <u>\$ 9,722,260</u> | <u>\$ 9,281,016</u> | <u>\$ (7,417,619)</u>               | <u>\$ (7,070,372)</u>               |

- Net cost of governmental activities, (\$7,417,619) was financed by general revenue, which is made up of primarily property taxes (\$2,039,765), state revenue (\$5,076,670), and federal revenue (\$32,742).
- Investment earnings accounted for \$160,612 of funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,832,108, an increase of \$78,309 from the previous year. \$1,758,115 or 62% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,073,993 or 38% 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 \$135,428.

The Sixteenth Section Interest Fund fund balance increased by \$60,159. The QZAB Retirement Fund fund balance increased by \$154,351.

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

Other Governmental Funds combined fund balances decreased by \$343.

**BUDGETARY HIGHLIGHTS**

Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs were used to determine original budget amounts. Over the course of the year, the District revised the annual operating budget when changes in tentative allocations, estimates, legislative mandates, staffing studies, and current and anticipated needs arose.

At the time the original budget was prepared, only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation awards as estimates. Once federal awards were known, budgets were amended to reflect the actual grant awards and expenditures.

A schedule showing the original and final budget amounts compared to the District's actual financial activity of the following funds are provided in this report as Required Supplementary Information.

- General Fund
- Title I Fund
- Title II Fund
- Vocational Fund
- Sixteenth Section Interest Fund

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets were \$10,088,459, including land, buildings, building improvements, mobile equipment, and furniture and equipment. This amount represents an increase of \$76,752 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$3,567,393 and total depreciation expense for the year was \$225,888, resulting in total net capital assets of \$6,521,066.

|                         | <b>Capital Net Assets, Net of Depreciation</b> |                     | <b>Percentage</b> |
|-------------------------|--|---------------------|-------------------|
|                         | <b>2008</b>                                    | <b>2007</b>         | <b>Change</b>     |
| Land                    | \$ 42,306                                      | \$ 42,306           | 0.0%              |
| Buildings               | 6,087,841                                      | 6,239,757           | -2.4%             |
| Building improvements   | 16,362   | 18,146              | -9.8%             |
| Mobile equipment        | 345,363  | 335,879             | 2.8%              |
| Furniture and equipment | 29,194   | 33,878              | -13.8%            |
| Leased equipment        | 0  | 236                 | -100.0%           |
| <b>Total</b>            | <b>\$ 6,521,066</b>                            | <b>\$ 6,670,202</b> | <b>-2.2%</b>      |

Additional information about the District's capital assets can be found in Note 5 of the notes to the financial statements in this report.

**Debt Administration.** At June 30, 2008, the District had \$2,715,883 in long term debt, of which \$111,218 is due

**Newton Municipal School District  
Management Discussion and Analysis  
For the Year Ended June 30, 2008**

within one year. The following table shows general long-term debt balances for the year ending June 30, 2008, as compared to June 30, 2007.

|                                      | <b>2008</b>                | <b>2007</b>                | <b>Percentage<br/>Change</b> |
|--------------------------------------|----------------------------|----------------------------|------------------------------|
| Limited obligation bonds payable     | \$ 1,530,000               | \$ 1,635,000               | -6.4%                        |
| Qualified Zone Academy bonds payable | \$ 1,125,000               | \$ 1,125,000               | 0.0%                         |
| Other loans payable                  | \$ 0                       | \$ 1,327                   | -100.0%                      |
| Compensated absences payable         | 60,883                     | 59,047                     | 3.1%                         |
| <b>Total</b>                         | <b>\$ <u>2,715,883</u></b> | <b>\$ <u>2,820,374</u></b> | <b>-3.7%</b>                 |

Additional information on the District's long-term debt obligations can be found in Note 6 in the notes to the financial statements in this report.

**CURRENT ISSUES**

Students enrolled in the district totaled approximately 1,046 students during the 2007-2008 year and is expected to remain stable for the 2008-2009 year and future years. The budget for the 2008-2009 year has taken into account this enrollment projection in both funding and staffing needs.

The High School campus is comprised of several recently constructed and renovated classrooms, laboratories, career service centers, a fine arts building, and administrative offices. The remaining buildings function relatively well, but will require future renovations such as roofing, interior code compliance issues, window and door replacement, and mechanical/electrical upgrades. Physical plant structures needing renovations consist of two classroom buildings, an auditorium, media center, cafeteria, and gymnasium.

Newton Middle School has been renovated to include renovated laboratories and a media center. The corridors have been renovated, and accessibility issues have been addressed in most areas. The campus physical plant functions relatively well, but some remaining areas will require renovations, including roofing, interior code compliance issues, window and door replacement, and mechanical/electrical upgrades.

The Newton Elementary School campus houses independent buildings with open-air covered connections. The buildings are 20-50 years old and are generally in good condition. Areas of concern include electrical service, power distribution, lighting, HVAC systems, and classroom entry doors. Other areas, such as railings, ADA access, and drainage problems, will require future attention.

A new central administrative building was completed in July 2005.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's office of Newton Municipal School District, 205 School Street, P.O. Box 150, Newton, Mississippi 39345.

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 June 30, 2008

Exhibit A

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| Cash and cash equivalents (Note 2)                       | \$ 1,175,176               |
| Investments (Note 2)                                     | 577,772                    |
| Due from other governments                               | 242,245                    |
| Accrued interest receivable                              | 20,449                     |
| Inventories  | 13,085                     |
| Other receivables  | 836                        |
| Restricted assets (Note 4)                               | 825,574                    |
| Capital assets, net of accumulated depreciation (Note 5) | 6,521,066                  |
| <b>Total assets</b>                                      | <u>9,376,203</u>           |
| <b>LIABILITIES</b>                                       |                            |
| Accounts payable and accrued liabilities                 | 13,528                     |
| Unearned revenue   | 9,501                      |
| Interest due on long-term liabilities                    | 30,309                     |
| Long-term liabilities (due within one year) (Note 6)     |                            |
| Capital-related liabilities                              | 110,000                    |
| Non-capital liabilities                                  | 1,218                      |
| Long-term liabilities (due beyond one year) (Note 6)     |                            |
| Capital-related liabilities                              | 2,545,000                  |
| Non-capital liabilities                                  | 59,665                     |
| <b>Total liabilities</b>                                 | <u>2,769,221</u>           |
| <b>NET ASSETS</b>  |                            |
| Invested in capital assets, net of related debt          | 3,866,066                  |
| Restricted net assets                                    |                            |
| Expendable:  |                            |
| School-based activities                                  | 812,623                    |
| Debt service   | 922,074                    |
| Forestry improvements                                    | 62,030                     |
| Unemployment benefits                                    | 38,555                     |
| Non-expendable:  |                            |
| Sixteenth section  | 7,940                      |
| Unrestricted   | 897,694                    |
| <b>Total net assets</b>                                  | <u>\$ 6,606,982</u>        |

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2008

Exhibit B

| Functions/Programs                            | Expenses            | Program Revenues        |  |  | Governmental<br>Activities | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|---------------------|-------------------------|--|--|----------------------------|--|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                            |  |
| <b>Governmental Activities:</b>               |                     |                         |  |  |                            |  |
| Instruction                                   | \$ 5,382,568        | 82,644                  | 816,236                                  |  |                            | (4,483,688)  |
| Support services                              | 3,622,884           |                         | 804,668                                  |  |                            | (2,818,216)  |
| Noninstructional services                     | 590,103             | 71,122                  | 463,396                                  |  |                            | (55,585)   |
| Sixteenth section                             | 53,577              | 24,915                  | 0  |  |                            | (28,662)   |
| Interest on long-term debt                    | 73,128              |                         | 41,660                                   |  |                            | (31,468)   |
| <b>Total governmental activities</b>          | <b>\$ 9,722,260</b> | <b>178,681</b>          | <b>2,125,960</b>                         | <b>0</b>                               | <b>\$</b>                  | <b>(7,417,619)</b>                                       |
| <b>General Revenues:</b>                      |                     |                         |  |  |                            |  |
| <b>Taxes:</b>                                 |                     |                         |  |  |                            |  |
| General purpose levies                        |                     |                         |  |  |                            | 1,925,665  |
| Debt service levies                           |                     |                         |  |  |                            | 114,100  |
| <b>Unrestricted grants and contributions:</b> |                     |                         |  |  |                            |  |
| State   |                     |                         |  |  |                            | 5,076,670  |
| Federal                                       |                     |                         |  |  |                            | 32,742   |
| Unrestricted investment earnings              |                     |                         |  |  |                            | 123,287  |
| Sixteenth section sources                     |                     |                         |  |  |                            | 160,612  |
| Other   |                     |                         |  |  |                            | 24,088   |
| <b>Total general revenues</b>                 |                     |                         |  |  |                            | <b>7,457,164</b>   |
| <b>Change in Net Assets</b>                   |                     |                         |  |  |                            | <b>39,545</b>  |
| <b>Net Assets - Beginning</b>                 |                     |                         |  |  |                            | <b>6,571,393</b>   |
| <b>Prior Period Adjustments</b>               |                     |                         |  |  |                            | <b>(3,956)</b>   |
| <b>Net Assets - Beginning - Restated</b>      |                     |                         |  |  |                            | <b>6,567,437</b>   |
| <b>Net Assets - Ending</b>                    |                     |                         |  |  | <b>\$</b>                  | <b>6,606,982</b>   |

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008

Exhibit C

|  | Major Funds       |               |               |                 |                                 |                      |                          |                          |
|--|-------------------|---------------|---------------|-----------------|---------------------------------|----------------------|--------------------------|--------------------------|
|  | General Fund      | Title I Fund  | Title II Fund | Vocational Fund | Sixteenth Section Interest Fund | QZAB Retirement Fund | Other Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>                                |                   |               |               |                 |                                 |                      |                          |                          |
| Cash and cash equivalents                    | 632,475           | 0             | 0             | 0               | 47,426                          | 126,792              | 376,208                  | 1,182,901                |
| Cash with fiscal agent                       | 0                 | 0             | 0             | 0               | 0                               | 734                  | 0                        | 734                      |
| Investments                                  | 98,305            | 0             | 0             | 0               | 392,679                         | 606,136              | 203,244                  | 1,300,364                |
| Due from other governments                   | 98,960            | 58,187        | 20,440        | 33,329          | 0                               | 2,783                | 122,854                  | 336,553                  |
| Accrued interest receivable                  | 1,558             | 0             | 0             | 0               | 13,136                          | 5,174                | 796                      | 20,664                   |
| Due from other funds                         | 134,850           | 0             | 0             | 0               | 0                               | 0                    | 0                        | 134,850                  |
| Inventory                                    | 0                 | 0             | 0             | 0               | 0                               | 0                    | 13,085                   | 13,085                   |
| Other receivables                            | 0                 | 0             | 0             | 0               | 836                             | 0                    | 0                        | 836                      |
| <b>Total assets</b>                          | <b>\$ 966,148</b> | <b>58,187</b> | <b>20,440</b> | <b>33,329</b>   | <b>454,077</b>                  | <b>741,619</b>       | <b>716,187</b>           | <b>2,989,987</b>         |
| <b>LIABILITIES &amp; FUND BALANCES</b>       |                   |               |               |                 |                                 |                      |                          |                          |
| <b>Liabilities:</b>                          |                   |               |               |                 |                                 |                      |                          |                          |
| Accounts payable and accrued liabilities     | 7,363             | 0             | 0             | 0               | 0                               | 0                    | 6,082                    | 13,445                   |
| Due to other funds                           | 208               | 58,187        | 20,440        | 33,329          | 0                               | 0                    | 22,769                   | 134,933                  |
| Unearned revenue                             | 0                 | 0             | 0             | 0               | 0                               | 0                    | 9,501                    | 9,501                    |
| <b>Total liabilities</b>                     | <b>7,571</b>      | <b>58,187</b> | <b>20,440</b> | <b>33,329</b>   | <b>0</b>                        | <b>0</b>             | <b>38,352</b>            | <b>157,879</b>           |
| <b>Fund balances:</b>                        |                   |               |               |                 |                                 |                      |                          |                          |
| <b>Reserved for:</b>                         |                   |               |               |                 |                                 |                      |                          |                          |
| Permanent fund purposes                      | 0                 | 0             | 0             | 0               | 0                               | 0                    | 7,940                    | 7,940                    |
| Forestry improvements                        | 0                 | 0             | 0             | 0               | 0                               | 0                    | 62,030                   | 62,030                   |
| Inventory                                    | 0                 | 0             | 0             | 0               | 0                               | 0                    | 13,085                   | 13,085                   |
| Debt service                                 | 0                 | 0             | 0             | 0               | 0                               | 741,619              | 210,764                  | 952,383                  |
| Unemployment                                 | 0                 | 0             | 0             | 0               | 0                               | 0                    | 38,555                   | 38,555                   |
| <b>Unreserved:</b>                           |                   |               |               |                 |                                 |                      |                          |                          |
| <b>Undesignated, reported in</b>             |                   |               |               |                 |                                 |                      |                          |                          |
| General funds                                | 958,577           | 0             | 0             | 0               | 0                               | 0                    | 0                        | 958,577                  |
| Special revenue funds                        | 0                 | 0             | 0             | 0               | 454,077                         | 0                    | 345,461                  | 799,538                  |
| <b>Total fund balances</b>                   | <b>958,577</b>    | <b>0</b>      | <b>0</b>      | <b>0</b>        | <b>454,077</b>                  | <b>741,619</b>       | <b>677,835</b>           | <b>2,832,108</b>         |
| <b>Total liabilities &amp; fund balances</b> | <b>\$ 966,148</b> | <b>58,187</b> | <b>20,440</b> | <b>33,329</b>   | <b>454,077</b>                  | <b>741,619</b>       | <b>716,187</b>           | <b>2,989,987</b>         |

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Activities  
June 30, 2008

Exhibit C-1

|   | Amount              |
|---|---------------------|
| Total fund balance - governmental funds   | \$ 2,832,108        |
| Amounts reported for governmental activities in the statement of net assets are different because:  |                     |
| 1 Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$3,567,393 (Note 5). | 6,521,066           |
| 2 Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds (Note 6).   | (2,715,883)         |
| 3 Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.  | (30,309)            |
| Total net assets - governmental activities  | \$ <u>6,606,982</u> |

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2008

Exhibit D

|   | Major Funds     |                 |                  |                    |                                       |                            |                                | Total<br>Governmental<br>Funds |
|---|-----------------|-----------------|------------------|--------------------|---------------------------------------|----------------------------|--------------------------------|--------------------------------|
|   | General<br>Fund | Title I<br>Fund | Title II<br>Fund | Vocational<br>Fund | Sixteenth Section<br>Interest<br>Fund | QZAB<br>Retirement<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                                     |                 |                 |                  |                    |                                       |                            |                                |                                |
| Local sources                                       | 2,056,178       | 0               | 0                | 3,500              | 0                                     | 154,351                    | 88,446                         | 2,302,475                      |
| Intermediate sources                                | 11,543          | 0               | 0                | 0                  | 0                                     | 0                          | 0                              | 11,543                         |
| State sources                                       | 4,748,525       | 0               | 0                | 497,144            | 0                                     | 0                          | 415,113                        | 5,660,782                      |
| Federal sources                                     | 32,741          | 331,685         | 93,242           | 15,801             | 0                                     | 0                          | 1,101,121                      | 1,574,590                      |
| Sixteenth section sources                           | 0               | 0               | 0                | 0                  | 182,636                               | 0                          | 28,164                         | 210,800                        |
| Total revenues                                      | \$ 6,848,987    | 331,685         | 93,242           | 516,445            | 182,636                               | 154,351                    | 1,632,844                      | 9,760,190                      |
| <b>EXPENDITURES</b>                                 |                 |                 |                  |                    |                                       |                            |                                |                                |
| Instruction   | 4,063,521       | 115,005         | 82,986           | 658,976            | 0                                     | 0                          | 296,892                        | 5,217,380                      |
| Support Services                                    | 2,685,208       | 204,203         | 10,686           | 164,695            | 0                                     | 0                          | 567,453                        | 3,632,245                      |
| Noninstructional services                           | 36,420          | 3,922           | 0                | 0                  | 0                                     | 0                          | 554,412                        | 594,754                        |
| Sixteenth section                                   | 0               | 0               | 0                | 0                  | 32,519                                | 0                          | 21,058                         | 53,577                         |
| Debt service:                                       |                 |                 |                  |                    |                                       |                            |                                |                                |
| Principal   | 1,327           | 0               | 0                | 0                  | 0                                     | 0                          | 105,000                        | 106,327                        |
| Interest  | 0               | 0               | 0                | 0                  | 0                                     | 0                          | 75,053                         | 75,053                         |
| Total expenditures                                  | 6,786,476       | 323,130         | 93,672           | 823,671            | 32,519                                | 0                          | 1,619,868                      | 9,679,336                      |
| Excess(deficiency) of<br>revenues over expenditures | 62,511          | 8,555           | (430)            | (307,226)          | 150,117                               | 154,351                    | 12,976                         | 80,854                         |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                 |                 |                  |                    |                                       |                            |                                |                                |
| Insurance loss recoveries                           | 1,615           | 0               | 0                | 0                  | 0                                     | 0                          | 0                              | 1,615                          |
| Transfers in  | 82,702          | 0               | 0                | 307,226            | 0                                     | 0                          | 30                             | 389,958                        |
| Transfers out                                       | (282,256)       | (8,555)         | 0                | 0                  | (89,958)                              | 0                          | (9,189)                        | (389,958)                      |
| Other financing uses                                | 0               | 0               | 0                | 0                  | 0                                     | 0                          | (550)                          | (550)                          |
| Total other financing sources and use               | (197,939)       | (8,555)         | 0                | 307,226            | (89,958)                              | 0                          | (9,709)                        | 1,065                          |
| Net change in fund balances                         | (135,428)       | 0               | (430)            | 0                  | 60,159                                | 154,351                    | 3,267                          | 81,919                         |
| <b>Fund balances:</b>                               |                 |                 |                  |                    |                                       |                            |                                |                                |
| July 1, 2007  | 1,094,005       | 0               | 430              | 0                  | 393,918                               | 587,268                    | 678,178                        | 2,753,799                      |
| Prior Period Adjustments                            | 0               | 0               | 0                | 0                  | 0                                     | 0                          | (3,956)                        | (3,956)                        |
| July 1, 2007, as adjusted                           | 1,094,005       | 0               | 430              | 0                  | 393,918                               | 587,268                    | 674,222                        | 2,749,843                      |
| Increase(decrease) in inventory                     | 0               | 0               | 0                | 0                  | 0                                     | 0                          | 346                            | 346                            |
| June 30, 2008                                       | \$ 958,577      | 0               | 0                | 0                  | 454,077                               | 741,619                    | 677,835                        | 2,832,108                      |

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

NEWTON MUNICIPAL SCHOOL DISTRICT

Exhibit D-1

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

|   |               |
|---|---------------|
|   | <u>Amount</u> |
| Net change in fund balances (Exhibit D) | \$ 81,919     |

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

- |   |   |           |
|---|---|-----------|
| 1 | Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets. | 76,752    |
| 2 | Depreciation is not an expenditure in governmental funds but is an expense of allocating the costs of capital assets over estimated useful lives of the assets in the statement of activities.                                    | (225,888) |
| 3 | Payment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  | 106,327   |
| 4 | Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:   |           |
|   | Compensated Absences  | (1,836)   |
| 6 | Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.   | 346       |
| 7 | Governmental funds recognize interest on long-term debt when it becomes due; however, the statement of activities recognizes interest expense regardless of when the interest becomes due.  | 1,925     |

|  |                  |
|--|------------------|
| Changes in net assets of governmental activities (Exhibit B) | <u>\$ 39,545</u> |
|--|------------------|

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2008

Exhibit E

|  | <u>Agency<br/>Funds</u>  |
|--|--------------------------|
| <b>ASSETS</b>                            |                          |
| Cash and cash equivalents                | \$ 365,718               |
| Due from other funds                     | <u>83</u>                |
| Total Assets                             | <u><u>365,801</u></u>    |
| <b>LIABILITIES</b>                       |                          |
| Accounts payable and accrued liabilities | 338,524                  |
| Due to student clubs                     | <u>27,277</u>            |
| Total Liabilities                        | \$ <u><u>365,801</u></u> |

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

NEWTON MUNICIPAL SCHOOL DISTRICT

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**Newton Municipal School District  
Notes to the 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 an other stand-alone government. The school district is a related organization of, but not a component unit of, the City of Newton, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Newton Municipal 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 the 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 district did not have any business type activities for the Year Ended June 30, 2008.

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. *Investment 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 net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definitions 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 as related to 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

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

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 general fund are paid the general operating expenditures, including instructional, support, and other costs.

Title I Fund - This special revenue fund is used to account for the financial resources associated with a federal grant/ award. Grant resources are utilized in a school wide program to upgrade the instructional programs through reinforcement of efforts to improve teaching and learning for students farthest from meeting state standards.

Title II Fund - This special revenue fund is used to account for the financial resources associated with a federal grant/award. These resources are utilized to increase the academic achievement of all students by ensuring that all teachers are highly qualified to teach.

Vocational Fund - Federal, state, and local resources provided for vocational/technical instruction and support are accounted for in this special revenue fund.

Sixteenth Section Interest Fund - This special revenue fund is used to account for the financial resources associated with expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from the investment of expendable sixteenth section funds.

QZAB Retirement Fund - This is a debt service fund used to account for the financial resources associated with the retirement of long-term debt.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets. The district's fiduciary funds include the following:

Student Club Funds - Funds used to account for assets and liabilities held in a custodial capacity for student groups.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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.

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with the 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 city on behalf of the school district based upon an order adopted by the school board requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are not recognized until the taxes are actually collected by the tax levying authority.

Under the terms of grant agreements, the district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

assets available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

**D. Account Classifications.**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

**E. Encumbrances.**

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end.

Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**F. Assets, liabilities, and net assets or equity.**

1. Cash, Cash equivalents and investments.

**Cash and cash equivalents.**

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

**Investments.**

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than 3 months when acquired.

Investments of the district are reported at fair market value.

2. Receivables and payables.

Activity between funds that is 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

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

to/from other funds" (i.e., the non-current portion of interfund loans).

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 from various grant sources and 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.

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. The nonexpendable portion of permanent funds, if applicable, is classified as restricted assets because the funds are not available for use by the district except as provided for under state statute for loans from this fund and for investment purposes.

6. Capital assets.

Capital assets, which include property, plant, and 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 life 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.

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

|                                     | Capitalization<br>Policy | Estimated<br>Useful Life |
|-------------------------------------|--------------------------|--------------------------|
| Land                                | \$ -                     | -                        |
| 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 lease | **                       | **                       |

(\*\*) The threshold amount will correspond with the amounts for the asset classifications, as listed.

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 for 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, Miss. Code Ann. (1972). 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 27-7-307(5), Miss. Code Ann. (1972). The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, as in when an employee has retired.

8. Long-term liabilities, deferred debt expense, and bond discounts/premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, 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 if the amounts are considered material.

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.

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 and are not available for current operations. Following is a description of fund reserves used by the district.

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

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

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

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

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

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

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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

**(2) Cash and Cash Equivalents and Investments continued.**

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 \$1,182,901 and \$365,718, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$1,175,176 and restricted assets in the amount of \$7,725. The bank balance of the district's cash and cash equivalents was \$1,874,129.

*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 \$1,874,129 was exposed to custodial credit risk.

Cash with fiscal agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$734.

Investments.

As of June 30, 2008, the district had the following investments.

| <u>Investment Type</u>  | <u>Maturities (in years)</u> | <u>Fair Value</u> | <u>Rating</u> |
|---|------------------------------|-------------------|---------------|
| Certificates of Deposit                                       | Less than 1 year             | \$ 577,772        | Not rated     |
| Federal National Mortgage Association Notes                   | Less than 1 year             | 606,136           | Not rated     |
| Hancock Horizon Treasury Securities Money Market Mutual Funds | Less than 1 year             | 116,456           | AAAm          |
|   |                              |                   |               |
|   |                              | \$ 1,300,364      |               |

*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 defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

***(2) Cash and Cash Equivalents and Investments continued.***

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments comprising more than five percent of the district's total investments:

| <u>Issuer</u>                               | <u>Fair Value</u> | <u>% of Total Investments</u> |
|---|-------------------|-------------------------------|
| Federal National Mortgage Association Notes | <u>\$606,136</u>  | 47%                           |

These investments are shown on the government-wide statements as restricted assets, since the use of the assets is pledged and restricted for long-term debt repayment.

***(3) Interfund Transactions and Balances.***

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

|                          | <b>Due From</b>   | <b>Due To</b>  |
|--------------------------|-------------------|----------------|
| Governmental Funds:      |                   |                |
| General fund             | \$ 134,850        | 208            |
| Title I fund             |                   | 58,187         |
| Title II fund            |                   | 20,440         |
| Vocational fund          |                   | 33,329         |
| Other governmental funds |                   | 22,769         |
| Total                    | <u>134,850</u>    | <u>134,933</u> |
| Fiduciary Funds          |                   | <u>83</u>      |
| Total                    | <u>\$ 134,933</u> | <u>134,933</u> |

Amounts due from/to other funds represent interfund loans caused by timing of receivables due from other governments to special revenue funds and the related interfund loans necessary to remedy these timing differences.

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

***(3) Interfund Transactions and Balances continued.***

**B. Interfund Transfers.**

|                                 | <u>Transfer In</u> | <u>Transfer Out</u> |
|---------------------------------|--------------------|---------------------|
| Governmental Funds:             |                    |                     |
| General fund                    | \$ 82,702          | 282,256             |
| Title I fund                    |                    | 8,555               |
| Vocational fund                 | 307,226            |                     |
| Sixteenth Section Interest fund |                    | 89,958              |
| Other governmental funds        | 30                 | 9,189               |
| Total                           | \$ <u>389,958</u>  | <u>389,958</u>      |

The interfund transfers constitute general operating transfers and transfers of indirect costs. The general operating transfers move resources between funds, while transfers of indirect costs provide resources for the General Fund in return for financing the indirect costs associated with certain federal programs.

***(4) Restricted Assets***

The restricted assets on the Statement of Net Assets represent the cash balance totaling \$7,725 of the Sixteenth Section Principal Fund (Permanent fund), which is legally restricted and may not be used for purposes that support the District's programs and \$215 in accrued interest receivable in the same fund. In addition, the restricted assets also include investments pledged to repay MAEP Limited Obligation Bond/Notes and Qualified Zone Academy Bonds in the debt service funds and amounts due from other governments that are similarly pledged. The total amount of the assets pledged for debt repayment is \$722,592 in investments, \$734 in cash with fiscal agent, and \$94,308 in amounts due from other governments. The total amount of restricted assets is \$825,574.

**Newton Municipal School District  
Notes to the 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:

|   | Balance<br>July 01, 2007 | Additions        | Retirements | Adjustments | Balance<br>June 30, 2008 |
|---|--------------------------|------------------|-------------|-------------|--------------------------|
| Non-depreciable Assets:                     |                          |                  |             |             |                          |
| Land  | \$ 42,306                |                  |             |             | 42,306                   |
| Total non-depreciable assets                | <u>42,306</u>            | 0                | 0           | 0           | <u>42,306</u>            |
| Depreciable Assets:                         |                          |                  |             |             |                          |
| Buildings                                   | 8,751,294                |                  |             |             | 8,751,294                |
| Building Improvements                       | 72,896                   |                  |             |             | 72,896                   |
| Mobile equipment                            | 943,448                  | 64,958           |             |             | 1,008,406                |
| Furniture and equipment                     | 178,183                  | 11,794           |             | 23,580      | 213,557                  |
| Leased Property under Capital Lease         | 23,580                   |                  |             | (23,580)    | 0                        |
| Total depreciable assets                    | <u>9,969,401</u>         | <u>76,752</u>    | 0           | 0           | <u>10,046,153</u>        |
| Less: Accumulated Depreciation for -        |                          |                  |             |             |                          |
| Buildings                                   | 2,511,537                | 151,916          |             |             | 2,663,453                |
| Building Improvements                       | 54,750                   | 1,784            |             |             | 56,534                   |
| Mobile equipment                            | 607,569                  | 55,474           |             |             | 663,043                  |
| Furniture and equipment                     | 144,305                  | 16,714           |             | 23,344      | 184,363                  |
| Leased Property under Capital Lease         | 23,344                   |                  |             | (23,344)    | 0                        |
| Total accumulated depreciation              | <u>3,341,505</u>         | <u>225,888</u>   | 0           | 0           | <u>3,567,393</u>         |
| Total depreciable capital assets, net       | <u>6,627,896</u>         | <u>(149,136)</u> | 0           | 0           | <u>6,478,760</u>         |
| Governmental activities capital assets, net | <u>\$ 6,670,202</u>      | <u>(149,136)</u> | 0           | 0           | <u>6,521,066</u>         |

Depreciation expense was charged to the following governmental functions:

|                   |                   |
|-------------------|-------------------|
| Instruction       | \$ 162,212        |
| Support services  | 56,187            |
| Non-instructional | 7,489             |
| Total             | <u>\$ 225,888</u> |

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

**Newton Municipal School District  
Notes to the 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.

|   | <u>Balance</u><br><u>July 01, 2007</u> | Additions    | Reductions       | <u>Balance</u><br><u>June 30, 2008</u> | <u>Amounts</u><br><u>due within</u><br><u>one year</u> |
|---|--|--------------|------------------|--|--|
| A. Limited obligation bonds payable     | \$ 1,635,000                           |              | (105,000)        | 1,530,000                              | 110,000  |
| B. Qualified zone academy bonds payable | 1,125,000                              |              |                  | 1,125,000                              |  |
| C. Other loans payable.                 | 1,327                                  |              | (1,327)          | 0                                      |  |
| D. Compensated absences payable         | 59,047                                 | 1,836        |                  | 60,883                                 | 1,218  |
| <b>Total \$</b>                         | <u>2,820,374</u>                       | <u>1,836</u> | <u>(106,327)</u> | <u>2,715,883</u>                       | <u>111,218</u>   |

**A. Limited obligation bonds payable.**

Debt currently outstanding is as follows:

| <u>Description</u>                                | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount</u><br><u>Issued</u> | <u>Amount</u><br><u>Outstanding</u> |
|---|----------------------|-------------------|----------------------|--------------------------------|-------------------------------------|
| State aid<br>capital<br>Improvement<br>Bonds 1998 | 4.4 – 6.0%           | 05-01-98          | 08-01-2018           | <u>\$2,200,000</u>             | <u>\$1,530,000</u>                  |

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

| <u>Year Ending</u><br><u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|--------------------------------------|------------------|-----------------|------------------|
| 2009 \$                              | 110,000          | 70,268          | 180,268          |
| 2010                                 | 115,000          | 65,148          | 180,148          |
| 2011                                 | 120,000          | 59,683          | 179,683          |
| 2012                                 | 125,000          | 53,894          | 178,894          |
| 2013                                 | 130,000          | 47,805          | 177,805          |
| 2014-2018                            | 755,000          | 135,941         | 890,941          |
| 2019                                 | 175,000          | 4,156           | 179,156          |
| <b>Total \$</b>                      | <u>1,530,000</u> | <u>436,895</u>  | <u>1,966,895</u> |

The debt will be retired from the MAEP Debt Service Fund (4041).

Pledged revenues.

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay the \$2,200,000 in state aid limited obligation bonds payable issued May 1, 1998. This pledge was made pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

***(6) Long-term Liabilities continued.***

payable through August 1, 2018. Annual principal and interest payments on the bonds are expected to require less than 4% of such state revenues. The total principal and interest remaining to be paid on the bonds is \$1,966,895. The principal and interest payments on the bonds and the state Minimum Adequate Education Program revenues for the current year totaled \$180,053 and \$4,873,725, respectively.

Debt limitations.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 27-59-5 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 statement for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. The state aid capital improvement bonds are not included in the computations of the debt limit percentage.

**B. Qualified zone academy bonds.**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

| <u>Description</u>                    | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|---------------------------------------|----------------------|-------------------|----------------------|--------------------------|-------------------------------|
| Qualified<br>Zone<br>Academy<br>Bonds | 0.00%                | 07-20-2000        | 07-01-2010           | <u>\$1,125,000</u>       | <u>\$1,125,000</u>            |

The Qualified Zone Academy bonds will be retired from the QZAB Retirement Fund.

**C. Other Loans Payable.**

The district paid in full the obligation for a United States EPA Asbestos Loan December, 31, 2007. The final principal payment on this loan was \$1,327.

**D. Compensated Absences Payable.**

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

***(7) Defined Benefit Pension Plan.***

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The 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 \$645,796, \$606,835, and \$549,127, respectively, equal to the required contributions for each year.

**(8) Sixteenth Section Lands.**

Sixteenth section school lands, or land 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 school district. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

| <u>Year Ending</u><br><u>June 30</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| 2009 \$                              | 17,846        |
| 2010                                 | 16,766        |
| 2011                                 | 16,223        |
| 2012                                 | 6,949         |
| 2013                                 | 6,769         |
| 2014-2018                            | 27,987        |
| 2019-2023                            | 27,987        |
| 2024-2028                            | 27,987        |
| 2029-2033                            | 20,840        |
| Thereafter                           | 52,486        |
| Total \$                             | 221,840       |

**(9) Prior Period Adjustments/Exhibits.**

Exhibit B – Statement of Activities

| <u>Explanations</u>  | <u>Amount</u> |
|--|---------------|
| 1. Adjustment to correct a prior year error in recording a liability | (\$3,956)     |

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

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

Other governmental funds

| <u>Explanations</u>  | <u>Amount</u> |
|--|---------------|
| 1. Adjustment to correct a prior year error in recording a liability | (\$3,956)     |

**(10) Contingencies.**

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

**(11) Risk Management.**

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool. Such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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 Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

**(12) Qualified Zone Academy Bonds.**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs for kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated July 20, 2000.

On June 12, 2000, the Newton Municipal School District board of trustees adopted a resolution authorizing the issuance of a one million one hundred twenty-five thousand dollar (\$1,125,000) limited-tax note of the district, designating the note to be a Qualified Academy Zone Bond and awarding the sale of the note to the purchaser.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,125,000. An amount of

**Newton Municipal School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

\$1,078,315 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment. The remainder of \$46,685 was used to pay the costs of issuance.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the remaining yearly deposits to be made to the sinking fund by the school district.

| <u>Year Ending</u> |    | <u>Amount</u>         |
|--------------------|----|-----------------------|
| <u>June 30.</u>    |    |                       |
| 2009               | \$ | 136,000               |
| 2010               |    | 136,000               |
| 2011               |    | 130,000               |
| Total              | \$ | <u><u>402,000</u></u> |

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

The school district entered into an Alternative School Agreement dated March 26, 1996, 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 Union Public School District, Philadelphia Public School District, Enterprise Municipal School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Newton Municipal School District, and Newton County School District.

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

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 MUNICIPAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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

|  | Budgeted Amounts |                  | Actual<br>(GAAP Basis) | Variances - Positive (Negative) |                    |
|--|------------------|------------------|------------------------|---------------------------------|--------------------|
|  | Original         | Final            |                        | Original<br>to Final            | Final<br>to Actual |
| <b>Revenues</b>  |                  |                  |                        |                                 |                    |
| Local sources  | \$ 2,073,398     | 2,056,178        | 2,056,178              | (17,220)                        | 0                  |
| Intermediate sources   | 0                | 11,543           | 11,543                 | 11,543                          | 0                  |
| State sources  | 4,722,827        | 4,748,525        | 4,748,525              | 25,698                          | 0                  |
| Federal sources  | 31,916           | 32,741           | 32,741                 | 825                             | 0                  |
| <b>Total Revenues</b>  | <b>6,828,141</b> | <b>6,848,987</b> | <b>6,848,987</b>       | <b>20,846</b>                   | <b>0</b>           |
| <b>Expenditures</b>  |                  |                  |                        |                                 |                    |
| Instruction  | 4,285,374        | 4,063,521        | 4,063,521              | 221,853                         | 0                  |
| Support Services   | 2,680,149        | 2,721,628        | 2,685,208              | (41,479)                        | 36,420             |
| Noninstructional   | 0                | 1,327            | 36,420                 | (1,327)                         | (35,093)           |
| Debt service   |                  |                  |                        |                                 |                    |
| Principal  | 5,000            | 0                | 1,327                  | 5,000                           | (1,327)            |
| <b>Total Expenditures</b>                                    | <b>6,970,523</b> | <b>6,786,476</b> | <b>6,786,476</b>       | <b>184,047</b>                  | <b>0</b>           |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(142,382)</b> | <b>62,511</b>    | <b>62,511</b>          | <b>204,893</b>                  | <b>0</b>           |
| <b>Other Financing Sources (Uses)</b>                        |                  |                  |                        |                                 |                    |
| Insurance loss recoveries                                    | 1,863            | 1,615            | 1,615                  | (248)                           | 0                  |
| Operating transfers in                                       | 271,178          | 82,702           | 82,702                 | (188,476)                       | 0                  |
| Operating transfers out                                      | (454,713)        | (282,256)        | (282,256)              | 172,457                         | 0                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(181,672)</b> | <b>(197,939)</b> | <b>(197,939)</b>       | <b>(16,267)</b>                 | <b>0</b>           |
| <b>Net Change in Fund Balances</b>                           | <b>(324,054)</b> | <b>(135,428)</b> | <b>(135,428)</b>       | <b>188,626</b>                  | <b>0</b>           |
| <b>Fund Balances</b>   |                  |                  |                        |                                 |                    |
| July 1, 2007   | 1,094,003        | 1,094,005        | 1,094,005              | 2                               | 0                  |
| June 30, 2008  | \$ 769,949       | 958,577          | 958,577                | 188,628                         | 0                  |

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Title I Fund  
 For the Year Ended June 30, 2008

|  | Budgeted Amounts |         | Actual<br>(GAAP Basis) | Variances - Positive (Negative) |                    |
|--|------------------|---------|------------------------|---------------------------------|--------------------|
|  | Original         | Final   |                        | Original<br>to Final            | Final<br>to Actual |
| Revenues   |                  |         |                        |                                 |                    |
| Federal sources                                      | 366,427          | 331,685 | 331,685                | (34,742)                        | 0                  |
| Total Revenues                                       | \$ 366,427       | 331,685 | 331,685                | (34,742)                        | 0                  |
| Expenditures   |                  |         |                        |                                 |                    |
| Instruction  | 139,292          | 115,005 | 115,005                | 24,287                          | 0                  |
| Support Services                                     | 207,523          | 204,203 | 204,203                | 3,320                           | 0                  |
| Noninstructional                                     | 10,365           | 3,922   | 3,922                  | 6,443                           | 0                  |
| Total Expenditures                                   | 357,180          | 323,130 | 323,130                | 34,050                          | 0                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 9,247            | 8,555   | 8,555                  | (692)                           | 0                  |
| Other Financing Sources (Uses)                       |                  |         |                        |                                 |                    |
| Operating transfers out                              | (9,246)          | (8,555) | (8,555)                | 691                             | 0                  |
| Total Other Financing Sources (Uses)                 | (9,246)          | (8,555) | (8,555)                | 691                             | 0                  |
| Net Change in Fund Balances                          | 1                | 0       | 0                      | (1)                             | 0                  |
| Fund Balances  |                  |         |                        |                                 |                    |
| July 1, 2007   | 0                | 0       | 0                      | 0                               | 0                  |
| June 30, 2008  | \$ 1             | 0       | 0                      | (1)                             | 0                  |

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Title II Fund  
 For the Year Ended June 30, 2008

|  | Budgeted Amounts |        | Actual<br>(GAAP Basis) | Variances - Positive (Negative) |                    |
|--|------------------|--------|------------------------|---------------------------------|--------------------|
|  | Original         | Final  |                        | Original<br>to Final            | Final<br>to Actual |
| Revenues   |                  |        |                        |                                 |                    |
| Federal sources                                      | 0                | 93,242 | 93,242                 | 93,242                          | 0                  |
| Total Revenues                                       | \$ 0             | 93,242 | 93,242                 | 93,242                          | 0                  |
| Expenditures   |                  |        |                        |                                 |                    |
| Instruction  | 0                | 82,986 | 82,986                 | (82,986)                        | 0                  |
| Support Services                                     | 0                | 10,686 | 10,686                 | (10,686)                        | 0                  |
| Total Expenditures                                   | 0                | 93,672 | 93,672                 | (93,672)                        | 0                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                | (430)  | (430)                  | (430)                           | 0                  |
| Net Change in Fund Balances                          | 0                | (430)  | (430)                  | (430)                           | 0                  |
| Fund Balances  |                  |        |                        |                                 |                    |
| July 1, 2007   | 0                | 430    | 430                    | 430                             | 0                  |
| June 30, 2008  | \$ 0             | 0      | 0                      | 0                               | 0                  |

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

WEST JASPER CONSOLIDATED SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Vocational Fund  
 For the Year Ended June 30, 2008

|  | Budgeted Amounts |           | Actual<br>(GAAP Basis) | Variances - Positive (Negative) |                    |
|--|------------------|-----------|------------------------|---------------------------------|--------------------|
|  | Original         | Final     |                        | Original<br>to Final            | Final<br>to Actual |
| <b>Revenues</b>  |                  |           |                        |                                 |                    |
| Local sources  | 0                | 3,500     | 3,500                  | 3,500                           | 0                  |
| State sources  | 411,619          | 495,158   | 497,144                | 83,539                          | 1,986              |
| Federal sources  | 16,330           | 17,787    | 15,801                 | 1,457                           | -1,986             |
| Total Revenues   | \$ 427,949       | 516,445   | 516,445                | 88,496                          | 0                  |
| <b>Expenditures</b>  |                  |           |                        |                                 |                    |
| Instruction  | 507,533          | 658,976   | 658,976                | (151,443)                       | 0                  |
| Support Services   | 162,605          | 164,695   | 164,695                | (2,090)                         | 0                  |
| Total Expenditures   | 670,138          | 823,671   | 823,671                | (153,533)                       | 0                  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> |                  |           |                        |                                 |                    |
|  | (242,189)        | (307,226) | (307,226)              | (65,037)                        | 0                  |
| <b>Other Financing Sources (Uses)</b>                        |                  |           |                        |                                 |                    |
| Operating transfers in                                       | 242,189          | 307,226   | 307,226                | 65,037                          | 0                  |
| Total Other Financing Sources (Uses)                         | 242,189          | 307,226   | 307,226                | 65,037                          | 0                  |
| <b>Net Change in Fund Balances</b>                           |                  |           |                        |                                 |                    |
|  | 0                | 0         | 0                      | 0                               | 0                  |
| <b>Fund Balances</b>   |                  |           |                        |                                 |                    |
| July 1, 2007   | 0                | 0         | 0                      | 0                               | 0                  |
| June 30, 2008  | \$ 0             | 0         | 0                      | 0                               | 0                  |

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

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

|  | Budgeted Amounts |          | Actual<br>(GAAP Basis) | Variances - Positive (Negative) |                    |
|--|------------------|----------|------------------------|---------------------------------|--------------------|
|  | Original         | Final    |                        | Original<br>to Final            | Final<br>to Actual |
| <b>Revenues</b>                                      |                  |          |                        |                                 |                    |
| Sixteenth section sources                            | 65,800           | 182,636  | 182,636                | 116,836                         | 0                  |
| Total Revenues                                       | \$ 65,800        | 182,636  | 182,636                | 116,836                         | 0                  |
| <b>Expenditures</b>                                  |                  |          |                        |                                 |                    |
| Sixteenth section                                    | 4,000            | 32,519   | 32,519                 | (28,519)                        | 0                  |
| Total Expenditures                                   | 4,000            | 32,519   | 32,519                 | (28,519)                        | 0                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 61,800           | 150,117  | 150,117                | 88,317                          | 0                  |
| <b>Other Financing Sources (Uses)</b>                |                  |          |                        |                                 |                    |
| Operating transfers out                              | (65,000)         | (89,958) | (89,958)               | (24,958)                        | 0                  |
| Total Other Financing Sources (Uses)                 | (65,000)         | (89,958) | (89,958)               | (24,958)                        | 0                  |
| Net Change in Fund Balances                          | (3,200)          | 60,159   | 60,159                 | 63,359                          | 0                  |
| <b>Fund Balances</b>                                 |                  |          |                        |                                 |                    |
| July 1, 2007   | 393,918          | 393,918  | 393,918                | 0                               | 0                  |
| June 30, 2008  | \$ 390,718       | 454,077  | 454,077                | 63,359                          | 0                  |

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

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

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 GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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

| <u>Federal Grantor/<br/>Pass-through Grantor/<br/>Program Title</u> | <u>Catalog of<br/>Federal Domestic<br/>Assistance No.</u> | <u>Federal<br/>Expenditures</u> |
|---|---|---------------------------------|
| <u>U. S. Department of Agriculture</u>                              |   |                                 |
| Passed-through Mississippi Department of Education:                 |   |                                 |
| Child nutrition cluster:  |   |                                 |
| School breakfast program  | 10.553  | \$ 123,096                      |
| National school lunch program                                       | 10.555  | 377,097                         |
| Total child nutrition cluster                                       |   | <u>500,193</u>                  |
| Total passed-through Mississippi Department of Education            |   | <u>500,193</u>                  |
| Total U. S. Department of Agriculture                               |   | <u><b>500,193</b></u>           |
| <br><u>Federal Communications Commission</u>                        |   |                                 |
| Administered through the Universal Service Administrative Company:  |   |                                 |
| The school and libraries program of the universal service fund      | 32.XXX  | <u>12,445</u>                   |
| Total Federal Communications Commission                             |   | <u><b>12,445</b></u>            |
| <br><u>U. S. Department of Education</u>                            |   |                                 |
| Passed-through Mississippi Department of Education:                 |   |                                 |
| Title I - grants to local educational agencies                      | 84.010  | 331,685                         |
| Career and technical education - basic grants to states             | 84.048  | 17,787                          |
| State grants for innovative programs                                | 84.298  | 1,512                           |
| Safe and drug-free schools and communities - state grants           | 84.186  | 4,669                           |
| Rural education   | 84.358  | 22,363                          |
| Improving teacher quality - state grants                            | 84.367  | 93,242                          |
| Total   |   | <u>471,258</u>                  |
| TRIO cluster:   |   |                                 |
| TRIO - talent search  | 84.044  | 364,049                         |
| Total TRIO cluster  |   | <u>364,049</u>                  |
| Special education cluster:  |   |                                 |
| Special education - grants to states                                | 84.027  | 200,385                         |
| Special education - preschool grants                                | 84.173  | 5,973                           |
| Total special education cluster                                     |   | <u>206,358</u>                  |
| Total passed-through Mississippi Department of Education            |   | <u>1,041,665</u>                |
| Total U. S. Department of Education                                 |   | <u><b>1,041,665</b></u>         |
| <br>Total for all Federal Awards                                    |   | <br><u><b>\$ 1,554,303</b></u>  |

NOTES TO SCHEDULE

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

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

| Expenditures                    | Total            | Instructional and                        |                        |                       |                  |
|---------------------------------|------------------|--|------------------------|-----------------------|------------------|
|                                 |                  | Other Student Instructional Expenditures | General Administration | School Administration | Other            |
| Salaries and fringe benefits \$ | 7,410,130        | 5,661,240                                | 461,503                | 514,315               | 773,072          |
| Other                           | 2,269,206        | 859,222                                  | 134,703                | 25,622                | 1,249,659        |
| <b>Total</b>                    | <b>9,679,336</b> | <b>6,520,462</b>                         | <b>596,206</b>         | <b>539,937</b>        | <b>2,022,731</b> |
| Total number of students *      | 998              |  |                        |                       |                  |
| Cost per student                | \$ 9,699         | 6,534                                    | 597                    | 541                   | 2,027            |

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

Instructional and other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher aides or classroom assistants of any type (all the 1,000's, 2100's, and 2200's functional expenditure codes).

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

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

Other – includes all expenditure functions not included in Instructional or Administration categories.

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds - Last Four Years

|  | <u>Fiscal Year Ending June 30,</u> |                  |                  | "Unaudited"      |
|--|------------------------------------|------------------|------------------|------------------|
|  | <u>2008</u>                        | <u>2007 **</u>   | <u>2006 **</u>   | <u>2005 **</u>   |
| Revenues   |                                    |                  |                  |                  |
| Local sources  | \$ 2,302,475                       | 2,182,047        | 2,279,902        | 2,064,811        |
| Intermediate sources                                 | 11,543                             | -                | -                | -                |
| State sources  | 5,660,782                          | 5,103,933        | 5,105,021        | 4,998,653        |
| Federal sources                                      | 1,574,590                          | 1,669,400        | 1,828,350        | 1,687,065        |
| Sixteenth section sources                            | 210,800                            | 378,715          | 21,172           | 12,692           |
| Total Revenues                                       | <u>9,760,190</u>                   | <u>9,334,095</u> | <u>9,234,445</u> | <u>8,763,221</u> |
| Expenditures   |                                    |                  |                  |                  |
| Instruction  | 5,217,380                          | 4,839,753        | 4,761,235        | 4,497,896        |
| Support services                                     | 3,632,245                          | 3,647,687        | 3,760,547        | 3,274,035        |
| Noninstructional                                     | 594,754                            | 560,478          | 535,238          | 516,135          |
| Sixteenth section                                    | 53,577                             | 16,698           | 2,730            | -                |
| Facilities acquisition                               | -                                  | -                | 55,523           | 523,087          |
| Debt service   |                                    |                  |                  |                  |
| Principal  | 106,327                            | 105,000          | 114,380          | 108,196          |
| Interest   | 75,053                             | 79,563           | 85,665           | 91,886           |
| Other  | -                                  | 1,677            | 563              | 838              |
| Total Expenditures                                   | <u>9,679,336</u>                   | <u>9,250,856</u> | <u>9,315,881</u> | <u>9,012,073</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>80,854</u>                      | <u>83,239</u>    | <u>(81,436)</u>  | <u>(248,852)</u> |
| Other Financing Sources (Uses)                       |                                    |                  |                  |                  |
| Insurance loss recoveries                            | 1,615                              | 1,863            | -                | -                |
| Operating transfers in                               | 389,958                            | 284,448          | 546,120          | 862,206          |
| Payments in to escrow agent                          | -                                  | 272,000          | -                | -                |
| Operating transfers out                              | (389,958)                          | (284,448)        | (546,120)        | (862,206)        |
| Transfer to escrow agent                             | -                                  | (272,000)        | -                | -                |
| Other financing uses                                 | (550)                              | -                | (565)            | (78)             |
| Total Other Financing Sources (Uses)                 | <u>1,065</u>                       | <u>1,863</u>     | <u>(565)</u>     | <u>(78)</u>      |
| Net Change in Fund Balances                          | <u>81,919</u>                      | <u>85,102</u>    | <u>(82,001)</u>  | <u>(248,930)</u> |
| Fund Balances  |                                    |                  |                  |                  |
| July 1   | 2,753,799                          | 2,662,518        | 2,769,631        | 3,019,363        |
| Prior Period Adjustments                             | (3,956)                            | (1,210)          | (26,391)         | -                |
| July 1, adjusted                                     | <u>2,749,843</u>                   | <u>2,661,308</u> | <u>2,743,240</u> | <u>3,019,363</u> |
| Increase (decrease) in inventory                     | 346                                | 7,389            | 1,279            | (802)            |
| June 30  | <u>\$ 2,832,108</u>                | <u>2,753,799</u> | <u>2,662,518</u> | <u>2,769,631</u> |

\*\* Numbers taken from prior year audit reports.

NEWTON MUNICIPAL SCHOOL DISTRICT

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

|  | "Unaudited"                        |                  |                  |                  |
|--|------------------------------------|------------------|------------------|------------------|
|  | <u>Fiscal Year Ending June 30,</u> |                  |                  |                  |
|  | <u>2008</u>                        | <u>2007 **</u>   | <u>2006 **</u>   | <u>2005 **</u>   |
| Revenues   |                                    |                  |                  |                  |
| Local sources  | \$ 2,056,178                       | 1,951,055        | 2,069,429        | 1,878,663        |
| Intermediate sources                                 | 11,543                             | -                | -                | -                |
| State sources  | 4,748,525                          | 4,449,311        | 4,397,784        | 4,310,211        |
| Federal sources                                      | 32,741                             | 36,505           | 76,274           | 59,767           |
| Total Revenues                                       | <u>6,848,987</u>                   | <u>6,436,871</u> | <u>6,543,487</u> | <u>6,248,641</u> |
| Expenditures   |                                    |                  |                  |                  |
| Instruction  | 4,063,521                          | 3,972,964        | 3,875,611        | 3,567,011        |
| Support services                                     | 2,685,208                          | 2,603,510        | 2,665,364        | 2,312,891        |
| Noninstructional                                     | 36,420                             | 37,283           | 32,564           | 39,943           |
| Debt service   |                                    |                  |                  |                  |
| Principal  | 1,327                              | 5,000            | 5,000            | 5,000            |
| Total Expenditures                                   | <u>6,786,476</u>                   | <u>6,618,757</u> | <u>6,578,539</u> | <u>5,924,845</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>62,511</u>                      | <u>(181,886)</u> | <u>(35,052)</u>  | <u>323,796</u>   |
| Other Financing Sources (Uses)                       |                                    |                  |                  |                  |
| Insurance loss recoveries                            | 1,615                              | 1,863            | -                | -                |
| Operating transfers in                               | 82,702                             | 69,808           | 178,940          | 99,873           |
| Other financing sources                              | -                                  | -                | -                | 495              |
| Operating transfers out                              | (282,256)                          | (214,639)        | (366,364)        | (330,911)        |
| Total Other Financing Sources (Uses)                 | <u>(197,939)</u>                   | <u>(142,968)</u> | <u>(187,424)</u> | <u>(230,543)</u> |
| Net Change in Fund Balances                          | <u>(135,428)</u>                   | <u>(324,854)</u> | <u>(222,476)</u> | <u>93,253</u>    |
| Fund Balances  |                                    |                  |                  |                  |
| July 1   | 1,094,005                          | 1,418,859        | 1,641,335        | 1,548,082        |
| June 30  | <u>\$ 958,577</u>                  | <u>1,094,005</u> | <u>1,418,859</u> | <u>1,641,335</u> |

\*\* Numbers taken from prior year audit reports.

NEWTON MUNICIPAL SCHOOL DISTRICT

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

NEWTON MUNICIPAL SCHOOL DISTRICT

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**Certified Public Accountant**  
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**Meridian, MS 39304**  
**Phone: (601) 482-7966**

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

Superintendent and School Board  
Newton Municipal School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Newton Municipal School District as of and for the year ended June 30, 2008, which collectively comprise Newton Municipal School District's basic financial statements and have issued my report thereon dated April 13, 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.

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

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.

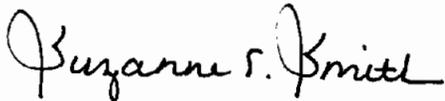
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any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

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 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.

This report is intended solely for the information and use of the District's 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.

A handwritten signature in cursive script that reads "Suzanne S. Smith".

Meridian, MS  
April 13, 2009

**Suzanne E. Smith**  
**Certified Public Accountant**  
**P.O. Box 7124**  
**Meridian, MS 39304**  
**Phone: (601) 482-8040**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 1-133

Superintendent and School Board  
Newton Municipal School District

Compliance

I have audited the compliance of the Newton Municipal 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 school district's major federal programs are identified in the summary of the 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 school 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, the Newton Municipal 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 Municipal 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 the 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 a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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 the specified parties. However, this report is a matter of public record and its distribution is not limited.



Meridian, MS  
April 13, 2009

NEWTON MUNICIPAL SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

NEWTON MUNICIPAL SCHOOL DISTRICT

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**Suzanne E. Smith**  
**Certified Public Accountant**  
**P.O. Box 7124**  
**Meridian, MS 39304**  
**Phone: (601) 482-8040**

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

Superintendent and School Board  
Newton Municipal School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Newton Municipal School District as of and for the year ended June 30, 2008, which collectively comprise Newton Municipal School District's basic financial statements and have issued my report thereon dated April 13, 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.

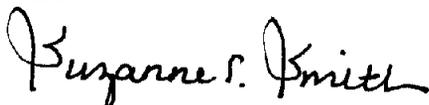
Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 \$7,544 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(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 all 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 did not disclose any instances of noncompliance with other state laws and regulations.

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.



Meridian, MS  
April 13, 2009

NEWTON MUNICIPAL SCHOOL DISTRICT

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NEWTON MUNICIPAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEWTON MUNICIPAL SCHOOL DISTRICT

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**Newton Municipal School District  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2008**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs  | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weaknesses identified?   | No          |
| b. Significant deficiencies identified that are not considered to be material Weaknesses?  | No          |
| 6. Any audit finding(s) reported as required by section ____.510(a) of Circular A-133?   | No          |
| 7. Federal programs identified as major programs:  |             |
| a. Title I grants to Local Educational Agencies<br>CFDA # 84.010   |             |
| b. Child Nutrition Cluster<br>CFDA # 10.553, 10.555  |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?  | No          |
| 10. Prior fiscal year audit findings and questioned costs 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 | Yes         |

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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

NEWTON MUNICIPAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

NEWTON MUNICIPAL SCHOOL DISTRICT

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## *Newton Municipal School District*

*P.O. Box 150  
205 School Street  
Newton, Mississippi 39345*

Ms. Mary Kate Garvin, Superintendent

Phone 601-683-2451 / Fax 601-683-7131

### Prior Year Follow-Up on Section 3 Findings

07-3 Controls Should Be Strengthened Surrounding the Child Nutrition Purchasing/Expenditure Functions

Finding

Program: Child nutrition cluster, Passed-through the Mississippi Department of Education, CFDA #s 10.553 and 10.555

Compliance Requirement: Allowable costs/cost principles

Finding

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to the federal awards are allowable and in accordance with the applicable cost principles.

During our tests of 15 Child Nutrition expenditures totaling \$104,719 we noted that in four instances, invoices or other receiving documentation totaling \$6,621 were not signed to indicated receipt of goods.

Inadequate internal controls surrounding Child Nutrition expenditures could result in unallowable expenditures being incurred by Child Nutrition funds. It could also result in misappropriation of assets or improper expenditures.

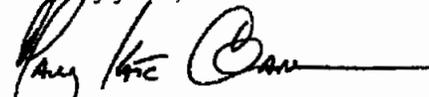
Recommendation

We recommend management implement internal controls to require all invoices or receiving documents be signed to indicate receipt of goods prior to payment to the vendor.

Follow-up

Food Service Personnel have received additional training regarding signatures for proof of delivery. All invoices/receiving documentation will have signatures to signify delivery and will be reviewed by the Food Service Director prior to payment.

Sincerely yours,

  
Superintendent

