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Baldwyn School District

Audited Financial Statements
For the Year Ended June 30, 2014

Fortenberry & Ballard, PC
Certified Public Accountants

**Baldwyn School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Baldwyn School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwin School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 49 to 54 be presented to supplement the basic financial basic statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the Baldwyn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baldwyn School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 18, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

The following discussion and analysis of Baldwyn School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased \$81,413, including a prior period adjustment of \$22,923, which represents a 1% decrease from fiscal year 2013. Total net position for 2013 increased \$646,398, which represents a 12% increase from fiscal year 2012.
- General revenues amounted to \$6,528,260 and \$6,600,346, or 79% and 78% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,731,084, or 21% of total revenues for 2014, and \$1,881,981, or 22% of total revenues for 2013.
- The District had \$8,363,680 and \$7,835,929 in expenses for fiscal years 2014 and 2013; only \$1,731,084 for 2014 and \$1,881,981 for 2013 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,528,260 for 2014 were not adequate to provide for these programs. However, \$6,600,346 for 2013 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$6,392,557 in revenues and \$6,383,429 in expenditures for 2014, and General Fund had \$6,434,544 in revenues and \$5,934,500 in expenditures for 2013. The General Fund's fund balance increased by \$97,578 from 2013 to 2014, and increased by \$210,012 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$115,535 for 2014 and decreased by \$193,422 for 2013. The decrease for 2014 was due primarily to the recording of depreciation expense during the year.
- Long-term debt decreased by \$210,462 for 2014 and decreased by \$392,787 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$6,273 in 2014, and decreased by \$2,202 in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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, and interest on long-term liabilities.

Fund Financial Statements

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

Governmental funds - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule as required supplementary information. 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 as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$6,153,021 as of June 30, 2014.

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

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 2,180,902	2,516,463	(13)%
Restricted assets	273,306	136,869	100%
Capital assets, net	<u>7,522,938</u>	<u>7,638,473</u>	(2)%
Total assets	<u>9,977,146</u>	<u>10,291,805</u>	(3)%
Current liabilities	44,137	46,811	(6)%
Long-term debt outstanding	<u>3,779,988</u>	<u>3,984,177</u>	(5)%
Total liabilities	<u>3,824,125</u>	<u>4,030,988</u>	(5)%
Net position:			
Net investment in capital assets	3,806,013	3,702,090	3%
Restricted	708,634	889,527	(20)%
Unrestricted	<u>1,638,374</u>	<u>1,642,817</u>	0%
Total net position	<u>\$ 6,153,021</u>	<u>6,234,434</u>	(1)%

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

- The decrease in net capital assets in the amount of \$115,535.
- The principal retirement of \$347,387 of long-term debt.

Changes in net position. The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$8,259,344 and \$8,482,327, respectively. The total cost of all programs and services was \$8,363,680 for 2014 and \$7,835,929 for 2013.

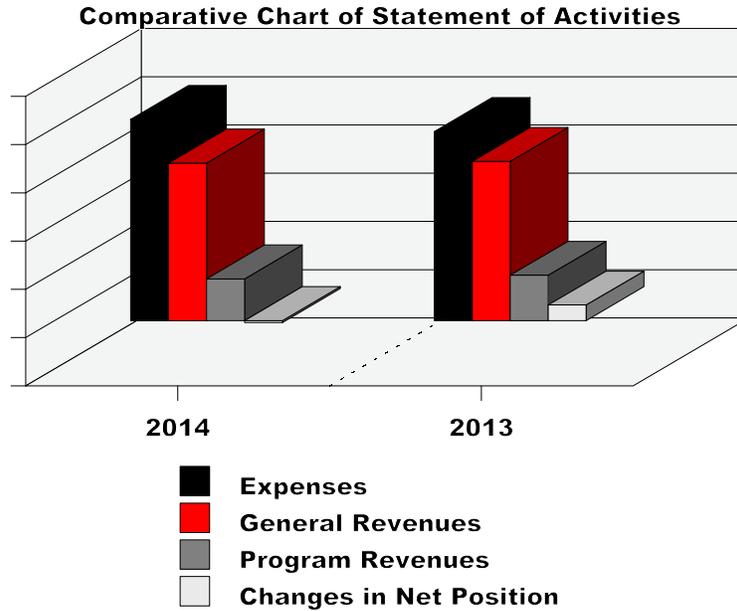
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 345,072	368,752	(6)%
Operating grants and contributions	1,351,840	1,513,229	(11)%
Capital grants and contributions	34,172		
General revenues:			
Property taxes	2,678,458	2,750,167	(3)%
Grants and contributions not restricted	3,794,402	3,835,008	(1)%
Unrestricted investment earnings	7,338	3,008	144%
Other	48,062	12,163	295%
Total revenues	<u>8,259,344</u>	<u>8,482,327</u>	(3)%
Expenses:			
Instruction	4,379,192	4,287,265	2%
Support services	3,322,295	3,011,006	10%
Non-instructional	466,839	453,740	3%
Interest on long-term liabilities	195,354	83,918	133%
Total expenses	<u>8,363,680</u>	<u>7,835,929</u>	7%
Increase (Decrease) in net position	<u>(104,336)</u>	<u>646,398</u>	(116)%
Net Position - Beginning, as previously reported	6,234,434	5,588,036	12%
Prior Period Adjustment	22,923		
Net Position - Beginning, as restated	<u>6,257,357</u>	<u>5,588,036</u>	12%
Net Position - Ending	<u>\$ 6,153,021</u>	<u>6,234,434</u>	(1)%

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014



Governmental activities

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

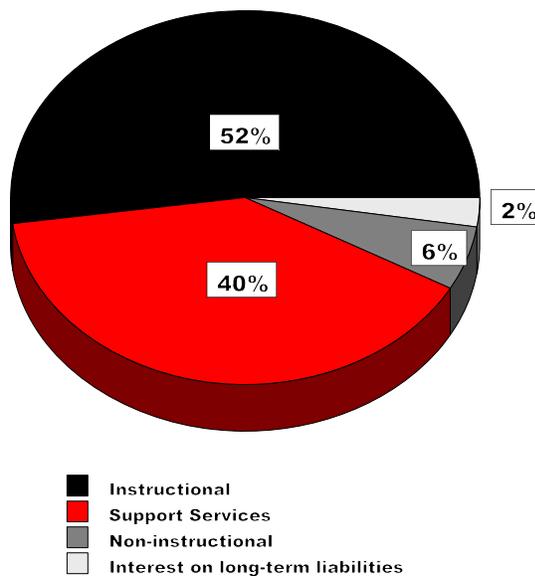
Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 4,379,192	4,287,265	2%
Support services	3,322,295	3,011,006	10%
Non-instructional	466,839	453,740	3%
Interest on long-term liabilities	195,354	83,918	133%
Total expenses	\$ 8,363,680	7,835,929	7%

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

	Net (Expense) Revenue		
	2014	2013	Percentage Change
Instruction	\$ (3,674,822)	(3,452,153)	6%
Support services	(2,731,172)	(2,430,351)	12%
Non-instructional	(31,248)	12,474	(351)%
Interest on long-term liabilities	(195,354)	(83,918)	133%
Total net (expense) revenue	\$ (6,632,596)	(5,953,948)	11%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$6,632,596 for 2014 and \$5,953,948 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$2,678,458 for 2014 and \$2,750,167 for 2013) and state and federal revenues (\$3,794,402 for 2014 and \$3,835,008 for 2013).
- Investment earnings amounted to \$7,338 for 2014 and \$3,008 for 2013.

Baldwyn School District
 Management's Discussion and Analysis
 For The Year Ended June 30, 2014

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, unassigned 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 \$2,438,766, a decrease of \$84,949, which includes an increase in inventory of \$778. \$1,616,068, or 66% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$822,698, or 34% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$97,578. The fund balance of Other Governmental Funds showed a decrease in the amount of \$181,286, which includes an increase in inventory of \$778. The increase (decrease) in the fund balances for the other major funds was as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease
EHA- Part B Fund	no increase or decrease
21 st Century Learning Grant Fund	no increase or decrease
MAEP Retirement Fund	\$ (1,241)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$11,483,129, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$197,393 from 2013. Total accumulated depreciation as of June 30, 2014, was \$3,960,191, and total depreciation expense for the year was \$309,468, resulting in total net capital assets of \$7,522,938.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 42,149	42,149	0%
Buildings	6,655,377	6,843,402	(3)%
Building improvements	148,906	158,300	(6)%
Improvements other than buildings	168,241	180,841	(7)%
Mobile equipment	410,326	403,862	2%
Furniture and equipment	97,939	9,919	887%
Total	<u>\$ 7,522,938</u>	<u>7,638,473</u>	<u>(2)%</u>

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

Debt Administration. At June 30, 2014, the District had \$3,779,988 in outstanding long-term debt, of which \$320,642 is due within one year. The liability for compensated absences increased \$6,273 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,320,000	1,450,000	(9)%
Limited obligation bonds payable	580,000	710,000	(18)%
Shortfall notes payable	0	17,387	(100)%
Obligations under capital leases	66,925	0	
Qualified school construction bonds payable	1,750,000	1,750,000	0%
Compensated absences payable	63,063	56,790	11%
Total	<u>\$ 3,779,988</u>	<u>3,984,177</u>	<u>(5)%</u>

Baldwyn School District
Management's Discussion and Analysis
For The Year Ended June 30, 2014

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES AND OTHER INFORMATION

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2013-2014 year decreased by 1% to 819 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Baldwyn School District, 107 West Main, Baldwyn, MS 38824.

FINANCIAL STATEMENTS

BALDWIN SCHOOL DISTRICT**Statement of Net Position
June 30, 2014****Exhibit A**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,887,101
Due from other governments	281,790
Inventories	12,011
Restricted assets	273,306
Capital assets, non-depreciable:	
Land	42,149
Capital assets, net of accumulated depreciation:	
Buildings	6,655,377
Building improvements	148,906
Improvements other than buildings	168,241
Mobile equipment	410,326
Furniture and equipment	97,939
Total Assets	<u>9,977,146</u>
Liabilities	
Accounts payable and accrued liabilities	15,442
Interest payable on long-term liabilities	28,695
Long-term liabilities, due within one year:	
Capital related liabilities	320,642
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,396,283
Non-capital related liabilities	63,063
Total Liabilities	<u>3,824,125</u>
Net Position	
Net investment in capital assets	3,806,013
Restricted for:	
Expendable:	
School-based activities	126,525
Debt service	520,650
Capital improvements	41,904
Unemployment benefits	19,555
Unrestricted	1,638,374
Total Net Position	<u>\$ 6,153,021</u>

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

BALDWIN SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2014**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 4,379,192	\$ 271,433	\$ 432,937		\$	(3,674,822)
Support services	3,322,295		556,951	34,172		(2,731,172)
Non-instructional	466,839	73,639	361,952			(31,248)
Interest on long-term liabilities	195,354		-			(195,354)
Total Governmental Activities	\$ 8,363,680	\$ 345,072	\$ 1,351,840	\$ 34,172	\$	(6,632,596)
 General Revenues:						
Taxes:						
						2,433,258
						245,200
Unrestricted grants and contributions:						
						3,740,969
						53,433
						7,338
						48,062
						<u>6,528,260</u>
						(104,336)
						6,234,434
						<u>22,923</u>
						<u>6,257,357</u>
					\$	<u><u>6,153,021</u></u>

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

BALDWIN SCHOOL DISTRICT

Governmental Funds

Exhibit C

**Balance Sheet
June 30, 2014**

	Major Funds						Total Governmental Funds
	General Fund	Title I A Basic Fund	EHA - Part B Fund	21st Century Learning Grant Fund	MAEP Retirement Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,527,148	\$	\$	\$	\$	359,953	\$ 1,887,101
Cash with fiscal agents					3,752	4,554	8,306
Investments	60,051	38,067	45,799	30,610	81,558	265,000	265,000
Due from other governments	129,680					25,705	281,790
Due from other funds							129,680
Inventories						12,011	12,011
Total Assets	1,716,879	38,067	45,799	30,610	85,310	667,223	2,583,888

Liabilities and Fund Balances

Liabilities:							
Accounts payable and accrued liabilities	\$ 15,442	\$	\$	\$	\$	15,204	\$ 15,442
Due to other funds		38,067	45,799	30,610			129,680
Total Liabilities	15,442	38,067	45,799	30,610	-	15,204	145,122

Fund Balances:

Nonspendable:							
Inventory						12,011	12,011
Restricted:							
Unemployment benefits						19,555	19,555
Capital projects						41,904	41,904
Debt service					85,310	464,035	549,345
Food service						86,535	86,535
Other commitments						27,979	27,979
Assigned:							
Activity funds	85,369						85,369
Unassigned	1,616,068						1,616,068
Total Fund Balances	1,701,437	-	-	-	85,310	652,019	2,438,766
Total Liabilities and Fund Balances	\$ 1,716,879	\$ 38,067	\$ 45,799	\$ 30,610	\$ 85,310	\$ 667,223	\$ 2,583,888

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

BALDWIN SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014**

Exhibit C-1

Total fund balances for governmental funds \$ 2,438,766

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 42,149	
Buildings	9,497,874	
Building improvements	254,602	
Improvements other than buildings	314,991	
Mobile equipment	1,088,304	
Furniture and equipment	285,209	
Accumulated depreciation	<u>(3,960,191)</u>	7,522,938

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(1,320,000)	
Limited obligation bonds	(580,000)	
Qualified school construction bonds	(1,750,000)	
Obligations under capital leases	(66,925)	
Compensated absences	(63,063)	
Accrued interest payable	<u>(28,695)</u>	(3,808,683)

Net position of governmental activities \$ 6,153,021

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

BALDWIN SCHOOL DISTRICT

Governmental Funds

Exhibit D

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014**

	Major Funds							Total Governmental Funds
	General Fund	Title I A Basic Fund	EHA - Part B Fund	21st Century Learning Fund	MAEP Retirement Fund	Other Governmental Funds	Governmental Funds	
Revenues:								
Local sources	\$ 2,718,956	\$	\$	\$	2	\$	\$ 350,103	\$ 3,069,061
State sources	3,616,693				163,117		146,345	3,926,155
Federal sources	56,908	344,385	291,957	122,458			438,550	1,254,258
Total Revenues	6,392,557	344,385	291,957	122,458	163,119		934,998	8,249,474
Expenditures:								
Instruction	3,750,242	94,088	105,826	84,303			269,678	4,304,137
Support services	2,528,571	243,378	181,491	36,132			289,605	3,279,177
Noninstructional services	34,616	2,078					430,749	467,443
Debt service:								
Principal	70,000				130,000		147,387	347,387
Interest					33,110		48,493	81,603
Other					1,250		1,000	2,250
Total Expenditures	6,383,429	339,544	287,317	120,435	164,360		1,186,912	8,481,997
Excess (Deficiency) of Revenues over (under) Expenditures	9,128	4,841	4,640	2,023	(1,241)		(251,914)	(232,523)
Other Financing Sources (Uses):								
Capital leases issued	136,925							136,925
Operating transfers in	92,661						185,179	277,840
Other financing sources	9,871							9,871
Operating transfers out	(151,007)	(4,841)	(4,640)	(2,023)			(115,329)	(277,840)
Total Other Financing Sources (Uses)	88,450	(4,841)	(4,640)	(2,023)	-		69,850	146,796
Net Change in Fund Balances	97,578	-	-	-	(1,241)		(182,064)	(85,727)
Fund Balances:								
July 1, 2013, as previously reported	1,603,859				86,551		833,305	2,523,715
Increase (Decrease) in inventory							778	778
June 30, 2014	\$ 1,701,437	\$ -	\$ -	\$ -	\$ 85,310	\$ -	\$ 652,019	\$ 2,438,766

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

BALDWIN SCHOOL DISTRICT

Governmental Funds

**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, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (85,727)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 197,393	
Depreciation expense	<u>(309,468)</u>	(112,075)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Inception of capital leases	(136,925)	
Payments of debt principal	347,387	
Accrued interest payable	<u>1,634</u>	212,096

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(6,273)	
Change in inventory	778	
Expense of bond issuance costs	<u>(113,135)</u>	(118,630)

Change in net position of governmental activities \$ (104,336)

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

BALDWIN SCHOOL DISTRICT

Fiduciary Assets and Liabilities

**Statement of Fiduciary Assets and Liabilities
June 30, 2014**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 374,120
Total Assets	<u>\$ 374,120</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 360,722
Due to student clubs	13,398
Total Liabilities	<u>\$ 374,120</u>

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

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, to which each member board is elected by the citizens of each defined county district.

For financial reporting purposes, Baldwyn 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. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I A Basic Fund - This fund is used to account for the federal revenues and expenditures of providing this program of learning.

EHA - Part B Fund - This fund is used to account for the federal revenues and expenditures of the Special Education Program.

21st Century Learning Grant Fund - This fund is used to account for buildings and grounds repair.

MAEP Retirement Fund - This fund accounts for the payment of MAEP 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.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Activity Agency Fund - This fund is used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position 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

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 is both restricted and unrestricted net position 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 inter-fund activity has been eliminated from the government-wide statements.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 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.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

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 the 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 three months when acquired.

Investments for the district are reported at fair market value.

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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 the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

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

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

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

8. Long-term Liabilities and Deferred Debt Expense

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

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. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess 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 or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (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 other interests in, any 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, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,887,101 and \$374,120, respectively.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$5,891,626 was exposed to custodial credit risk.

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$8,306.

Investments

As of June 30, 2014, the district had the following investments held by fiscal agents.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS	N/A	more than one year	\$ <u>265,000</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I A Basic Fund	\$ 38,067
	EHA - Part B Fund	45,799
	21 st Century Learning Grant Fund	30,610
	Other Governmental Funds	15,204
Total		\$ <u><u>129,680</u></u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I A Basic Fund	\$ 4,841
	EHA - Part B Fund	4,640
	21 st Century Learning Grant Fund	2,023
	Other Governmental Funds	81,157
Other Governmental Funds	General Fund	151,007
	Other Governmental Funds	34,172
Total		\$ <u><u>277,840</u></u>

The transfers were in part for indirect cost transfers. All transfers were consistent with the activities of the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash with fiscal agents and investment balance, totaling \$4,554 and \$265,000, of the QSCB Sinking Fund.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$3,752, of the MAEP Limited Obligation Bonds Fund.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 5 - Capital Assets

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

	Balance 7-1-2013	Additions	Adjustments	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 42,149			42,149
Total non-depreciable capital assets	<u>42,149</u>	<u>0</u>	<u>0</u>	<u>42,149</u>
<u>Depreciable capital assets:</u>				
Buildings	9,497,874			9,497,874
Building improvements	254,602			254,602
Improvements other than buildings	314,991			314,991
Mobile equipment	1,028,314	59,990		1,088,304
Furniture and equipment	147,806	137,403		285,209
Total depreciable capital assets	<u>11,243,587</u>	<u>197,393</u>	<u>0</u>	<u>11,440,980</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,654,472	184,796	3,229	2,842,497
Building improvements	96,302	9,163	231	105,696
Improvements other than buildings	134,150	12,600		146,750
Mobile equipment	624,452	53,526		677,978
Furniture and equipment	137,887	49,383		187,270
Total accumulated depreciation	<u>3,647,263</u>	<u>309,468</u>	<u>3,460</u>	<u>3,960,191</u>
Total depreciable capital assets, net	<u>7,596,324</u>	<u>(112,075)</u>	<u>(3,460)</u>	<u>7,480,789</u>
Governmental activities capital assets, net	<u>\$ 7,638,473</u>	<u>(112,075)</u>	<u>(3,460)</u>	<u>7,522,938</u>

Adjustments were made to accurately present accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 172,359
Support services	137,109
Total depreciation expense	<u>\$ 309,468</u>

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due in one year
A. General obligation bonds payable	\$ 1,450,000		130,000	1,320,000	135,000
B. Limited obligation bonds payable	710,000		130,000	580,000	140,000
C. Shortfall notes payable	17,387		17,387	0	
D. Obligations under capital leases		136,925	70,000	66,925	45,642
E. Qualified school construction bonds payable	1,750,000			1,750,000	
F. Compensated absences payable	56,790	6,273		63,063	
Total	<u>\$ 3,984,177</u>	<u>143,198</u>	<u>347,387</u>	<u>3,779,988</u>	<u>320,642</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2012	2.00-2.25%	02-28-12	07-01-22	\$ <u>1,450,000</u>	<u>1,320,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 135,000	25,838	160,838
2016	140,000	23,088	163,088
2017	140,000	20,288	160,288
2018	145,000	17,438	162,438
2019	145,000	14,538	159,538
2020 - 2023	<u>615,000</u>	<u>27,206</u>	<u>642,206</u>
Total	<u>\$ 1,320,000</u>	<u>128,396</u>	<u>1,448,396</u>

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

This debt will be retired from the 2012 Bond Issue Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2013.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2008	3.00-3.5%	09-11-08	06-01-18	\$ <u>1,325,000</u>	<u>580,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 140,000	19,025	159,025
2016	140,000	14,825	154,825
2017	150,000	10,275	160,275
2018	<u>150,000</u>	<u>5,250</u>	<u>155,250</u>
Total	<u>\$ 580,000</u>	<u>49,375</u>	<u>629,375</u>

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

C. Shortfall notes payable

This debt was paid off during the year and retired from the Shortfall Note Retirement Fund.

D. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of switches at a cost of \$136,925 with a down payment of \$70,000. This lease qualifies as a capital lease for accounting purposes.

The option available to the lessee for this lease is as follows:

1. The client has an option to purchase the switches at the end of the lease for \$1.

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

<u>Year Ending June 30</u>		<u>Principal</u>
2015	\$	45,642
2016		<u>21,283</u>
Total	\$	<u><u>66,925</u></u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

E. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
BMS Project 2010	0.94%	12-23-09	09-15-24	\$ <u><u>1,750,000</u></u>	<u><u>1,750,000</u></u>

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

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

Year Ending June 30		Principal	Interest	Total
2015	\$		16,450	16,450
2016			16,450	16,450
2017			16,450	16,450
2018			16,450	16,450
2019			16,450	16,450
2020 - 2024			82,250	82,250
2025		1,750,000	16,450	1,766,450
Total	\$	<u>1,750,000</u>	<u>180,950</u>	<u>1,930,950</u>

F. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013, and 2012 were \$656,010, \$572,704, and \$498,672, respectively, which equaled the required contributions for each year.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 8 - 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.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimately liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 9 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Note 10 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30,

Baldwyn School District

Notes to the Financial Statements For the Year Ended June 30, 2014

2014 was \$269,554. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal
2015	\$ 135,000
2016	135,000
2017	135,000
2018	135,000
2019	135,000
2020 - 2024	675,000
2025	135,000
Total	<u>\$ 1,485,000</u>

Note 11 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995 creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). 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 Booneville School District, the Baldwyn Public School District and Prentiss 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 will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC), and the operations of the consortium are included in its financial statements.

Baldwyn School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 12 - Prior Period Adjustments

A summary of the Net Position adjustment is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Adjustments were made to accurately present accumulated depreciation.	\$ (3,460)
2. To eliminate premiums incorrectly recorded in the prior year.	26,383
Total	<u>\$ 22,923</u>

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Baldwyn School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,770,624	2,718,956	2,718,956	(51,668)	0
State sources	3,638,151	3,616,693	3,616,693	(21,458)	0
Federal sources	63,400	56,908	56,908	(6,492)	0
Total Revenues	<u>6,472,175</u>	<u>6,392,557</u>	<u>6,392,557</u>	<u>(79,618)</u>	<u>0</u>
Expenditures:					
Instruction	3,653,920	3,748,655	3,750,242	(94,735)	(1,587)
Support services	2,545,988	2,567,052	2,528,571	(21,064)	38,481
Noninstructional services	32,419	34,616	34,616	(2,197)	0
Debt service:					
Principal		70,000	70,000	(70,000)	0
Total Expenditures	<u>6,232,327</u>	<u>6,420,323</u>	<u>6,383,429</u>	<u>(187,996)</u>	<u>36,894</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>239,848</u>	<u>(27,766)</u>	<u>9,128</u>	<u>(267,614)</u>	<u>36,894</u>
Other Financing Sources (Uses):					
Capital leases issued		136,925	136,925	136,925	0
Transfers in	549,119	622,327	92,661	73,208	(529,666)
Other financing sources		9,871	9,871	9,871	0
Transfers out	<u>(682,829)</u>	<u>(681,909)</u>	<u>(151,007)</u>	<u>920</u>	<u>530,902</u>
Total Other Financing Sources (Uses)	<u>(133,710)</u>	<u>87,214</u>	<u>88,450</u>	<u>220,924</u>	<u>1,236</u>
Net Change in Fund Balances	<u>106,138</u>	<u>59,448</u>	<u>97,578</u>	<u>(46,690)</u>	<u>38,130</u>
Fund Balances:					
July 1, 2013	<u>1,566,911</u>	<u>1,602,273</u>	<u>1,603,859</u>	<u>35,362</u>	<u>1,586</u>
June 30, 2014	<u>\$ 1,673,049</u>	<u>1,661,721</u>	<u>1,701,437</u>	<u>(11,328)</u>	<u>39,716</u>

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

BALDWIN SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 395,468	344,385	344,385	(51,083)	0
Total Revenues	<u>395,468</u>	<u>344,385</u>	<u>344,385</u>	<u>(51,083)</u>	<u>0</u>
Expenditures:					
Instruction	111,661	147,906	94,088	(36,245)	53,818
Support services	273,410	282,778	243,378	(9,368)	39,400
Noninstructional services	3,863	3,581	2,078	282	1,503
Total Expenditures	<u>388,934</u>	<u>434,265</u>	<u>339,544</u>	<u>(45,331)</u>	<u>94,721</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,534</u>	<u>(89,880)</u>	<u>4,841</u>	<u>(96,414)</u>	<u>94,721</u>
Other Financing Sources (Uses):					
Transfers out	(6,534)	(6,534)	(4,841)	0	1,693
Total Other Financing Sources (Uses)	<u>(6,534)</u>	<u>(6,534)</u>	<u>(4,841)</u>	<u>0</u>	<u>1,693</u>
Net Change in Fund Balances	<u>0</u>	<u>(96,414)</u>	<u>0</u>	<u>(96,414)</u>	<u>96,414</u>
Fund Balances:					
July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2014	<u>\$ 0</u>	<u>(96,414)</u>	<u>0</u>	<u>(96,414)</u>	<u>96,414</u>

The notes to the required supplemental information are an integral part of this schedule.

BALDWIN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA - Part B Fund
 For the Year Ended June 30, 2014

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal Sources	\$ 15,648	10,260	291,957	(5,388)	281,697
Total Revenues	<u>15,648</u>	<u>10,260</u>	<u>291,957</u>	<u>(5,388)</u>	<u>281,697</u>
Expenditures:					
Instructional	5,959	2,287	105,826	3,672	(103,539)
Support Services	9,427	12,845	181,491	(3,418)	(168,646)
Total Expenditures	<u>15,386</u>	<u>15,132</u>	<u>287,317</u>	<u>254</u>	<u>(272,185)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>262</u>	<u>(4,872)</u>	<u>4,640</u>	<u>(5,134)</u>	<u>9,512</u>
Other Financing Sources (Uses):					
Transfers out	(262)	(254)	(4,640)	8	(4,386)
Total Other Financing Sources (Uses)	<u>(262)</u>	<u>(254)</u>	<u>(4,640)</u>	<u>8</u>	<u>(4,386)</u>
Net Change in Fund Balances	<u>0</u>	<u>(5,126)</u>	<u>0</u>	<u>(5,126)</u>	<u>5,126</u>
Fund Balances:					
July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2014	<u>\$ 0</u>	<u>(5,126)</u>	<u>0</u>	<u>(5,126)</u>	<u>5,126</u>

The notes to the required supplemental information are an integral part of this schedule.

BALDWIN SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule
 21st Century Learning Grant Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 141,454	122,458	122,458	(18,996)	0
Total Revenues	<u>141,454</u>	<u>122,458</u>	<u>122,458</u>	<u>(18,996)</u>	<u>0</u>
Expenditures:					
Instruction	93,469	93,469	84,303	0	9,166
Support services	44,226	44,226	36,132	0	8,094
Noninstructional services	923	923		0	923
Total Expenditures	<u>138,618</u>	<u>138,618</u>	<u>120,435</u>	<u>0</u>	<u>18,183</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,836</u>	<u>(16,160)</u>	<u>2,023</u>	<u>(18,996)</u>	<u>18,183</u>
Other Financing Sources (Uses):					
Transfers out	(2,836)	(2,836)	(2,023)	0	813
Total Other Financing Sources (Uses)	<u>(2,836)</u>	<u>(2,836)</u>	<u>(2,023)</u>	<u>0</u>	<u>813</u>
Net Change in Fund Balances	<u>0</u>	<u>(18,996)</u>	<u>0</u>	<u>(18,996)</u>	<u>18,996</u>
Fund Balances:					
July 1, 2013	0	0	0	0	0
June 30, 2014	<u>\$ 0</u>	<u>(18,996)</u>	<u>0</u>	<u>(18,996)</u>	<u>18,996</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Baldwyn School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Baldwyn School District**Schedule 1**

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 108,741
National School Lunch Program	10.555	257,679
Summer Food Service Program for Children	10.559	7,442
Total Child Nutrition Cluster		<u>373,862</u>
Total passed-through the Mississippi Department of Education		<u>373,862</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>373,862</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	28,520
Total Federal Communications Commission		<u>28,520</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	344,385
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	987
Total Title I Cluster		<u>345,372</u>
Twenty-First Century Community Learning Centers	84.287	122,458
Rural Education	84.358	2,448
Improving Teacher Quality - State Grants	84.367	23,859
Sub-total		<u>148,765</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	291,957
Special Education - Preschool Grants	84.173	10,260
Total Special Education Cluster		<u>302,217</u>
Total passed-through the Mississippi Department of Education		<u>796,354</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>796,354</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed through the Mississippi Department of Education:		
Medical Assistance Program	93.778	2,309
Total passed-through the Mississippi Department of Education		<u>2,309</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,309</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 1,201,045</u>

Notes to Schedule

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

Baldwyn School District**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,675,845	4,278,614	385,048	490,137	522,046
Other	2,806,152	861,435	147,483	50,801	1,746,433
Total	\$ <u>8,481,997</u>	<u>5,140,049</u>	<u>532,531</u>	<u>540,938</u>	<u>2,268,479</u>
Total number of students *	<u>819</u>				
Cost per student	\$ <u>10,356</u>	<u>6,276</u>	<u>650</u>	<u>660</u>	<u>2,770</u>

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

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

OTHER INFORMATION

BALDWIN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 2,718,956	2,727,140	2,189,083	1,897,637
State sources	3,616,693	3,644,667	3,775,339	3,734,400
Federal sources	56,908	62,737	147,588	82,291
Total Revenues	<u>6,392,557</u>	<u>6,434,544</u>	<u>6,112,010</u>	<u>5,714,328</u>
Expenditures:				
Instruction	3,750,242	3,512,980	3,321,452	2,958,654
Support services	2,528,571	2,389,668	2,292,541	2,181,479
Noninstructional	34,616	31,852	28,778	26,687
Debt service:				
Principal	70,000	-	-	8,497
Interest	-	-	-	319
Total Expenditures	<u>6,383,429</u>	<u>5,934,500</u>	<u>5,642,771</u>	<u>5,175,636</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>9,128</u>	<u>500,044</u>	<u>469,239</u>	<u>538,692</u>
Other Financing Sources (Uses):				
Notes issued	-	-	-	49,798
Capital leases issued	136,925	-	-	-
Sale of other property	-	1,250	976	-
Insurance recovery	-	-	11,832	7,071
Operating transfers in	92,661	154,117	30,231	20,670
Other financing sources	9,871	-	-	-
Operating transfers out	(151,007)	(445,399)	(196,309)	(227,046)
Total Other Financing Sources (Uses)	<u>88,450</u>	<u>(290,032)</u>	<u>(153,270)</u>	<u>(149,507)</u>
Net Change in Fund Balances	<u>97,578</u>	<u>210,012</u>	<u>315,969</u>	<u>389,185</u>
Fund Balances:				
July 1	<u>1,603,859</u>	<u>1,393,847</u>	<u>1,077,878</u>	<u>688,693</u>
June 30	\$ <u><u>1,701,437</u></u>	<u><u>1,603,859</u></u>	<u><u>1,393,847</u></u>	<u><u>1,077,878</u></u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

BALDWIN SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 3,069,061	3,141,592	2,658,417	2,413,386
State sources	3,926,155	3,922,085	4,078,555	4,036,976
Federal sources	1,254,258	1,418,649	1,377,689	1,962,954
Total Revenues	<u>8,249,474</u>	<u>8,482,326</u>	<u>8,114,661</u>	<u>8,413,316</u>
Expenditures:				
Instruction	4,304,137	4,144,592	3,992,059	4,322,713
Support services	3,279,177	2,948,798	2,806,082	2,705,615
Noninstructional services	467,443	456,456	424,409	463,119
Facilities acquisition and construction	-	-	-	539,019
Debt service:				
Principal	347,387	390,585	409,826	404,497
Interest	81,603	79,010	133,797	145,825
Other	2,250	1,000	51,000	-
Total Expenditures	<u>8,481,997</u>	<u>8,020,441</u>	<u>7,817,173</u>	<u>8,580,788</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(232,523)</u>	<u>461,885</u>	<u>297,488</u>	<u>(167,472)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	1,450,000	49,798
Capital leases issued	136,925	-	-	-
Insurance recovery	-	-	11,832	7,071
Sale of other property	-	1,250	976	-
Payment to refunded bond escrow agent	-	-	(1,400,000)	-
Operating transfers in	277,840	599,516	226,540	247,716
Other financing sources	9,871	-	-	-
Operating transfers out	(277,840)	(599,516)	(226,540)	(247,716)
Total Other Financing Sources (Uses)	<u>146,796</u>	<u>1,250</u>	<u>62,808</u>	<u>56,869</u>
Net Change in Fund Balances	<u>(85,727)</u>	<u>463,135</u>	<u>360,296</u>	<u>(110,603)</u>
Fund Balances:				
July 1,	2,523,715	2,061,314	1,703,023	1,814,818
Increase (Decrease) in inventory	778	(734)	(2,005)	(1,192)
June 30	<u>\$ 2,438,766</u>	<u>2,523,715</u>	<u>2,061,314</u>	<u>1,703,023</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Baldwyn School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baldwyn School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Baldwyn School District's basic financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as Findings 2014-001 and 2014-002.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baldwyn School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Baldwyn School District's Response to Findings

Baldwyn School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Baldwyn School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 18, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Baldwin School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Baldwin School District's major federal programs for the year ended June 30, 2014. The Baldwin 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Baldwin School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Baldwin School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Baldwin School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Baldwin School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 18, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Baldwyn School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2014, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated November 18, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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, the Office of the State Auditor 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 18, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Baldwyn School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010 & 84.389	Title I Cluster
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Significant Deficiencies

Finding 2014-001:

Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

While performing our lunchroom deposit test, we noted cash count sheets were not attested to by signatures of individuals counting and completing the bank deposit forms for the month of February 2014.

Cause:

Internal control procedures were not in place to ensure that proceeds from lunch sales were accurately documented and signed by at least two individuals attesting the amount deposited is correct.

Effect:

Without strong internal controls in place to ensure cash received from lunch sales are accounted and accurately documented, the district increases the risk that unauthorized or inappropriate use of the lunchroom sales would not be detected in a timely manner. This could also result in cash being understated.

Recommendation:

We recommend the district revise its system of cash collections process whereby there would be at least two individuals present to ensure cash collected is all accounted for and signed by those individuals approving the amount for deposit.

Finding 2014-002:

Criteria:

The internal controls surrounding capital assets should provide the district with assurance that capital assets are properly documented and all capital assets are safeguarded.

Condition:

While performing our capital assets test, several items were noted on the capital asset listing that could not be located or were located in incorrect locations. We noted 2 out of 14 instances where assets could not be located. Also 6 out of 14 instances were noted where assets were not in the proper location according to the capital asset listing.

Cause:

Internal control procedures were not in place to ensure the capital asset listing agrees with the actual location of the assets and to make sure all capital assets are accounted for in the district.

Effect:

Without strong internal controls surrounding capital assets, the district is at risk of fraud as well as misstatement of capital assets.

Recommendation:

We recommend the district implement policies and procedures to make sure their capital asset listing is accurate and all assets are located.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN AND
AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



Baldwyn School District

"A Tradition of Excellence"

Jason McKay, Superintendent

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Baldwyn School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended in June 30, 2014:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2014-001	<p>a. Name of Contact Person Responsible for Corrective Action Name: Melanie M. Long Phone #: (662)365-1007</p> <p>b. Corrective Action Planned: We will be working on ensuring that cash received from lunch sales is accounted for and is documented.</p> <p>c. Anticipated Completion Date: In Progress</p>
2014-002	<p>a. Name of Contact Person Responsible for Corrective Action Name: Melanie M. Long Phone #: (662)365-1007</p> <p>b. Corrective Action Planned: We will make sure that capital assets listing contains accurate information in order for assets to be located.</p> <p>c. Anticipated Completion Date: In Progress</p>



Baldwyn School District

"A Tradition of Excellence"

Jason McKay, Superintendent

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section 315(b) of OMB Circular A-133, the Baldwyn School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013-1	Corrected
2013-2	Corrected