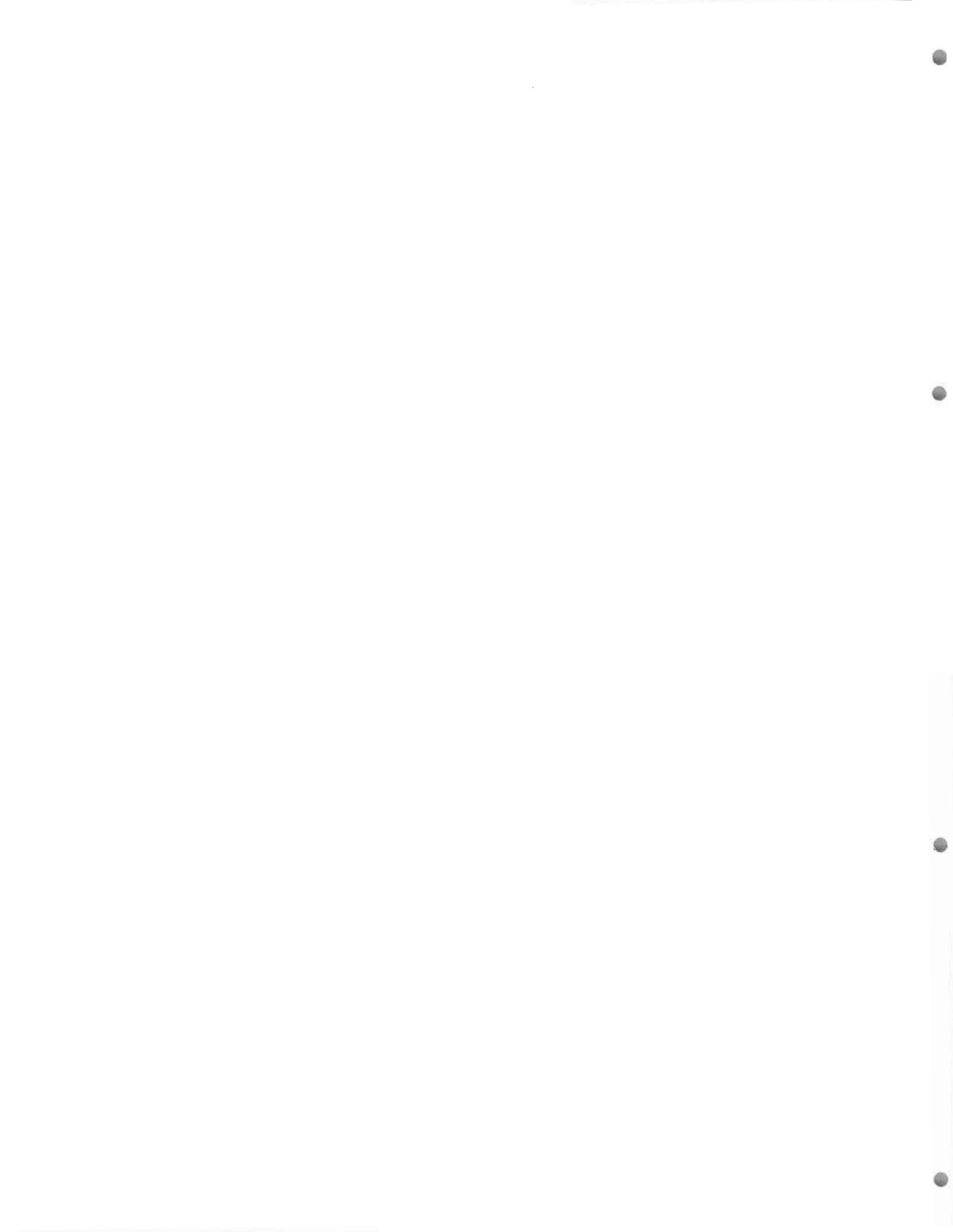




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**BALDWIN SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**



**BALDWIN SCHOOL DISTRICT**  
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**JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Baldwyn School District

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, 2012, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baldwyn School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Baldwyn School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial 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.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Pratt, Vansterg & Co. P.A.*

August 26, 2014  
Booneville, Mississippi

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Baldwin School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. 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 basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 increased \$656,281 which represents 13.30% increase from fiscal year 2011. Total net assets for 2011 increased \$511,445 which represents 11.57% increase from fiscal year 2010.
- General revenues amounted to \$6,362,982 and \$6,010,144 or 78.41% and 71.43% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,751,678, or 21.59% of the total revenues for 2012, and \$2,403,741, or 28.57% of the total revenues for 2011.
- The District had \$7,458,379 and \$7,902,440 in expenses for fiscal years 2012 and 2011; only \$1,751,678 for 2012 and \$2,403,741 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$6,362,982 for 2012 and \$6,010,144 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$6,112,010 in revenues and \$5,642,771 in expenditures for 2012, and \$5,714,328 in revenues and \$5,175,636 in expenditures for 2011. The General Fund's fund balance increased by \$315,969 from 2012 to 2011, and by \$389,185 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$102,362 for 2012 and increased by \$271,365 for 2011. The decrease for 2012 was primarily due to the disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$355,678 for 2012 and decreased by \$365,099 for 2011. The decrease for 2012 was due primarily to the issuance of the BancorpSouth Series 2012 refunding general obligation bonds. The liability for compensated absences increased by \$4,148 for 2012, and decreased by \$10,400 for 2011.

**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.

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

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 Assets, 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.

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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.

**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 budgetary comparison schedules 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

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 Balance-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 as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$5,588,036 as of June 30, 2012.

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

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Current assets	\$ 2,010,058	\$ 1,680,369	19.62%
Restricted assets	195,495	124,603	56.89%
Capital assets, net	7,831,895	7,934,257	-1.29%
<b>Total assets</b>	<u>10,037,448</u>	<u>9,739,229</u>	3.06%
Current liabilities	72,448	74,832	-3.18%
Long-term debt outstanding	4,376,964	4,732,642	-7.52%
<b>Total liabilities</b>	<u>4,449,412</u>	<u>4,807,474</u>	-7.45%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,547,248	3,360,177	5.57%
Restricted	641,048	572,280	12.02%
Unrestricted	1,399,740	999,298	40.07%
<b>Total net assets</b>	<u>\$ 5,588,036</u>	<u>\$ 4,931,755</u>	13.31%

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

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

- Increase in current assets in the amount of \$329,689.
- Decrease in net capital assets in the amount of \$102,362.
- Decrease in long-term debt of \$355,678.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$8,114,660 and \$8,413,885, respectively. The total cost of all programs and services was \$7,458,379 for 2012 and \$7,902,440 for 2011.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 341,947	\$ 323,230	5.79%
Operating grants and contributions	1,409,731	2,046,339	-31.11%
Capital grants and contributions	-	34,172	-100.00%
General revenues:			
Property taxes	2,289,861	2,057,102	11.31%
Grants and contributions not restricted	4,052,513	3,930,419	3.11%
Investment earnings	16,529	14,162	16.71%
Other	4,079	8,461	-51.79%
<b>Total revenues</b>	<u>8,114,660</u>	<u>8,413,885</u>	-3.56%
<b>Expenses:</b>			
Instruction	4,144,686	4,467,629	-7.23%
Support services	2,778,477	2,820,681	-1.50%
Non-instructional	426,863	463,688	-7.94%
Interest and other expense on long-term liabilities	108,353	150,442	-27.98%
<b>Total expenses</b>	<u>7,458,379</u>	<u>7,902,440</u>	-5.62%
<b>Increase(decrease) in net assets</b>	<u>656,281</u>	<u>511,445</u>	28.32%
<b>Net assets, July 1</b>	<u>4,931,755</u>	<u>4,420,310</u>	11.57%
<b>Net assets, June 30</b>	<u>\$ 5,588,036</u>	<u>\$ 4,931,755</u>	13.31%

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and inter-governmental aid provided for specific programs). The net cost presents the financial

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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
	2012	2011	Change
Instruction	\$ 4,144,686	\$ 4,467,629	-7.23%
Support services	2,778,477	2,820,681	-1.50%
Non-instructional	426,863	463,688	-7.94%
Interest on long-term liabilities	108,353	150,442	-27.98%
<b>Total expenses</b>	<b>\$ 7,458,379</b>	<b>\$ 7,902,440</b>	<b>-5.62%</b>

	Net (Expense) Revenue		Percentage
	2012	2011	Change
Instruction	\$ (3,353,881)	\$ (3,089,699)	8.55%
Support services	(2,244,632)	(2,238,732)	0.26%
Non-instructional	165	(19,826)	-100.83%
Interest on long-term liabilities	(108,353)	(150,442)	-27.97%
<b>Total net (expense) revenue</b>	<b>\$ (5,706,701)</b>	<b>\$ (5,498,699)</b>	<b>3.78%</b>

- Net cost of governmental activities (\$5,706,701 for 2012 and 5,498,699 for 2011) was financed by general revenue, which is primarily made up of property taxes of (\$2,289,861 for 2012 and \$2,057,102 for 2011) and state and federal revenues of (\$4,052,513 for 2012 and \$3,930,419 for 2011).

- Investment earnings amounted to \$16,529 for 2012 and \$14,162 for 2011.

**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 accessing 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 \$2,061,314, an increase of \$358,291, which includes a decrease in inventory of \$2,005. \$1,328,749 or 64.46% 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, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$732,565 or 35.54% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted, committed or assigned.

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 \$315,969. The fund balance of Other Governmental Funds showed an increase in the amount of \$42,322, which includes a decrease in inventory of \$2,005. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
21st Century Fund	no increase or decrease

**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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2012, the District's total capital assets were \$11,281,971, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$145,443 from 2011. Total accumulated depreciation as of June 30, 2012, was \$3,450,076, and total depreciation expense for the year was \$271,135, resulting in total net capital assets of \$7,831,895.

**Table 4  
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 42,149	\$ 42,149	0.00%
Buildings	7,028,198	7,209,766	-2.52%
Building improvements	167,463	176,395	-5.06%
Improvements other than buildings	193,441	206,040	-6.11%
Mobile equipment	385,490	272,148	41.65%
Furniture and equipment	15,154	27,759	-45.41%
<b>Total</b>	<u>\$ 7,831,895</u>	<u>\$ 7,934,257</u>	-1.29%

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

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Debt Administration.** At June 30, 2012, the District had \$4,357,935 in outstanding long-term debt, of which \$390,584 is due within one year. The liability for compensated absences increased \$4,148 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<b>Percentage Change</b>
General obligation bonds payable	\$ 1,665,000	\$ 1,820,000	-8.52%
Limited obligation bonds payable	840,000	965,000	-12.95%
Three mill notes payable	-	35,000	-100.00%
Shortfall notes payable	62,972	107,798	-41.58%
Qualified school construction bonds payable	1,750,000	1,750,000	N/A
Compensated absences payable	58,992	54,844	7.56%
<b>Total</b>	<u>\$ 4,376,964</u>	<u>\$ 4,732,642</u>	-7.52%

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

**Current Issues**

The Baldwin 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 an internal financial control 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 2011-2012 year decreased by 1.64% to 841 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**BALDWIN SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,550,750
Due from other governments	319,472
Other receivables, net	
Inventories	11,969
Deferred debt issuance costs	127,867
Restricted assets	195,495
Capital assets, non-depreciable:	
Land	42,149
Capital assets, net of accumulated depreciation:	
Buildings	7,028,198
Building improvements	167,463
Improvements other than buildings	193,441
Mobile equipment	385,490
Furniture and equipment	15,154
Total assets	<u>10,037,448</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	16,372
Unamortized bond premium	29,655
Interest payable on long-term liabilities	26,421
Long-term liabilities, due within one year:	
Capital related liabilities	345,000
Non-capital related liabilities	45,585
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,910,000
Non-capital related liabilities	76,379
Total liabilities	<u>4,449,412</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,547,248
Restricted for:	
Expendable:	
School based activities	88,413
Debt service	517,580
Capital Improvements	15,635
Unemployment benefits	19,420
Unrestricted	1,399,740
Total net assets	<u>\$ 5,588,036</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, 2012**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					Governmental Activities
Instruction	\$ 4,144,686	251,331	539,474	-	(3,353,881)
Support services	2,778,477	-	533,845	-	(2,244,632)
Noninstructional services	426,863	90,616	336,412	-	165
Interest on long-term debt	108,353	-	-	-	(108,353)
<b>Total governmental activities</b>	<b>\$ 7,458,379</b>	<b>341,947</b>	<b>1,409,731</b>	<b>-</b>	<b>(5,706,701)</b>
General Revenues:					
Taxes:					
General purpose levies					1,912,147
Debt purpose levies					377,714
Unrestricted grants and contributions:					
State					3,904,925
Federal					147,588
Unrestricted investment earnings					16,529
Other					4,079
Total general revenues					<u>6,362,982</u>
Change in net assets					<u>656,281</u>
Net assets - beginning					<u>4,931,755</u>
Net assets - ending					<u>\$ 5,588,036</u>

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

**BALDWIN SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2012**

	Major Funds					Total
	General	Title I	EHA Part B	21st Century	Other Governmental	
	Fund	Fund	Fund	Fund	Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,186,139	-	-	-	364,611	1,550,750
Investments	-	-	-	-	195,495	195,495
Due from other governments	83,372	53,258	26,395	44,252	112,195	319,472
Due from other funds	140,708	-	-	-	6,294	147,002
Inventories	-	-	-	-	11,969	11,969
<b>Total Assets</b>	<b>1,410,219</b>	<b>53,258</b>	<b>26,395</b>	<b>44,252</b>	<b>690,564</b>	<b>2,224,688</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	16,372	-	-	-	-	16,372
Due to other funds	-	53,258	26,395	44,252	23,097	147,002
<b>Total liabilities</b>	<b>16,372</b>	<b>53,258</b>	<b>26,395</b>	<b>44,252</b>	<b>23,097</b>	<b>163,374</b>
<b>Fund Balances:</b>						
Nonspendable:						
Inventory	-	-	-	-	11,969	11,969
Restricted for:						
Debt service funds	-	-	-	-	543,999	543,999
Capital improvements	-	-	-	-	15,635	15,635
Food services	-	-	-	-	72,047	72,047
Grant activities	-	-	-	-	4,397	4,397
Unemployment benefits	-	-	-	-	19,420	19,420
Assigned:						
Activity funds	65,098	-	-	-	-	65,098
Unassigned:	1,328,749	-	-	-	-	1,328,749
<b>Total fund balances</b>	<b>1,393,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>667,467</b>	<b>2,061,314</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,410,219</b>	<b>53,258</b>	<b>26,395</b>	<b>44,252</b>	<b>690,564</b>	<b>2,224,688</b>

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

**BALDWIN SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2012**

Total fund balances for governmental funds

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

\$ 2,061,314

- 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	1,015,054	
Furniture and equipment	157,301	
Accumulated depreciation	<u>(3,450,076)</u>	7,831,895

- 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	(1,665,000)	
Limited obligation bonds	(840,000)	
Shortfall notes payable	(62,972)	
Qualified school construction bonds	(1,750,000)	
Compensated absences	(58,992)	
Unamortized charges	127,867	
Unamortized premiums	(29,655)	
Accrued interest payable	<u>(26,421)</u>	(4,305,173)

Net assets of governmental activities

\$ 5,588,036

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

**BALDWYN SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2012**

	Major Funds					Total
	General Fund	Title I Fund	EHA Part B Fund	21st Century Fund	Other Governmental Funds	
<b>Revenue:</b>						
Local sources	\$ 2,189,083	-	-	-	469,334	2,658,417
State sources	3,775,339	-	-	-	303,216	4,078,555
Federal sources	147,588	392,986	212,293	174,888	449,934	1,377,689
Total revenues	<u>6,112,010</u>	<u>392,986</u>	<u>212,293</u>	<u>174,888</u>	<u>1,222,484</u>	<u>8,114,661</u>
<b>Expenditures:</b>						
Instruction	3,321,452	140,299	42,244	142,820	345,244	3,992,059
Support services	2,292,541	246,081	166,418	29,043	71,999	2,806,082
Noninstructional services	28,778	413	-	-	395,218	424,409
Debt service:						
Principal	-	-	-	-	409,826	409,826
Interest	-	-	-	-	133,797	133,797
Other	-	-	-	-	51,000	51,000
Total expenditures	<u>5,642,771</u>	<u>386,793</u>	<u>208,662</u>	<u>171,863</u>	<u>1,407,084</u>	<u>7,817,173</u>
Excess of revenues over (under) expenditures	<u>469,239</u>	<u>6,193</u>	<u>3,631</u>	<u>3,025</u>	<u>(184,600)</u>	<u>297,488</u>
<b>Other Financing Sources</b>						
(Uses):						
Bonds and notes issued	-	-	-	-	1,450,000	1,450,000
Insurance recovery	11,832	-	-	-	-	11,832
Payment to refunded bond escrow agent	-	-	-	-	(1,400,000)	(1,400,000)
Sale of other property	976	-	-	-	-	976
Operating transfers in	30,231	-	-	-	196,309	226,540
Operating transfers out	(196,309)	(6,193)	(3,631)	(3,025)	(17,382)	(226,540)
Total other financing sources (uses)	<u>(153,270)</u>	<u>(6,193)</u>	<u>(3,631)</u>	<u>(3,025)</u>	<u>228,927</u>	<u>62,808</u>
Net change in fund balances	315,969	-	-	-	44,327	360,296
Fund Balances:						
July 1, 2011	1,077,878	-	-	-	625,145	1,703,023
Increase (decrease) in reserve for inventory	-	-	-	-	(2,005)	(2,005)
June 30, 2012	<u>\$ 1,393,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667,467</u>	<u>2,061,314</u>

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

**BALDWIN SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2012**

Net change in fund balances - total governmental funds \$ 360,296

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

1. Governmental funds report capital outlays 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	\$ 173,518	
Depreciation expense	<u>(271,135)</u>	(97,617)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(4,745)

3. 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 assets. Also, governmental funds report the effect of issuance costs, 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:

Payment to refunded Escrow agent	1,400,000	
Bonds and notes issued	(1,450,000)	
Deferred issuance costs	77,054	
Payments of debt principal	409,826	
Accrued interest payable	26,444	
Deferred premium	<u>(27,054)</u>	436,270

4. 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	(4,148)	
Change in inventory reserve	(2,005)	
Amortization of deferred charges, premiums and discounts	<u>(31,770)</u>	(37,923)

Change in net assets of governmental activities \$ 656,281

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

**BALDWYN SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2012**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 290,036
Total assets	<u>290,036</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	277,159
Due to student clubs	<u>12,877</u>
Total liabilities	<u>\$ 290,036</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, 2012**

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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

B. 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 is elected by the citizens of the city of Baldwin.

For financial reporting purposes, Baldwin 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.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

1. Invested in capital assets, net of related debt, 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.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, 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 Fund – This fund is used to account for the 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.

21<sup>st</sup> Century Fund – This fund is used to account for the federal revenues and expenditures of this after school program.

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

The District’s fiduciary funds include the following:

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

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Payable Clearing – This fund is used to account for the district’s claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salary expenditures payable and the payment of those payables.

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.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Property 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 are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time they 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 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities, and net assets/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.

(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.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

(5) Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes.

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

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

(7) Compensated Absences (Continued)

or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as 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, Deferred Debt Expense, and Bond Discounts/Premiums

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.

*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. This formal action is a resolution approved by the Board. No commitments have been made by the board.

*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

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

Note 1 - Summary of Significant Accounting Policies (Continued)

(9) Fund balances (Continued)

balance are created by the Superintendent and the Business Manager pursuant to authorization established by the Board of Education.

*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/expense 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/expenses 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.

Note 2 - Cash and Cash Equivalents, and Investments

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by the 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 deposit 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) and bond sinking funds (Debt Service Funds) must be credited to those funds.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 2 - Cash and Cash Equivalents, and Investments (Continued)

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 \$1,550,750 and \$290,036, 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, 2012, none of the district's bank balance of \$2,273,247 was exposed to custodial credit risk.

Investments

As of June 30, 2012, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAA	Less than 1	\$ 130,495
QSCB Sinking Fund Deposit			65,000
Total			<u>\$ 195,495</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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds and QSCB Sinking Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 2 - Cash and Cash Equivalents, and Investments (Continued)

*Concentration of Credit Risk.* Disclosure 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.

Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 53,258
	EHA Part B fund	26,395
	21st Century fund	44,252
	Other governmental funds	16,803
Other governmental funds	Other governmental funds	6,294
Total funds		<u>\$ 147,002</u>

The purpose of the interfund loans was to cover federal and state funds not received prior to year-end, indirect costs and amounts due from agency funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 196,309
Title I fund	General fund	6,193
EHA Part B fund	General fund	3,631
21st Century fund	General fund	3,025
Other governmental funds	General fund	17,382
Total funds		<u>\$ 226,540</u>

The principal purpose of interfund transfers was to provide funds for daily operation or temporary loans until grant funds received.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$130,495, of the MAEP Limited Obligation Bonds Payable (State Aid Capital Improvements Refunding Series, 2008) and \$65,000 QSCB Sinking Fund for a total of \$195,495.

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

Note 5 - Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Completed Construction	Balance 6/30/2012
<b>Governmental Activities:</b>					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 42,149	-	-	-	42,149
Total non-depreciable assets	42,149	-	-	-	42,149
<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	869,611	173,518	(28,075)	-	1,015,054
Furniture and equipment	157,301	-	-	-	157,301
Total depreciable capital assets	11,094,379	173,518	(28,075)	-	11,239,822
<u>Less accumulated depreciation:</u>					
Buildings	2,288,108	181,568	-	-	2,469,676
Building improvements	78,207	8,932	-	-	87,139
Improvements other than buildings	108,951	12,599	-	-	121,550
Mobile equipment	597,463	55,431	(23,330)	-	629,564
Furniture and equipment	129,542	12,605	-	-	142,147
Total accumulated depreciation	3,202,271	271,135	(23,330)	-	3,450,076
Total depreciable capital assets, net	7,892,108	(97,617)	(4,745)	-	7,789,746
Governmental activities capital assets, net	\$ 7,934,257	(97,617)	(4,745)	-	7,831,895

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 150,138
Support services	120,997
Total depreciation expense	\$ 271,135

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A General obligation bonds payable	\$ 1,820,000		1,605,000	215,000	215,000
	-	1,450,000	-	1,450,000	-
B Limited obligation bonds payable	965,000	-	125,000	840,000	130,000
C Three mill note payable	35,000	-	35,000	-	-
D Shortfall note payable	107,798	-	44,826	62,972	45,585
E Qualified school construction bonds	1,750,000	-	-	1,750,000	-
F Compensated absences payable	54,844	4,148	-	58,992	-
	<u>\$ 4,732,642</u>	<u>1,454,148</u>	<u>1,809,826</u>	<u>4,376,964</u>	<u>390,585</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 2001	3.70-4.60%	06/01/01	12/01/12	\$ 1,230,000	\$ 105,000
General obligation bonds, series 2002	4.00-5.50%	07/01/02	07/01/12	2,295,000	110,000
General obligation refunding bonds, Series 2012	2.00-2.25%	02/28/12	07/01/22	1,450,000	1,450,000
				<u>\$ 4,975,000</u>	<u>\$ 1,665,000</u>

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities (Continued)

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

1. General obligation bond issue of June 1, 2001:

Year Ending June 30	Principal	Interest	Total
2013	\$ 105,000	2,415	107,415
Total	<u>\$ 105,000</u>	<u>2,415</u>	<u>107,415</u>

This debt will be retired from the 2001 G O Bond Retirement fund.

2. General obligation bond issue July 1, 2002:

Year Ending June 30	Principal	Interest	Total
2013	\$ 110,000	64,071	174,071
Total	<u>\$ 110,000</u>	<u>64,071</u>	<u>174,071</u>

This debt will be retired from the 2002 Bond Issue Debt Service fund.

3. General obligation refunding bond issue February 28, 2012.

June 30	Principal	Interest	Total
2013	-	23,665	23,665
2014	130,000	28,488	158,488
2015	135,000	25,838	160,838
2016	140,000	23,088	163,088
2017	140,000	20,288	160,288
2018-2022	750,000	57,435	807,435
2023-2027	155,000	1,744	156,744
Total	<u>\$ 1,450,000</u>	<u>\$ 180,546</u>	<u>\$ 1,630,546</u>

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

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities (Continued)

A. General obligation bonds payable (Continued)

Total general obligation bond payment for all issues:

Year Ending June 30	Principal	Interest	Total
2013	\$ 215,000	93,916	308,916
2014	130,000	28,488	158,488
2015	135,000	25,838	160,838
2016	140,000	23,088	163,088
2017	140,000	20,288	160,288
2018-2022	750,000	57,435	807,435
2022-2027	155,000	1,744	156,744
Total	<u>\$ 1,665,000</u>	<u>250,797</u>	<u>1,915,797</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-5-5 and 37-59-7, Miss. Code Ann. (1072). 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, 2012, the amount of outstanding bonded indebtedness was equal to 8.08% of property assessments as of October 1, 2011.

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	3.00-3.50%	09/11/08	06/01/18	\$ 1,325,000	840,000
				<u>\$ 1,325,000</u>	<u>840,000</u>

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities (Continued)

B. Limited obligation bonds payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 130,000	27,475	157,475
2014	130,000	23,250	153,250
2015	140,000	19,025	159,025
2016	140,000	14,825	154,825
2017	150,000	10,275	160,275
2018	150,000	5,250	155,250
	<u>\$ 840,000</u>	<u>100,100</u>	<u>940,100</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.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2009 Shortfall note	5.75%	9/24/09	6/24/13	\$ 87,000	29,000
2011 Shortfall note	4.75%	10/8/10	12/1/13	49,798	33,972
Total				<u>\$ 136,798</u>	<u>62,972</u>

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

1. Shortfall notes payable issue of September 24, 2009:

Year Ending June 30	Principal	Interest	Total
2013	\$ 29,000	1,695	30,695
Total	<u>\$ 29,000</u>	<u>1,695</u>	<u>30,695</u>

This debt will be retired from the Shortfall Note Retirement fund.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities (Continued)

C. Shortfall notes payable (Continued)

2. Shortfall notes payable issued of October 8, 2010:

Year Ending June 30	Principal	Interest	Total
2013	\$ 16,585	1,640	18,225
2014	17,387	838	18,225
Total	<u>\$ 33,972</u>	<u>2,478</u>	<u>36,450</u>

This debt will be retired from the Shortfall Note Retirement fund.

Total shortfall notes payable from all issues:

Year Ending June 30	Principal	Interest	Total
2013	\$ 45,585	3,335	48,920
2014	17,387	838	18,225
Total	<u>\$ 62,972</u>	<u>4,173</u>	<u>67,145</u>

D. 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:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
BMS project 2010	0.94%	12/23/09	9/15/24	\$ 1,750,000	1,750,000
Total				<u>\$ 1,750,000</u>	<u>1,750,000</u>

The following is a schedule by years of payment due on this debt:

Year Ending	Principal	Interest	Total
2013	\$ -	16,450	16,450
2014	-	16,450	16,450
2015	-	16,450	16,450
2016	-	16,450	16,450
2017	-	16,450	16,450
2018-2022	-	82,250	82,250
2023-2025	1,750,000	49,350	1,799,350
	<u>\$ 1,750,000</u>	<u>213,850</u>	<u>1,963,850</u>

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

Note 6 - Long-term liabilities (Continued)

Advance Refunding

On February 28, 2012, the district issued \$1,450,000 in General Obligation Bonds with an average interest rate of 2.13% to advance refund \$1,400,000 of outstanding General Obligation Bonds 2012 with an average interest rate of 4.75%. The net proceeds of \$1,400,000 after payments of \$77,054 for issuance costs and premium of \$27,054 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the General Obligation Refunding Bonds 2012.

As a result, the General Obligation Bonds 2002 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the General Obligation bonds 2002 to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$388,239 and to realize an economic gain of \$289,300.

E. Compensated absences payable

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences 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 for fiscal year ended June 30, 2012 was 12.93% 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, 2012, 2011, and 2010, were \$498,672, \$490,785, and \$507,282, respectively, which equaled the required contributions for each year.

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.

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.

**Baldwyn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

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.

The school district makes equal annual payments into a sinking fund which is used to pay off 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. The amount on deposit at June 30, 2012 was \$65,000. 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	Amount
2013	\$ 65,000
2014	135,000
2015	135,000
2016	135,000
2017	135,000
2018-2022	675,000
2023-2025	405,000
 Total	 <u>\$ 1,685,000</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 School District and the 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.

**Baldwyn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2012**

Note 11 – Alternative School Consortium (Continued)

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

Note 12 – Insurance loss recoveries

The Baldwin School District received \$11,832 in insurance loss recoveries related to storm damage during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance loss recoveries	Percentage	Expenditure function
\$ 11,832	100.00%	Support services

Note 13 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Baldwin School District evaluated the activity of the district through August 26, 2014 (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.

**Baldwyn School District**  
**Budgetary Comparison for the General Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenue:</b>					
Local sources	\$ 2,113,032	2,189,960	2,189,083	76,928	(877)
State sources	3,749,776	3,775,339	3,775,339	25,563	-
Federal sources	68,504	147,588	147,588	79,084	-
Total revenues	<u>5,931,312</u>	<u>6,112,887</u>	<u>6,112,010</u>	<u>181,575</u>	<u>(877)</u>
<b>Expenditures:</b>					
Instruction	3,294,973	3,321,452	3,321,452	(26,479)	-
Support services	2,419,087	2,324,124	2,292,541	94,963	31,583
Noninstructional services	27,825	28,778	28,778	(953)	-
Total expenditures	<u>5,741,885</u>	<u>5,674,354</u>	<u>5,642,771</u>	<u>67,531</u>	<u>31,583</u>
Excess (deficiency) of revenues over expenditures	<u>189,427</u>	<u>438,533</u>	<u>469,239</u>	<u>249,106</u>	<u>30,706</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	11,832	11,832	11,832	-
Sale of equipment	-	976	976	976	-
Proceeds of loans	-	31,583	-	31,583	(31,583)
Operating transfers in	657,940	662,459	30,231	4,519	(632,228)
Operating transfers out	(798,399)	(830,313)	(196,309)	(31,914)	634,004
Total other financing sources (uses)	<u>(140,459)</u>	<u>(123,463)</u>	<u>(153,270)</u>	<u>16,996</u>	<u>(29,807)</u>
Net change in fund balance	<u>48,968</u>	<u>315,070</u>	<u>315,969</u>	<u>266,102</u>	<u>899</u>
<b>Fund Balance:</b>					
July 1, 2011	<u>1,077,878</u>	<u>1,077,878</u>	<u>1,077,878</u>	<u>-</u>	<u>-</u>
June 30, 2012	<u>\$ 1,126,846</u>	<u>1,392,948</u>	<u>1,393,847</u>	<u>266,102</u>	<u>899</u>

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

**Baldwyn School District**  
**Budgetary Comparison Schedule for Title I Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 404,052	392,986	392,986	(11,066)	-
Total revenues	404,052	392,986	392,986	(11,066)	-
<b>Expenditures:</b>					
Instruction	102,856	140,299	140,299	(37,443)	-
Support services	289,419	246,081	246,081	43,338	-
Noninstructional services	2,838	413	413	2,425	-
Total expenditures	395,113	386,793	386,793	8,320	-
Excess (deficiency) of revenues over expenditures	8,939	6,193	6,193	(2,746)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(7,939)	(6,193)	(6,193)	1,746	-
Total other financing sources (uses)	(7,939)	(6,193)	(6,193)	1,746	-
Net change in fund balance	1,000	-	-	(1,000)	-
<b>Fund Balance:</b>					
July 1, 2011	-	-	-	-	-
June 30, 2012	\$ 1,000	\$ -	\$ -	\$ (1,000)	\$ -

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

Baldwyn School District  
 Budgetary Comparison Schedule for EHA Part B Fund  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 444,370	212,293	212,293	(232,077)	-
Total revenues	444,370	212,293	212,293	(232,077)	-
<b>Expenditures:</b>					
Instruction	256,869	42,244	42,244	214,625	-
Support services	177,161	166,418	166,418	10,743	-
Noninstructional services	3,000	-	-	3,000	-
Total expenditures	437,030	208,662	208,662	228,368	-
Excess (deficiency) of revenues over expenditures	7,340	3,631	3,631	(3,709)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(7,340)	(3,631)	(3,631)	3,709	-
Total other financing sources (uses)	(7,340)	(3,631)	(3,631)	3,709	-
Net change in fund balance	-	-	-	-	-
<b>Fund Balance:</b>					
July 1, 2011	-	-	-	-	-
June 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Baldwyn School District**  
**Budgetary Comparison Schedule for 21st Century Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 235,757	174,888	174,888	(60,869)	-
Total revenues	<u>235,757</u>	<u>174,888</u>	<u>174,888</u>	<u>(60,869)</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	180,541	142,820	142,820	37,721	-
Support services	49,172	29,043	29,043	20,129	-
Noninstructional services	2,500	-	-	2,500	-
Total expenditures	<u>232,213</u>	<u>171,863</u>	<u>171,863</u>	<u>60,350</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>3,544</u>	<u>3,025</u>	<u>3,025</u>	<u>(519)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(3,544)	(3,025)	(3,025)	519	-
Total other financing sources (uses)	<u>(3,544)</u>	<u>(3,025)</u>	<u>(3,025)</u>	<u>519</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance:</b>					
July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2012	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Baldwyn School District**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2012**

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

**BALDWIN SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 114,484
National school lunch program	10.555	225,721
Summer food service program for children	10.559	6,339
Total Child Nutrition Cluster		<u>346,544</u>
Total Passed-through MDE		<u>346,544</u>
<b>Total U.S. Department of Agriculture</b>		<u>346,544</u>
<b>Federal Communications Commission</b>		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	28,011
<b>Total Federal Communications Commission</b>		<u>28,011</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants		
	84.186	980
Twenty-first century community learning centers	84.287	174,888
Rural education	84.358	2,942
Improving teacher quality - state grants	84.367	61,776
Education jobs fund	84.410	5,373
<b>Total</b>		<u>245,959</u>
Education Technology cluster:		
Education technology state grant	84.318	624
ARRA-Education technology state grant, Recovery Act	84.386	2,700
Total Education Technology cluster		<u>3,324</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	392,986
ARRA-Title I grants to local educational agencies, Recovery Act	84.389	100
Total Title I cluster		<u>393,086</u>
Special Education Cluster		
Special education - grants to states	84.027	212,293
Special education - preschool grants	84.173	4,889
ARRA-special education-grants to states, Recovery Act	84.391	3,177
ARRA-special education-preschool grants, Recovery Act	84.392	69
Total Special Education Cluster		<u>220,428</u>
Total Passed-through MDE		<u>862,797</u>
<b>Total U.S. Department of Education</b>		<u>862,797</u>

BALDWIN SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>88,834</u>
Total passed-through Mississippi Department of Education		<u>88,834</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>88,834</u>
<b>Total for All Federal Awards</b>		<u>\$ 1,326,186</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 basic 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 of Instructional, Administrative and Other Expenditures-Governmental Funds**  
**June 30, 2012**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,295,250	4,067,958	357,150	390,335	479,807
Other	2,521,923	626,089	125,122	32,118	1,738,594
Total	<u>\$ 7,817,173</u>	<u>4,694,047</u>	<u>482,272</u>	<u>422,453</u>	<u>2,218,401</u>
Total Number of Students *	<u>841</u>				
Cost per Student	<u>\$ 9,295</u>	<u>5,581</u>	<u>574</u>	<u>502</u>	<u>2,638</u>

For purposes 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, teacher's aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration; 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 total number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

**Baldwyn School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 2,189,083	\$ 1,897,637	\$ 1,911,916	\$ 1,845,637
State sources	3,775,339	3,734,400	3,908,848	4,423,318
Federal sources	147,588	82,291	54,362	72,066
Total revenues	<u>6,112,010</u>	<u>5,714,328</u>	<u>5,875,126</u>	<u>6,341,021</u>
<b>Expenditures:</b>				
Instruction	3,321,452	2,958,654	3,447,531	4,204,129
Support services	2,292,541	2,181,479	2,145,425	2,296,898
Noninstructional services	28,778	26,687	32,198	41,436
Facilities acquisition	-	-	2,463	73,846
Debt Service:				
Principal	-	8,497	8,088	7,699
Interest	-	319	728	1,117
Total expenditures	<u>5,642,771</u>	<u>5,175,636</u>	<u>5,636,433</u>	<u>6,625,125</u>
Excess (deficiency) of revenues over(under) expenditures	<u>469,239</u>	<u>538,692</u>	<u>238,693</u>	<u>(284,104)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	49,798	87,000	-
Sale of other property	976	-	-	501
Insurance loss recovery	11,832	7,071	-	7,997
Operating transfers in	30,231	20,670	429,878	203,733
Operating transfers out	(196,309)	(227,046)	(212,921)	(186,728)
Total other financing sources	<u>(153,270)</u>	<u>(149,507)</u>	<u>303,957</u>	<u>25,503</u>
Net change in fund balances	<u>315,969</u>	<u>389,185</u>	<u>542,650</u>	<u>(258,601)</u>
<b>Fund balances:</b>				
Beginning of period	<u>1,077,878</u>	<u>688,693</u>	<u>146,043</u>	<u>404,644</u>
End of period	<u>\$ 1,393,847</u>	<u>\$ 1,077,878</u>	<u>\$ 688,693</u>	<u>\$ 146,043</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Baldwyn School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2012	2011*	2010*	2009*
<b>Revenues:</b>				
Local sources	\$ 2,658,417	\$ 2,413,386	\$ 2,560,661	\$ 2,329,352
State sources	4,078,555	4,036,976	4,204,413	4,718,889
Federal sources	1,377,689	1,962,954	1,456,477	1,076,573
Total revenues	<u>8,114,661</u>	<u>8,413,316</u>	<u>8,221,551</u>	<u>8,124,814</u>
<b>Expenditures:</b>				
Instruction	3,992,059	4,322,713	4,271,919	4,729,238
Support services	2,806,082	2,705,615	2,695,940	2,708,960
Noninstructional services	424,409	463,119	475,102	510,265
Facilities acquisition and construction		539,019	1,166,051	73,845
Debt Service:				
Principal	409,826	404,497	410,088	409,699
Interest	133,797	145,825	143,167	168,412
Other	1,000	-	25,446	53,310
Total expenditures	<u>7,767,173</u>	<u>8,580,788</u>	<u>9,187,713</u>	<u>8,653,729</u>
Excess (deficiency) of revenues over(under) expenditures	<u>347,488</u>	<u>(167,472)</u>	<u>(966,162)</u>	<u>(528,915)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds	1,450,000	-	1,750,000	1,325,000
Premium on debt issuance	27,054	-	-	5,667
Debt issuance costs	(46,083)			
Payment to refunded bond escrow agent	(1,430,971)	-	-	(1,255,000)
Proceeds of loans	-	49,798	87,000	-
Sale of other property	976	-	-	501
Insurance loss recovery	11,832	7,071	-	7,997
Operating transfers in	226,540	247,716	642,799	424,633
Operating transfers out	(226,540)	(247,716)	(642,799)	(424,633)
Total other financing sources	<u>12,808</u>	<u>56,869</u>	<u>1,837,000</u>	<u>84,165</u>
Net change in fund balances	<u>360,296</u>	<u>(110,603)</u>	<u>870,838</u>	<u>(444,750)</u>
<b>Fund balances:</b>				
Beginning of period	1,703,023	1,814,818	942,701	1,387,873
Increase(decrease) in reserve for inventory	<u>(2,005)</u>	<u>(1,192)</u>	<u>1,279</u>	<u>(422)</u>
End of period	<u>\$ 2,061,314</u>	<u>\$ 1,703,023</u>	<u>\$ 1,814,818</u>	<u>\$ 942,701</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

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

Superintendent and School Board  
Baldwyn School District

We have audited 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, 2012, which collectively comprise Baldwyn School District’s basic financial statements and have issued our report thereon dated August 26, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Baldwyn School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Baldwyn School District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baldwyn School District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baldwyn School District’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the deficiency described in the accompanying Schedule of findings and questioned costs to be a material weakness Finding 2012-1.

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### Compliance and Other Matters

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

Baldwyn School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Baldwyn School District's response and, accordingly, we express no opinion on this response.

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

*Parsons, Vensterg & Co. P.A.*

August 26, 2014  
Booneville, Mississippi



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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Superintendent and School Board  
Baldwyn School District

Compliance

We have audited Baldwyn 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 Baldwyn School District's major federal programs for the year ended June 30, 2012. The Baldwyn School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Baldwyn School District complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the Baldwyn School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Baldwyn School District's

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Internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2012-2 and 2012-3 to be *material weaknesses*.

Baldwyn School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. We did not audit Baldwyn School District's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Parawer, Vansterg & Co. P.A*

August 26, 2014  
Booneville, Mississippi



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## 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, 2012, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated August 26, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972) disclosed no instances of noncompliance. The district reported \$2,969 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

*Pyrawner, Venstary & Co. P.A*

August 26, 2014

Booneville, Mississippi

**Baldwyn School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? Yes
  - b. Significant deficiency(ies) identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? Yes
  - b. Significant deficiency(ies) identified? None reported
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? Yes
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
a. CFDA# 84.010, 84.389	Title I Cluster
b. CFDA# 84.027, 84.173, 84.391, 84.392	Special Education Cluster
c. CDFA# 84.367	Title II
d. CFDA# 10.553, 10.555, 10.559	Child Nutrition Cluster

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

**Baldwyn School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

Section 2: Financial Statement Findings

Significant Deficiency Considered to be a Material Weakness

Finding 2012-1

The school district's internal control procedures were inadequate to determine if all activity deposits are being made in a timely manner. In tests performed, we found that twelve out of the twenty nine items tested either lacked proper documentation or were not deposited in a timely manner.

Criteria: Management is responsible for implementing proper controls over cash to insure that deposits are made timely.

Cause: The schools, where money is collected, are holding the money three or more days, before taking to the central office to be deposited. Also, schools do not give receipts to students for money collected, nor do they keep notes on the number of items sold or at what rate they were sold.

Effect: Failure to have controls in place could result in loss of revenues.

Recommendation: We recommend that the district put controls in place to insure that money is collected and turned in to the central office to be deposited in a timely manner.

Response: The Baldwyn School District will have financial training at the beginning of each school year for all employees. All funds collected will be properly receipted, counted, and transported to the central office for deposit within twenty-four hours. No large sums of money will be kept in school building vaults overnight.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to be Material Weaknesses

Finding 2012-2 – Repeat Finding

Program: Special Education CFDA # 84.027, 84.173, 84.391 and 84.392

Criteria: Office of Management and Budget (OMB) Circular A-87 governs the documentation requirements for time and effort records for employees who are paid with funds from federal awards. An employee whose salary is paid in whole from one federal source must certify, on a semi-annual basis, that they worked solely on that program. This certification must be signed by the employee and a knowledgeable supervisor. In addition, an employee who works on more than one federal program, must maintain personnel activity reports that accurately reflect the actual activity of the employee and must account for the total activity for which the employee is compensated.

Condition: The District did not require semi-annual certifications or personnel activity reports from its Special Education employees.

**Baldwyn School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012**

Section 3: Federal Award Findings and Questioned Costs (Continued)

Significant Deficiencies Considered to be Material Weaknesses (Continued)

Finding 2012-2 (Continued)

Cause: A lack of knowledge and internal controls led to semi-annual certifications or personnel activity reports not being completed for Special Education.

Effect: Failure to develop a system and adequately document the time and effort associated with payroll expenditures for these employees constitutes a deficiency in internal control over compliance.

Recommendation: We recommend that the District implement a system of controls that would ensure that all Special Education employees paid from federal funds complete the appropriate semi-annual certification or personnel activity reports as required under OMB Circular A-87.

Finding 2012-3 Repeat Finding

Program: CFDA# 84.010, 84.389 Title I cluster

Criteria: Office of Management and Budget (OMB) Circular A-87 governs the documentation requirements for time and effort records for employees who are paid with funds from federal awards. An employee, who works on more than one federal program, must maintain personnel activity reports that accurately reflect the actual activity of the employee and must account for the total activity for which the employee is compensated.

Condition: Internal controls were not in place to prevent or detect errors in reporting payroll expenditures of a federal grant. Three employees who were paid from multiple funds, one which was the Title I program, failed to show adequate time records that showed she had any time spent in the Title I program even though she was budgeted in the Title I budget.

Cause: District failed to verify time records prior to calculating and posting payroll expenditures.

Effect: Inadequate controls over payroll reporting increases the risk of reporting unauthorized expenditures to a federal program.

Recommendation: We recommend that the District implement controls to verify time records before recording payroll expenditures to a federal program.

**Baldwyn School District  
107 West Main Street  
Baldwyn, MS 38824**

Auditee's Corrective Action Plan

As required by OMB Circular A-87, the Baldwin School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2012-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: K. Jackson Title: Special Education Director Phone Number: 662-365-1007</p> <p>b. Corrective action planned: All Employees working on a single cost objective will complete and sign certification at least semi-annually.</p> <p>c. Anticipated Completion Date: May 2013</p>
2012-3	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: K. Jackson Title: Special Education Director Phone Number: 662-365-1007</p> <p>b. Corrective action planned: Adequate records will be maintained to determine time worked on each program.</p> <p>c. Anticipated Completion Date: May 2013</p>

**Baldwyn School District  
107 West Main Street  
Baldwyn, MS 38824**

Summary of Prior Audit Findings

Prior Audit Findings:

As required by Section 315(c) of OMB Circular A-133, the Baldwyn School District has prepared and hereby submits the following status of findings as of June 30, 2012:

<u>FINDING</u>	<u>STATUS</u>
2011-4	Still a finding
2011-5	Still a finding
2011-6	No longer a finding