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**Baldwyn School District**

Audited Financial Statements  
For the Year Ended June 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Baldwyn School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Baldwyn School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District Contributions on pages 8 to 20 and 58 to 64 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwyn School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2016, on our consideration of the Baldwyn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baldwyn School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
August 3, 2016

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

The following discussion and analysis of Baldwyn School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$8,432,555, including a prior period adjustment of (\$8,456,436), due primarily to the effect of the net pension liability, which represents a 137% decrease from fiscal year 2014. Total net position for 2014 decreased \$81,413, including a prior period adjustment of \$22,923, which represents a 1% decrease from fiscal year 2013.
- General revenues amounted to \$6,615,135 and \$6,528,260, or 80% and 79% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,698,172, or 20% of total revenues for 2015, and \$1,731,084, or 21% of total revenues for 2014.
- The District had \$8,289,426 and \$8,363,680 in expenses for fiscal years 2015 and 2014; only \$1,698,172 for 2015 and \$1,731,084 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$6,615,135 for 2015 were adequate to provide for these programs. However, \$6,528,260 for 2014 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$6,483,771 in revenues and \$6,443,273 in expenditures for 2015, and \$6,392,557 in revenues and \$6,383,429 in expenditures for 2014. The General Fund's fund balance decreased by \$98,189, from 2014 to 2015, and increased by \$97,578, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$238,716 for 2015 and decreased by \$115,535 for 2014. The decrease for 2015 was mainly due to the recording of depreciation expense during the year.
- Long-term debt decreased by \$275,000 for 2015 and decreased by \$210,462 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,226 for 2015 and increased by \$6,273 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Government-wide Financial Statements**

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

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

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

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

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**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 as required by the Governmental Accounting Standards Board. Additionally, the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District Contributions are included in this section.

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,279,534 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

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Management's Discussion and Analysis  
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GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 1,902,085	2,180,902	(13)%
Restricted assets	487,043	273,306	78%
Capital assets, net	<u>7,284,222</u>	<u>7,522,938</u>	(3)%
<b>Total assets</b>	<u>9,673,350</u>	<u>9,977,146</u>	(3)%
<b>Deferred outflows of resources</b>	<u>1,064,348</u>		
Current liabilities	33,799	44,137	(23)%
Long-term debt outstanding	3,510,214	3,779,988	(7)%
Net pension liability	<u>8,273,862</u>		
<b>Total liabilities</b>	<u>11,817,875</u>	<u>3,824,125</u>	209%
<b>Deferred inflows of resources</b>	<u>1,199,357</u>		
<b>Net position:</b>			
Net investment in capital assets	3,842,297	3,806,013	1%
Restricted	616,375	708,634	(13)%
Unrestricted	<u>(6,738,206)</u>	<u>1,638,374</u>	(511)%
<b>Total net position</b>	<u>\$ (2,279,534)</u>	<u>6,153,021</u>	(137)%

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (6,738,206)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No. 68 and 71	<u>8,408,871</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,670,665</u>

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

- Decrease in net capital assets in the amount of \$238,716.
- The principal retirement of \$275,000 of long-term debt.
- The recognition of Net Pension Liability in the amount of \$8,273,862 as a result of GASB Statement No. 68 implementation.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$8,313,307 and \$8,259,344, respectively. The total cost of all programs and services was \$8,289,426 for 2015 and \$8,363,680 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

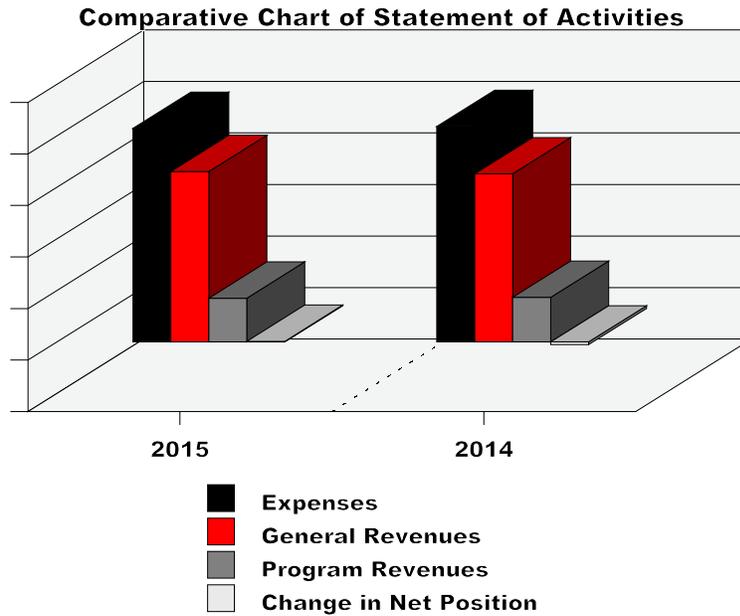
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2015</b>	<b>Year Ended June 30, 2014</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 296,755	345,072	(14)%
Operating grants and contributions	1,367,245	1,351,840	1%
Capital grants and contributions	34,172	34,172	0%
General revenues:			
Property taxes	2,770,673	2,678,458	3%
Grants and contributions not restricted	3,834,108	3,794,402	1%
Unrestricted investment earnings	3,977	7,338	(46)%
Other	6,377	48,062	(87)%
<b>Total revenues</b>	<b>8,313,307</b>	<b>8,259,344</b>	<b>1%</b>
<b>Expenses:</b>			
Instruction	4,021,878	4,379,192	(8)%
Support services	3,144,867	3,322,295	(5)%
Non-instructional	428,926	466,839	(8)%
Pension expense	648,999		
Interest on long-term liabilities	44,756	195,354	(77)%
<b>Total expenses</b>	<b>8,289,426</b>	<b>8,363,680</b>	<b>(1)%</b>
Increase (Decrease) in net position	23,881	(104,336)	123%
Net Position, July 1, as previously reported	6,153,021	6,234,434	(1)%
Prior Period Adjustment	(8,456,436)	22,923	(36,991)%
Net Position, July 1, as restated	(2,303,415)	6,257,357	(137)%
Net Position, June 30	\$ (2,279,534)	6,153,021	(137)%

**Baldwyn School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**



**Governmental activities**

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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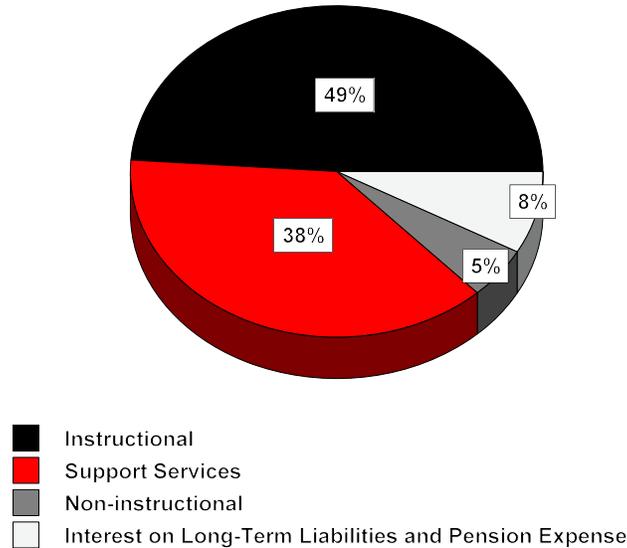
**Table 3**  
**Net Cost of Governmental Activities**

<u><b>Total Expenses</b></u>				
		<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>Percentage Change</b></u>
Instruction	\$	4,021,878	4,379,192	(8)%
Support services		3,144,867	3,322,295	(5)%
Non-instructional		428,926	466,839	(8)%
Pension expense		648,999		
Interest on long-term liabilities		44,756	195,354	(77)%
<b>Total expenses</b>	<b>\$</b>	<u><u>8,289,426</u></u>	<u><u>8,363,680</u></u>	<u><u>(1)%</u></u>

<u><b>Net (Expense) Revenue</b></u>				
		<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>Percentage Change</b></u>
Instruction	\$	(3,320,586)	(3,674,822)	(10)%
Support services		(2,565,804)	(2,731,172)	(6)%
Non-instructional		(11,109)	(31,248)	(64)%
Pension expense		(648,999)		
Interest on long-term liabilities		(44,756)	(195,354)	(77)%
<b>Total net (expense) revenue</b>	<b>\$</b>	<u><u>(6,591,254)</u></u>	<u><u>(6,632,596)</u></u>	<u><u>(1)%</u></u>

**Baldwyn School District**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2015

**Expenses per Statement of Activities**



- Net cost of governmental activities (\$6,591,254 for 2015 and \$6,632,596 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,770,673 for 2015 and \$2,678,458 for 2014), and state and federal revenues (\$3,834,108 for 2015 and \$3,794,402 for 2014) and other revenues of (\$6,377 for 2015 and \$48,062 for 2014).
- Investment earnings amounted to \$3,977 for 2015 and \$7,338 for 2014.

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

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,368,808, a decrease of \$69,958, including an increase in inventory of \$3,341 and a prior period adjustment in the amount of \$706. \$1,527,840 or 64% 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 \$840,968 or 36% is either

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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$98,189. The fund balance of Other Governmental Funds showed a decrease in the amount of \$107,332, which includes an increase in inventory in the amount of \$3,341. The increase (decrease) in the fund balance for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I - A Basic Fund	no increase or decrease
Title 2 Improving Teacher Quality Fund	no increase or decrease
EHA IDEA Part B Fund	no increase or decrease
QSCB Sinking Fund	\$ 135,563

**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 is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$11,517,568, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$34,439 from 2014. Total accumulated depreciation as of June 30, 2015, was \$4,233,346, and total depreciation expense for the year was \$310,374, resulting in total net capital assets of \$7,284,222.

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Management's Discussion and Analysis  
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**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 42,149	42,149	0%
Buildings	6,470,581	6,655,377	(3)%
Building improvements	139,743	148,906	(6)%
Improvements other than buildings	155,642	168,241	(7)%
Mobile equipment	429,983	410,326	5%
Furniture and equipment	46,124	97,939	(53)%
<b>Total</b>	<u>\$ 7,284,222</u>	<u>7,522,938</u>	<u>(3)%</u>

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

**Debt Administration.** At June 30, 2015, the District had \$3,510,214 in outstanding long-term debt, of which \$346,925 is due within one year. The liability for compensated absences increased \$5,226 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,185,000	1,320,000	(10)%
Limited obligation bonds payable	440,000	580,000	(24)%
Obligation under capital leases	66,925	66,925	0%
Qualified school construction bonds payable	1,750,000	1,750,000	0%
Compensated absences payable	68,289	63,063	8%
<b>Total</b>	<u>\$ 3,510,214</u>	<u>3,779,988</u>	<u>(7)%</u>

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

**Baldwyn School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**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 system of financial planning, budgeting and internal financial controls are 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.

The District's enrollment for the 2014 - 2015 year decreased by 1% to 810 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Baldwin School District, 107 West Main Street Baldwin, MS 38824.

## FINANCIAL STATEMENTS

**BALDWIN SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 1,625,303
<i>Due from other governments</i>	261,430
<i>Inventories</i>	15,352
<i>Restricted assets</i>	487,043
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	42,149
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	6,470,581
<i>Buildings improvements</i>	139,743
<i>Improvements other than buildings</i>	155,642
<i>Mobile equipment</i>	429,983
<i>Furniture and equipment</i>	46,124
Total Assets	<u>9,673,350</u>
<b>Deferred Outflows of Resources</b>	
Pension related	1,064,348
Total Deferred Outflows of Resources	<u>1,064,348</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	19,373
<i>Other payables</i>	947
<i>Interest payable on long-term liabilities</i>	13,479
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	346,925
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	3,095,000
<i>Non-capital related liabilities</i>	68,289
<i>Net pension liability</i>	8,273,862
Total Liabilities	<u>11,817,875</u>
<b>Deferred Inflows of Resources</b>	
Pension related	1,199,357
Total Deferred Inflows of Resources	<u>1,199,357</u>
<b>Net Position</b>	
Net investment in capital assets	3,842,297
Restricted for:	
Expendable:	
School based activities	111,470
Debt service	484,905
Unemployment benefits	20,000
Unrestricted	(6,738,206)
Total Net Position	<u>\$ (2,279,534)</u>

The accompanying notes are an integral part of this statement.

**BALDWIN SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

**EXHIBIT B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
<i>Instruction</i>	4,021,878	221,546	445,574	34,172	(3,320,586)
<i>Support services</i>	3,144,867	--	579,063	--	(2,565,804)
<i>Noninstructional services</i>	428,926	75,209	342,608	--	(11,109)
<i>Pension expense</i>	648,999	--	--	--	(648,999)
<i>Interest on long-term liabilities</i>	44,756	--	--	--	(44,756)
Total Governmental Activities	<u>\$ 8,289,426</u>	<u>\$ 296,755</u>	<u>\$ 1,367,245</u>	<u>\$ 34,172</u>	<u>(6,591,254)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					2,542,523
<i>Debt purpose levies</i>					228,150
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					3,758,274
<i>Federal</i>					75,834
<i>Unrestricted investment earnings</i>					3,977
<i>Other</i>					6,377
Total General Revenues					<u>6,615,135</u>
Change in Net Position					<u>23,881</u>
Net Position - Beginning, as previously reported					6,153,021
Prior Period Adjustment					<u>(8,456,436)</u>
Net Position - Beginning, as restated					<u>(2,303,415)</u>
Net Position - Ending					<u>\$ (2,279,534)</u>

The accompanying notes are an integral part of this statement.

**BALDWIN SCHOOL DISTRICT**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

EXHIBIT C

	General Fund	Title I - A Basic Fund	Title 2 Improving Teacher Quality Fund
<b>Assets</b>			
<i>Cash and cash equivalents</i>	\$ 1,456,560	\$ --	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	57,302	49,514	15,803
<i>Due from other funds</i>	109,706	--	--
<i>Inventories</i>	--	--	--
Total Assets	<u>\$ 1,623,568</u>	<u>\$ 49,514</u>	<u>\$ 15,803</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 19,373	\$ --	\$ --
Due to other funds	--	49,514	15,803
Other payables	947	--	--
Total Liabilities	<u>20,320</u>	<u>49,514</u>	<u>15,803</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Inventory	--	--	--
<b>Restricted:</b>			
Unemployment benefits	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food Service	--	--	--
<b>Assigned:</b>			
Activity funds	75,408	--	--
<b>Unassigned</b>	<u>1,527,840</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>1,603,248</u>	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 1,623,568</u>	<u>\$ 49,514</u>	<u>\$ 15,803</u>

The accompanying notes are an integral part of this statement.

EHA IDEA Part B Fund	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 72,267	\$ 168,743	\$ 1,697,570
--	8,181	6,595	14,776
--	400,000	--	400,000
34,219	1,038	103,554	261,430
--	--	8,450	118,156
--	--	15,352	15,352
<u>\$ 34,219</u>	<u>\$ 481,486</u>	<u>\$ 302,694</u>	<u>\$ 2,507,284</u>
\$ --	\$ --	\$ --	\$ 19,373
34,219	--	18,620	118,156
--	--	--	947
<u>34,219</u>	<u>--</u>	<u>18,620</u>	<u>138,476</u>
--	--	15,352	15,352
--	--	20,000	20,000
--	481,486	152,604	634,090
--	--	27,934	27,934
--	--	68,184	68,184
--	--	--	75,408
--	--	--	1,527,840
<u>--</u>	<u>481,486</u>	<u>284,074</u>	<u>2,368,808</u>
<u>\$ 34,219</u>	<u>\$ 481,486</u>	<u>\$ 302,694</u>	<u>\$ 2,507,284</u>

**BALDWIN SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015*

Total fund balances for governmental funds	\$ 2,368,808
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,284,222
Liabilities due in one year are reported in the SNP.	(346,925)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,095,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(13,479)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(68,289)
Net pension liability is not due and payable in the current period and, therefore, not reported in the funds.	(8,273,862)
Deferred inflows of resource related to pensions are applicable to future periods.	(1,199,357)
Deferred outflows of resource related to pensions are applicable to future periods.	<u>1,064,348</u>
Net position of governmental activities	<u>\$ (2,279,534)</u>

The accompanying notes are an integral part of this statement.

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**BALDWIN SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

**EXHIBIT D**

	General Fund	Title I - A Basic Fund	Title 2 Improving Teacher Quality Fund
<b>Revenues:</b>			
Local sources	\$ 2,790,568	\$ --	\$ --
State sources	3,617,369	--	--
Federal sources	75,834	405,327	75,939
Total Revenues	<u>6,483,771</u>	<u>405,327</u>	<u>75,939</u>
<b>Expenditures:</b>			
Instruction	3,682,410	112,192	32,209
Support services	2,725,503	295,716	28,730
Noninstructional services	35,360	6,353	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Other	--	--	--
Total Expenditures	<u>6,443,273</u>	<u>414,261</u>	<u>60,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>40,498</u>	<u>(8,934)</u>	<u>15,000</u>
<b>Other Financing Sources (Uses):</b>			
Sale of transportation equipment	1,351	--	--
Transfers in	71,334	15,000	--
Transfers out	(211,372)	(6,066)	(15,000)
Total Other Financing Sources (Uses)	<u>(138,687)</u>	<u>8,934</u>	<u>(15,000)</u>
Net Change in Fund Balances	<u>(98,189)</u>	<u>--</u>	<u>--</u>
<b>Fund Balances:</b>			
July 1, 2014, as previously reported	1,701,437	--	--
Prior period adjustments	--	--	--
July 1, 2014, as restated	<u>1,701,437</u>	<u>--</u>	<u>--</u>
Increase (decrease) in inventory	--	--	--
June 30, 2015	<u>\$ 1,603,248</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

J

EHA IDEA Part B Fund	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 146,776	\$ 160,438	\$ 3,097,782
--	--	291,092	3,908,461
246,418	--	503,546	1,307,064
<u>246,418</u>	<u>146,776</u>	<u>955,076</u>	<u>8,313,307</u>
81,687	--	371,549	4,280,047
160,874	--	113,678	3,324,501
--	--	407,430	449,143
--	--	275,000	275,000
--	11,250	44,863	56,113
--	669	3,190	3,859
<u>242,561</u>	<u>11,919</u>	<u>1,215,710</u>	<u>8,388,663</u>
<u>3,857</u>	<u>134,857</u>	<u>(260,634)</u>	<u>(75,356)</u>
--	--	--	1,351
--	--	245,543	331,877
<u>(3,857)</u>	--	<u>(95,582)</u>	<u>(331,877)</u>
<u>(3,857)</u>	--	<u>149,961</u>	<u>1,351</u>
--	134,857	(110,673)	(74,005)
--	345,923	391,406	2,438,766
--	706	--	706
<u>--</u>	<u>346,629</u>	<u>391,406</u>	<u>2,439,472</u>
--	--	3,341	3,341
<u>\$ --</u>	<u>\$ 481,486</u>	<u>\$ 284,074</u>	<u>\$ 2,368,808</u>

**BALDWIN SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015*

Net change in fund balances - total governmental funds	\$ (74,005)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	83,750
The depreciation of capital assets used in governmental activities is not reported in the funds.	(310,374)
The gain or loss on the sale of capital assets is not reported in the funds.	(3,676)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	275,000
(Increase) decrease in accrued interest from beginning of period to end of period.	15,216
Contributions made subsequent to measurement date are not recorded in the funds.	688,854
Change in inventory affects fund balance in the funds but affects expense in the SOA.	3,341
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(5,226)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(648,999)</u>
Change in net position of governmental activities	<u>\$ 23,881</u>

The accompanying notes are an integral part of this statement.

**BALDWIN SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2015*

**EXHIBIT E**

	<u>Agency Funds</u>
<b>Assets:</b>	
<i>Cash and other deposits</i>	\$ 388,339
Total Assets	<u>\$ 388,339</u>
<b>Liabilities:</b>	
<i>Accounts payable and accrued liabilities</i>	\$ 378,606
<i>Due to student clubs</i>	9,733
Total Liabilities	<u>\$ 388,339</u>

The accompanying notes are an integral part of this statement.

**Baldwyn Public School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

## **Baldwyn School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

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

For financial reporting purposes, Baldwyn School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

#### **B. Government-wide and Fund Financial Statements**

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

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

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

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

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

Title 2 Improving Teacher Quality Fund - This fund is used to accounts for the federal revenues and expenditures of providing this program.

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

QSCB Sinking Fund - This fund accounts for the payment of the Qualified School Construction Bond.

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

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The District's fiduciary funds include the following:

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

**School Club Funds** - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

### FIDUCIARY FUNDS

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

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related 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.

## **Baldwyn School District**

### Notes to the Financial Statements For the Year Ended June 30, 2015

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

### **D. Encumbrances**

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

### **E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances**

#### **1. Cash, Cash equivalents and Investments**

##### Cash and cash equivalents

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

##### Investments

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

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

Investments for the district are reported at fair market value.

#### **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

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

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

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has a deferred outflow from advance refunding debt and pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

be recognized as an inflow of resources (revenue) until then. The district has a from pension.

See Note 11 for further details.

#### 8. Compensated Absences

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

The liability for these compensated absences is recorded as 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.

#### 9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. 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.

#### 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

#### 11. 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. Currently there is no committed fund balance for this school district.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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

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

#### 12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,697,570 and \$388,339, 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, 2015, none of the district's bank balance of \$2,389,172 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$14,776.

#### Investments

As of June 30, 2015, the district had \$400,000 in investments held by fiscal agents.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury SLGS	N/A	more than one year	\$ <u>400,000</u>

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

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

*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 investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

*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 - A Basic Fund	\$	49,514
	Title 2 Improving Teacher Quality Fund		15,803
	EHA IDEA Part B Fund		34,219
	Other Governmental Funds		10,170
Other Governmental Funds	Other Governmental Funds		8,450
Total		\$	<u>118,156</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

**Baldwyn School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I - A Basic Fund	\$ 6,066
	EHA IDEA Part B Fund	3,857
	Other Governmental Funds	61,411
Title I - A Basic Fund	Title 2 Improving Teacher Quality Fund	15,000
Other Governmental Funds	General Fund	211,372
	Other Governmental Funds	34,171
Total		<u>\$ 331,877</u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

**Note 4 - Restricted Assets**

The restricted assets represent the cash, cash with fiscal agents and investment balance, totaling \$72,267, \$8,181 and \$400,000, respectively, of the QSCB Sinking Fund.

In addition, the restricted assets represents the cash with fiscal agents balance, totaling \$6,595 of the MAEP Limited Obligation Bonds Fund.

# Baldwyn School District

## Notes to the Financial Statements For the Year Ended June 30, 2015

### Note 5 - Capital Assets

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

	Balance 7-1-2015	Additions	Retirements	Adjustments	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 42,149				42,149
Total non-depreciable capital assets	<u>42,149</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>42,149</u>
<u>Depreciable capital assets:</u>					
Buildings	9,497,874				9,497,874
Building improvements	254,602				254,602
Improvements other than buildings	314,991				314,991
Mobile equipment	1,088,304	83,750	36,751		1,135,303
Furniture and equipment	285,209			(12,560)	272,649
Total depreciable assets	<u>11,440,980</u>	<u>83,750</u>	<u>36,751</u>	<u>(12,560)</u>	<u>11,475,419</u>
<u>Less accumulated depreciation:</u>					
Buildings	2,842,497	184,796			3,027,293
Building improvements	105,696	9,163			114,859
Improvements other than buildings	146,750	12,599			159,349
Mobile equipment	677,978	60,417	33,075		705,320
Furniture and equipment	187,270	43,399		(4,144)	226,525
Total accumulated depreciation	<u>3,960,191</u>	<u>310,374</u>	<u>33,075</u>	<u>(4,144)</u>	<u>4,233,346</u>
Total depreciable capital assets	<u>7,480,789</u>	<u>(226,624)</u>	<u>3,676</u>	<u>(8,416)</u>	<u>7,242,073</u>
Governmental capital assets, net	<u>\$ 7,522,938</u>	<u>(226,624)</u>	<u>3,676</u>	<u>(8,416)</u>	<u>7,284,222</u>

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 170,521
Support services	<u>139,853</u>
Total depreciation expense	<u>\$ 310,374</u>

# Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

## Note 6 - Long-term Liabilities

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

	Balance 7-1-2014	Additions	Reductions	Balance 6-30-2015	Amounts due within one year
A. General obligation bonds payable	\$ 1,320,000		135,000	1,185,000	140,000
B. Limited obligation bonds payable	580,000		140,000	440,000	140,000
C. Obligation under capital leases payable	66,925			66,925	66,925
D. Qualified school construction bonds payable	1,750,000			1,750,000	
E. Compensated absences payable	63,063	5,226		68,289	
<b>Total</b>	<b>\$ 3,779,988</b>	<b>5,226</b>	<b>275,000</b>	<b>3,510,214</b>	<b>346,925</b>

### 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
1. General obligation refunding bonds, Series 2012	2.0-2.25%	02-28-12	07-01-22	\$ 1,450,000	1,185,000

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

#### 1. General obligation bond issue of 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 140,000	23,088	163,088
2017	140,000	20,288	160,288
2018	145,000	17,438	162,438
2019	145,000	14,538	159,538
2020	150,000	11,588	161,588
2021 - 2023	465,000	15,619	480,619
<b>Total</b>	<b>\$ 1,185,000</b>	<b>102,559</b>	<b>1,287,559</b>

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then

**Baldwyn School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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, 2015, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2014.

**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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding, Series 2008	3.0-3.5%	09-11-08	06-01-18	\$ <u>1,325,000</u>	<u>440,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 140,000	14,825	154,825
2017	150,000	10,275	160,275
2018	<u>150,000</u>	<u>5,250</u>	<u>155,250</u>
Total	\$ <u>440,000</u>	<u>30,350</u>	<u>470,350</u>

This debt will be retired from the MAEP Retirement Fund.

**C. Obligations under capital leases payable**

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

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

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

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

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ <u>66,925</u>

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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

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

Year Ending June 30,	Principal	Interest	Total
2016	\$	16,450	16,450
2017		16,450	16,450
2018		16,450	16,450
2019		16,450	16,450
2020		16,450	16,450
2021 - 2025	<u>1,750,000</u>	<u>82,250</u>	<u>1,832,250</u>
Total	\$ <u>1,750,000</u>	<u>164,500</u>	<u>1,914,500</u>

### E. Compensated absences payable

As more fully explained in Note 1(E)(8), 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

### General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$688,854, \$656,010, \$572,704, respectively, which equaled the required contributions for each year.

**Baldwyn School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the school district reported a liability of \$8,273,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the school district’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district’s proportion was 0.068164 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$648,999. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 129,070	\$
Net difference between projected and actual earnings on pension plan investments		1,199,357
Changes in proportion and differences between District contributions and proportionate share of contributions	246,424	
District contributions subsequent to the measurement date	688,854	
Total	<u>\$ 1,064,348</u>	<u>\$ 1,199,357</u>

\$688,854 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30</u>	<u>Amount</u>
2016	\$ (164,769)
2017	(164,769)
2018	(194,485)
2019	(299,840)
Total	<u>\$ (823,863)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ <u>11,279,741</u>	\$ <u>8,273,862</u>	\$ <u>5,766,511</u>

### Note 8 - Contingencies

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

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

### Note 9 - Risk Management

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

### Note 10 - Qualified School Construction Bonds

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

## Baldwyn School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

(QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$480,448. 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
2016	\$	135,000
2017		135,000
2018		135,000
2019		135,000
2020		135,000
2021 -2025		<u>675,000</u>
Total	\$	<u><u>1,350,000</u></u>

#### Note 11 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$6,738,206) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,064,348 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$6,738,206) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,199,357 balance of deferred inflow of resources, at June 30,

## Baldwyn School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

### Note 12 - Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(9,104,736)
Deferred outflows - contributions made during fiscal year 2014	<u>656,010</u>
Total prior period adjustment related to GASB 68 and 71	(8,448,726)
2. Adjustments were made to correctly present capital assets.	(8,416)
3. See explanation below.	<u>706</u>
Total	<u><u>\$ (8,456,436)</u></u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
QSCB Sinking Fund	To correct sinking fund balances.	\$ <u><u>706</u></u>

### Note 13 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995 creating the Northeast Mississippi Regional Alternative Educational 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 Prentiss County School District.

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

The Booneville School District has been designated as the lead school district for the Northeast Mississippi Regional Alternative Education Cooperative

## **Baldwyn School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

(NEMRAEC), and the operations of the consortium are included in its financial statements.

### **Note 14 - Subsequent Events**

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

REQUIRED SUPPLEMENTARY INFORMATION

**BALDWIN SCHOOL DISTRICT**

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,789,080	2,787,603	2,790,568	(1,477)	2,965
State sources	3,629,171	3,622,142	3,617,369	(7,029)	(4,773)
Federal sources	56,909	75,834	75,834	18,925	-
Total Revenues	<u>6,475,160</u>	<u>6,485,579</u>	<u>6,483,771</u>	<u>10,419</u>	<u>(1,808)</u>
<b>Expenditures:</b>					
Instruction	3,686,748	3,683,034	3,682,410	3,714	624
Support services	2,770,499	2,725,500	2,725,503	44,999	(3)
Noninstructional services	36,375	35,360	35,360	1,015	-
Debt service:					
Principal	70,000	-	-	70,000	-
Total Expenditures	<u>6,563,622</u>	<u>6,443,894</u>	<u>6,443,273</u>	<u>119,728</u>	<u>621</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(88,462)</u>	<u>41,685</u>	<u>40,498</u>	<u>130,147</u>	<u>(1,187)</u>
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	-	1,351	1,351	1,351	-
Transfers in	539,694	610,911	71,334	71,217	(539,577)
Transfers out	<u>(677,377)</u>	<u>(750,948)</u>	<u>(211,372)</u>	<u>(73,571)</u>	<u>539,576</u>
Total Other Financing Sources (Uses)	<u>(137,683)</u>	<u>(138,686)</u>	<u>(138,687)</u>	<u>(1,003)</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(226,145)</u>	<u>(97,001)</u>	<u>(98,189)</u>	<u>129,144</u>	<u>(1,188)</u>
<b>Fund Balances:</b>					
July 1, 2014	<u>1,640,109</u>	<u>1,701,438</u>	<u>1,701,437</u>	<u>61,329</u>	<u>(1)</u>
June 30, 2015	<u>\$ 1,413,964</u>	<u>1,604,437</u>	<u>1,603,248</u>	<u>190,473</u>	<u>(1,189)</u>

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

**BALDWIN SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I - A Basic Fund  
 For the Year Ended June 30, 2015

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 427,901	427,901	405,327	-	(22,574)
Total Revenues	<u>427,901</u>	<u>427,901</u>	<u>405,327</u>	<u>-</u>	<u>(22,574)</u>
<b>Expenditures:</b>					
Instruction	116,728	126,207	112,192	(9,479)	14,015
Support services	282,723	327,331	295,716	(44,608)	31,615
Noninstructional services	4,787	10,967	6,353	(6,180)	4,614
Total Expenditures	<u>404,238</u>	<u>464,505</u>	<u>414,261</u>	<u>(60,267)</u>	<u>50,244</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>23,663</u>	<u>(36,604)</u>	<u>(8,934)</u>	<u>(60,267)</u>	<u>27,670</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in		15,000	15,000	15,000	-
Transfers out	(6,534)	(7,019)	(6,066)	(485)	953
Total Other Financing Sources (Uses)	<u>(6,534)</u>	<u>7,981</u>	<u>8,934</u>	<u>14,515</u>	<u>953</u>
Net Change in Fund Balances	<u>17,129</u>	<u>(28,623)</u>	<u>-</u>	<u>(45,752)</u>	<u>28,623</u>
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ 17,129</u>	<u>(28,623)</u>	<u>-</u>	<u>(45,752)</u>	<u>28,623</u>

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

**BALDWIN SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title 2 Improving Teacher Quality Fund  
 For the Year Ended June 30, 2015

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 96,048	96,048	75,939	-	(20,109)
Total Revenues	<u>96,048</u>	<u>96,048</u>	<u>75,939</u>	<u>-</u>	<u>(20,109)</u>
<b>Expenditures:</b>					
Instructional	55,867	53,550	32,209	2,317	21,341
Support services	40,181	33,380	28,730	6,801	4,650
Total Expenditures	<u>96,048</u>	<u>86,930</u>	<u>60,939</u>	<u>9,118</u>	<u>25,991</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>9,118</u>	<u>15,000</u>	<u>9,118</u>	<u>5,882</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	-	(15,000)	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(5,882)</u>	<u>-</u>	<u>(5,882)</u>	<u>5,882</u>
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ -</u>	<u>(5,882)</u>	<u>-</u>	<u>(5,882)</u>	<u>5,882</u>

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

**BALDWIN SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 EHA IDEA Part B Fund  
 For the Year Ended June 30, 2015

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 253,211	253,211	246,418	-	(6,793)
Total Revenues	<u>253,211</u>	<u>253,211</u>	<u>246,418</u>	<u>-</u>	<u>(6,793)</u>
<b>Expenditures:</b>					
Instruction	101,607	82,732	81,687	18,875	1,045
Support services	147,415	164,722	160,874	(17,307)	3,848
Total Expenditures	<u>249,022</u>	<u>247,454</u>	<u>242,561</u>	<u>1,568</u>	<u>4,893</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,189</u>	<u>5,757</u>	<u>3,857</u>	<u>1,568</u>	<u>(1,900)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(4,000)	(5,331)	(3,857)	(1,331)	1,474
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>(5,331)</u>	<u>(3,857)</u>	<u>(1,331)</u>	<u>1,474</u>
Net Change in Fund Balances	<u>189</u>	<u>426</u>	<u>-</u>	<u>237</u>	<u>(426)</u>
<b>Fund Balances:</b>					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ 189</u>	<u>426</u>	<u>-</u>	<u>237</u>	<u>(426)</u>

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

**Baldwyn School District**

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset) \$	8,273,862
District's proportionate share of the net pension liability (asset)	0.068164%
District's covered - employee payroll	4,373,676
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	189.174087%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**Baldwyn School District**  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years\*

	2015
Contractually required contribution	\$ <u>688,854</u>
Contributions in relation to the contractually required contribution	688,854
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	4,373,676
Contributions as a percentage of covered - employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

## **Baldwyn School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**Baldwyn School District****Schedule 1**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 86,155
National School Lunch Program	10.555	241,734
Summer Food Service Program for Children	10.559	11,232
Total Child Nutrition Cluster		<u>339,121</u>
Extended Day Reimbursement	10.558	9,538
Total passed-through the Mississippi Department of Education		<u>348,659</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>348,659</u>
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	39,631
Total Federal Communications Commission		<u>39,631</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	420,327
Twenty-First Century Community Learning Centers	84.287	143,896
Rural Education	84.358	23,458
Improving Teacher Quality - State Grants	84.367	75,939
Sub-total		<u>663,620</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	246,418
Special Education - Preschool Grants	84.173	9,937
Total Special Education Cluster		<u>256,355</u>
Total passed-through the Mississippi Department of Education		<u>919,975</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>919,975</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed through the Mississippi Department of Education:		
Medical Assistance Program	93.778	16,056
Total passed-through the Mississippi Department of Education		<u>16,056</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>16,056</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 1,324,321</u>

**Notes to Schedule**

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

**Baldwyn School District****Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2015

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 5,928,066	4,453,364	397,040	554,993	522,669
Other	2,460,597	740,637	158,246	51,058	1,510,656
Total	<u>\$ 8,388,663</u>	<u>5,194,001</u>	<u>555,286</u>	<u>606,051</u>	<u>2,033,325</u>
Total number of students *	<u>810</u>				
Cost per student	<u>\$ 10,356</u>	<u>6,412</u>	<u>686</u>	<u>748</u>	<u>2,510</u>

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

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

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

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

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

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

## OTHER INFORMATION

**BALDWIN SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## General Fund

## Last Four Years

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 2,790,568	2,718,956	2,727,140	2,189,083
State sources	3,617,369	3,616,693	3,644,667	3,775,339
Federal sources	75,834	56,908	62,737	147,588
Total Revenues	<u>6,483,771</u>	<u>6,392,557</u>	<u>6,434,544</u>	<u>6,112,010</u>
<b>Expenditures:</b>				
Instruction	3,682,410	3,750,242	3,512,980	3,321,452
Support services	2,725,503	2,528,571	2,389,668	2,292,541
Noninstructional	35,360	34,616	31,852	28,778
Debt service:				
Principal	-	70,000	-	-
Interest	-	-	-	-
Total Expenditures	<u>6,443,273</u>	<u>6,383,429</u>	<u>5,934,500</u>	<u>5,642,771</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>40,498</u>	<u>9,128</u>	<u>500,044</u>	<u>469,239</u>
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	-	136,925	-	-
Sale of transportation equipment	1,351	-	-	-
Sale of other property	-	-	1,250	976
Insurance recovery	-	-	-	11,832
Operating transfers in	71,334	92,661	154,117	30,231
Other financing sources	-	9,871	-	-
Operating transfers out	<u>(211,372)</u>	<u>(151,007)</u>	<u>(445,399)</u>	<u>(196,309)</u>
Total Other Financing Sources (Uses)	<u>(138,687)</u>	<u>88,450</u>	<u>(290,032)</u>	<u>(153,270)</u>
Net Change in Fund Balances	<u>(98,189)</u>	<u>97,578</u>	<u>210,012</u>	<u>315,969</u>
<b>Fund Balances:</b>				
July 1,	<u>1,701,437</u>	<u>1,603,859</u>	<u>1,393,847</u>	<u>1,077,878</u>
June 30,	<u>\$ 1,603,248</u>	<u>1,701,437</u>	<u>1,603,859</u>	<u>1,393,847</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**BALDWIN SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,097,782	3,069,061	3,141,592	2,658,417
State sources	3,908,461	3,926,155	3,922,085	4,078,555
Federal sources	1,307,064	1,254,258	1,418,649	1,377,689
Total Revenues	<u>8,313,307</u>	<u>8,249,474</u>	<u>8,482,326</u>	<u>8,114,661</u>
<b>Expenditures:</b>				
Instruction	4,280,047	4,304,137	4,144,592	3,992,059
Support services	3,324,501	3,279,177	2,948,798	2,806,082
Noninstructional services	449,143	467,443	456,456	424,409
Debt service:				
Principal	275,000	347,387	390,585	409,826
Interest	56,113	81,603	79,010	133,797
Other	3,859	2,250	1,000	51,000
Total Expenditures	<u>8,388,663</u>	<u>8,481,997</u>	<u>8,020,441</u>	<u>7,817,173</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(75,356)</u>	<u>(232,523)</u>	<u>461,885</u>	<u>297,488</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	-	1,450,000
Capital leases issued	-	136,925	-	-
Insurance recovery	-	-	-	11,832
Sale of other property	-	-	1,250	976
Sale of transportation equipment	1,351	-	-	-
Payment to refunded bond escrow agent	-	-	-	(1,400,000)
Operating transfers in	331,877	277,840	599,516	226,540
Other financing sources	-	9,871	-	-
Operating transfers out	(331,877)	(277,840)	(599,516)	(226,540)
Total Other Financing Sources (Uses)	<u>1,351</u>	<u>146,796</u>	<u>1,250</u>	<u>62,808</u>
Net Change in Fund Balances	<u>(74,005)</u>	<u>(85,727)</u>	<u>463,135</u>	<u>360,296</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,438,766	2,523,715	2,061,314	1,703,023
Prior period adjustments	706	-	-	-
July 1, as restated	<u>2,439,472</u>	<u>2,523,715</u>	<u>2,061,314</u>	<u>1,703,023</u>
Increase (Decrease) in inventory	3,341	778	(734)	(2,005)
June 30	<u>\$ 2,368,808</u>	<u>2,438,766</u>	<u>2,523,715</u>	<u>2,061,314</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Baldwyn School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baldwyn School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Baldwyn School District's basic financial statements, and have issued our report thereon dated August 3, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 3, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Baldwyn Public School District

**Report on Compliance for Each Major Federal Program**

We have audited Baldwyn School District's compliance with the types of compliance requirements described in the *OMB 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, 2015. The Baldwyn School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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## **Opinion on Each Major Federal Program**

In our opinion, the Baldwin School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

Baldwyn School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Baldwin School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control over compliance, as described in the

accompanying schedule of findings and questioned costs as 2015-001, that we consider to be a significant deficiency.

Baldwyn School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Baldwyn School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 3, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Baldwyn School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2015, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated August 3, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 3, 2016

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Baldwyn School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Section II: Financial Statement Findings

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

### Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

#### **Significant Deficiency and Noncompliance**

##### **Finding 2015-001:**

CFDA Program: Child Nutrition Cluster  
CFDA Number: 10.553, 10.555 & 10.559  
Compliance Requirement: Reporting

##### Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child nutrition a monthly claim for reimbursement. The policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10<sup>th</sup> of the month following the reporting month.

##### Condition:

During the course of our audit, the auditor found that two of the ten monthly cash requests tested were not submitted timely.

##### Cause:

The schools in the district are not submitting lunchroom information to the Director of Child Nutrition in a timely manner to prepare monthly claims within the required time frame of the 10<sup>th</sup> of the month following the reporting month.

##### Effect:

Inadequate controls could result in the district forfeiting its reimbursement or not receiving the funds in a timely manner.

##### Recommendation:

The school district should ensure cash management requests are submitted within 10 days of the following month so funds are received in a timely manner.

## AUDITEE'S CORRECTIVE ACTION PLAN



***Baldwyn School District***

***"A Tradition of Excellence"***

**Jason McKay, Superintendent**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section 315(b) of OMB Circular A-133, the Baldwyn School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2015:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Eleanor Ricks Title: Food Service Director Phone Number: (662) 365-1009</p> <p>b. Corrective Action Planned</p> <p>The Child Nutrition and or designee will ensure that a claims are submitted in a timely manner (preferably by 10<sup>th</sup> of each month)</p> <p>c. Anticipated Completion Date:</p> <p>6/30/2016</p>