



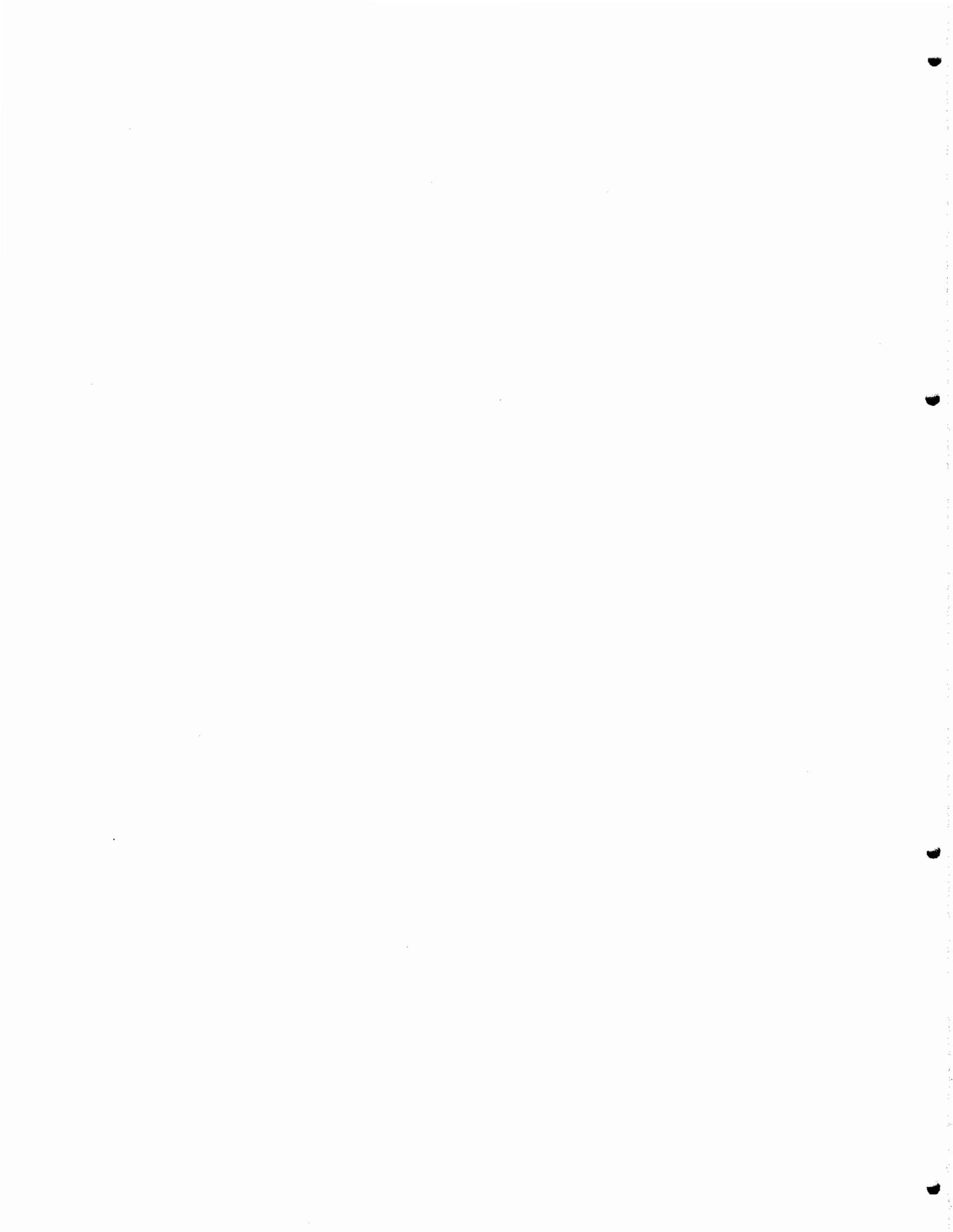
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BALDWIN SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007



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JUNE 30, 2007**

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**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board
Baldwyn School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2007, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baldwyn School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the Baldwyn School District's internal control over financial reporting and 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 and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis beginning on page 3 and the Budgetary Comparison Schedules and corresponding notes beginning on page 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brannen Vomtovy & Company, P. A.

November 21, 2008
Corinth, Mississippi

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

This discussion and analysis of Baldwin School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets increased \$288,940, which represents a 8.13% decrease from fiscal year 2006.

General revenues account for \$6,755,628 in revenue, or 83.57% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,328,048 or 16.43% of total revenues.

The District had \$7,794,736 in expenses; only \$1,328,048 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,755,628 were adequate to provide for these programs.

Among major funds, the General Fund had \$6,296,713 in revenues and \$6,101,505 in expenditures. The General Fund's fund balance decreased \$166,255 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$103,467.

Long-term debt decreased by \$335,210.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation 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 other non-major funds are combined together and presented in these reports as Other Governmental Funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each major Special Revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,841,696 as of June 30, 2007.

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

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2007, compared to June 30, 2006.

**Table 1
Condensed Statement of Net Assets**

	2007	2006	Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 1,412,210	\$ 1,347,989	\$ 64,221	4.76%
Capital Assets, Net	6,792,385	6,895,852	(103,467)	-1.50%
Total Assets	8,204,595	8,243,841	(39,246)	-0.48%
Current Liabilities	80,971	73,947	7,024	9.50%
Long-Term Debt Outstanding	4,281,928	4,617,138	(335,210)	-7.26%
Total Liabilities	4,362,899	4,691,085	(328,186)	-7.00%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	2,597,385	2,380,852	216,533	9.09%
Restricted	1,004,198	799,563	204,635	25.59%
Unrestricted	240,113	372,341	(132,228)	-35.51%
Total Net Assets	\$ 3,841,696	\$ 3,552,756	\$ 288,940	8.13%

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007, were \$8,083,676. The total cost of all programs and services was \$7,794,736. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2007, compared to June 30, 2006:

**Table 2
Changes in Net Assets**

	2007	2006	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Program Revenues				
Charges for Services	\$ 117,473	\$ 101,916	\$ 15,557	15.26%
Operating Grants	1,210,575	1,289,735	(79,160)	-6.14%
General Revenues				
Property Taxes	1,783,083	1,766,564	16,519	0.94%
Grants and Contributions not Restricted	4,616,267	4,441,672	174,595	3.93%
Other	356,278	364,293	(8,015)	-2.20%
Total Revenues	8,083,676	7,964,180	119,496	1.50%
Expenses:				
Instruction	4,518,932	4,537,238	(18,306)	-0.40%
Support Services	2,621,676	2,377,182	244,494	10.29%
Non-Instructional	450,574	510,526	(59,952)	-11.74%
Interest on Long-Term Liabilities	203,554	213,210	(9,656)	-4.53%
Total Expenses	7,794,736	7,638,156	156,580	2.05%
Increase (Decrease) in Net Assets	\$ 288,940	\$ 326,024	\$ (37,084)	-11.37%

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Total	Net (Expense) Revenue		Total
	2007	2006	Percentage Change	2007	2006	Percentage Change
Instruction	\$ 4,518,932	\$ 4,537,238	-0.40%	\$(4,066,985)	\$(3,948,799)	-2.99%
Support Services	2,621,676	2,377,182	10.29%	(2,228,871)	(2,038,512)	-9.34%
Non-Instructional	450,574	510,526	-11.74%	32,722	(45,984)	171.16%
Interest on Long-Term Liabilities	203,554	213,210	-4.53%	(203,554)	(213,210)	4.53%
Total Expenses	\$ 7,794,736	\$ 7,638,156	2.05%	\$(6,466,688)	\$(6,246,505)	-3.52%

Net cost of governmental activities \$6,466,688 was financed by general revenue, which is made up of primarily property and privilege taxes of \$1,783,083 and state revenue of \$4,561,858.

Investment earnings accounted for \$47,045 of general revenues.

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, outflow and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,355,944, an increase of \$56,318. \$458,759 or 33.83% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$897,185 or 66.17% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$166,255. The fund balance of Other Governmental Funds showed an increase of \$28,602.

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant changes are noted below.

General Fund

The General Fund budget was amended downward from the original due to several staff members retiring, but they were replaced with less experienced teachers. The retiring staff members' salaries were included in the original budget instead of the newly hired staff members' salaries.

Major Special Revenue Funds

Food Service Fund - The budget was amended to reflect an increase in costs due to increased student participation.

Title I Fund - The budget was amended to reflect the final allocation from the Mississippi Department of Education.

IDEA Pre-School Fund - No major changes were made to this fund other than reallocating between instruction and support services.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$9,111,941, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a net increase of \$57,375, which is a result of purchasing new mobile equipment and disposing surplus or salvaged mobile equipment. Total accumulated depreciation as of June 30, 2007, was \$2,319,556 and total depreciation expense for the year was \$209,010, resulting in net capital assets of \$6,792,385.

Additional information of the District's capital assets can be found in this report. Table 4 shows fiscal year ended June 30, 2007, as compared to fiscal year ended June 30, 2006.

**Table 4
Capital Assets (Net of Depreciation)**

	2007	2006	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 42,149	\$ 42,149	\$ -	0.00%
Buildings	6,156,787	6,307,702	(150,915)	-2.39%
Building Improvements	47,245	50,487	(3,242)	-6.42%
Improvements other than Buildings	256,438	269,038	(12,600)	-4.68%
Mobile Equipment	283,817	218,196	65,621	30.07%
Furniture and Equipment	5,949	8,280	(2,331)	-28.15%
Totals	\$ 6,792,385	\$ 6,895,852	\$ (103,467)	-1.50%

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Debt Administration. At June 30, 2007, the District had \$4,281,928 in long-term debt outstanding, of which \$347,329 is due within one year.

Table 5 shows fiscal year ended June 30, 2007, as compared to fiscal year ended June 30, 2006:

**Table 5
Long-Term Debt Outstanding**

	2007	2006	Increase (Decrease)	Percent Increase (Decrease)
General Obligation Bonds Payable	\$ 2,670,000	\$ 2,865,000	\$ (195,000)	-6.81%
Limited Obligation Bonds Payable	1,350,000	1,440,000	(90,000)	-6.25%
Three Mill Notes Payable	175,000	210,000	(35,000)	-16.67%
Obligations Under Energy Efficiency Lease	31,613	38,815	(7,202)	-18.55%
Compensated Absences Payable	55,315	63,323	(8,008)	-12.65%
Totals	\$ 4,281,928	\$ 4,617,138	\$ (335,210)	-7.26%

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 millage rate has not changed significantly for the 2007-2008 year. The school district plans to continue its sound fiscal management to meet the challenges of the future.

The latest enrollment figures indicate that student enrollment in the District will remain steady or only slightly increase. Therefore, no decrease in funds for the following year is expected.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Baldwin School District by writing to 107 West Main Street, Baldwin, MS 38824, or by telephone at (662) 365-1000.

Exhibit A

**BALDWIN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 928,188
Due From Other Governments	336,647
Inventories	23,301
Deferred Charges	32,217
Restricted Assets	91,857
Capital Assets, not being Depreciated	
Land	42,149
Capital Assets, Net of Accumulated Depreciation	
Buildings	6,156,787
Building Improvements	47,245
Improvements other than Buildings	256,438
Mobile Equipment	283,817
Furniture and Equipment	5,949
	<u>8,204,595</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	16,398
Unearned Revenue	7,651
Interest Payable on Long Term Liabilities	56,922
Long-Term Liabilities (due within one year)	
Capital Related Liabilities	340,000
Non-Capital Liabilities	7,329
Long-Term Liabilities (due beyond one year)	
Capital Related Liabilities	3,855,000
Non-Capital Liabilities	79,599
	<u>4,362,899</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,597,385
Restricted Net Assets:	
Expendable	
School-Based Activities	155,019
Debt Service	226,560
Capital Improvements	600,000
Unemployment Benefits	22,619
Unrestricted	240,113
	<u>3,841,696</u>
Total Net Assets	<u><u>\$ 3,841,696</u></u>

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

BALDWIN SCHOOL DISTRICT

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**BALDWIN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary
					Governmental Governmental Activities
Governmental Activities:					
Instruction	\$ 4,518,932	\$ -	\$ 451,947	\$ -	\$ (4,066,985)
Support Services	2,621,676	-	392,805	-	(2,228,871)
Non-Instructional Services	450,574	117,473	365,823	-	32,722
Interest on Long-Term Liabilities	203,554	-	-	-	(203,554)
Total Governmental Activities	\$ 7,794,736	\$ 117,473	\$ 1,210,575	\$ -	(6,466,688)
General Revenues					
Taxes:					
General Purpose Levies					1,419,057
Debt Service Levies					364,026
Unrestricted Grants and Contributions					
State					4,561,858
Federal					54,409
Unrestricted Investment Earnings					47,045
Other Revenues					309,233
Total General Revenues					6,755,628
Change in Net Assets					288,940
Net Assets - Beginning					3,552,756
Net Assets-Ending					\$ 3,841,696

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

**BALDWIN SCHOOL DISTRICT
 COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2007**

	Major Funds			
	General Fund	School Food Service Fund	Title I Fund	IDEA Preschool Fund
ASSETS				
Cash and Cash Equivalents	\$ 96,876	\$ 131,897	\$ -	\$ 4,076
Investments	-	-	-	-
Due from Other Governments	218,498	-	4,885	-
Due From Other Funds	9,069	-	-	-
Inventories	-	23,301	-	-
Total Assets	\$ 324,443	\$ 155,198	\$ 4,885	\$ 4,076
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 16,219	\$ 179	\$ -	\$ -
Unearned Revenue	-	-	-	4,076
Due To Other Funds	-	-	4,885	-
Total Liabilities	16,219	179	4,885	4,076
Fund Balances				
Reserved for:				
Inventory	-	23,301	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Unemployment	-	-	-	-
Unreserved:				
Undesignated, Reported in:				
General Fund	308,224	-	-	-
Special Revenue Funds	-	131,718	-	-
Total Fund Balances	308,224	155,019	-	-
Total Liabilities and Fund Balances	\$ 324,443	\$ 155,198	\$ 4,885	\$ 4,076

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

Exhibit C

Major Funds (Continued)			
Buildings and Grounds Repair/ Renovation Fund	MAEP Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ 600,000	\$ -	\$ 95,339	\$ 928,188
-	91,857	-	91,857
-	81,559	31,705	336,647
-	-	-	9,069
-	-	-	23,301
<u>\$ 600,000</u>	<u>\$ 173,416</u>	<u>\$ 127,044</u>	<u>\$ 1,389,062</u>
\$ -	\$ -	\$ -	\$ 16,398
-	-	3,575	7,651
-	-	4,184	9,069
-	-	7,759	33,118
-	-	-	23,301
600,000	-	-	600,000
-	173,416	77,849	251,265
-	-	22,619	22,619
-	-	-	308,224
-	-	18,817	150,535
<u>600,000</u>	<u>173,416</u>	<u>119,285</u>	<u>1,355,944</u>
<u>\$ 600,000</u>	<u>\$ 173,416</u>	<u>\$ 127,044</u>	<u>\$ 1,389,062</u>

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**BALDWIN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,355,944
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,319,556	6,792,385
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	(4,281,928)
3. Accrued interest on debt is not due and payable in the current period and therefore not reported in the funds	(56,922)
4. Issuance cost of long-term liabilities is reported as an expenditure in the governmental funds, but is deferred and amortized in the Statement of Net Assets	<u>32,217</u>
Total Net Assets - Governmental Activities	<u>\$ 3,841,696</u>

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

BALDWIN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Major Funds			
	General Fund	School Food Service Fund	Title I Training Fund	IDEA Preschool Fund
Revenues				
Local Sources	\$ 1,772,814	\$ 121,566	\$ -	\$ -
State Sources	4,469,490	2,631	-	-
Federal Sources	54,409	363,192	277,971	5,278
Total Revenues	6,296,713	487,389	277,971	5,278
Expenditures				
Instruction	3,783,920	-	95,540	392
Support Services	2,256,614	47,737	178,733	4,815
Non-Instructional Services	52,155	406,773	-	-
Debt Service:				
Principal	7,202	-	-	-
Interest	1,614	-	-	-
Total Expenditures	6,101,505	454,510	274,273	5,207
Excess (Deficiency) of Revenues Over Expenditures	195,208	32,879	3,698	71
Other Financing Sources (Uses)				
Sale of Assets	2,157	-	-	-
Operating Transfers In	16,693	-	-	-
Operating Transfers Out	(380,313)	(10,000)	(3,698)	(71)
Total Other Financing Sources (Uses)	(361,463)	(10,000)	(3,698)	(71)
Net Change in Fund Balances	(166,255)	22,879	-	-
Fund Balances:				
Beginning of Year	474,479	121,966	-	-
Increase in Reserve for Inventory	-	10,174	-	-
End of Year	\$ 308,224	\$ 155,019	\$ -	\$ -

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

Exhibit D

<u>Major Funds (Continued)</u>			
<u>Bldgs & Grnds Rep & Renov Fund</u>	<u>MAEP Retirement Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,739	\$ 366,038	\$ 2,267,157
-	163,118	122,145	4,757,384
-	-	368,610	1,069,460
-	169,857	856,793	8,094,001
-	-	523,286	4,403,138
-	-	168,359	2,656,258
-	-	55	458,983
-	90,000	230,000	327,202
-	68,939	133,880	204,433
-	158,939	1,055,580	8,050,014
-	10,918	(198,787)	43,987
-	-	-	2,157
150,000	-	230,313	397,006
-	-	(2,924)	(397,006)
150,000	-	227,389	2,157
150,000	10,918	28,602	46,144
450,000	162,498	90,683	1,299,626
-	-	-	10,174
<u>\$ 600,000</u>	<u>\$ 173,416</u>	<u>\$ 119,285</u>	<u>\$ 1,355,944</u>

**BALDWIN SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 46,144
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$118,025 and the depreciation expense amounted to \$209,010	(90,985)
2. Payments of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities	327,202
3. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities net of proceeds	(12,482)
4. Decrease in compensated absences is not reported in the governmental funds, but it decreases expenses in the Statement of Activities.	8,008
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it become due	3,027
6. Increase in inventory is reported as a decrease to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities	10,174
7. Issuance cost for long-term liabilities is reported as an expenditure in the Governmental Funds, but is deferred and amortized over the life of the debt in the Government-Wide statements	<u>(2,148)</u>
Change in Net Assets of Governmental Activities	<u>\$ 288,940</u>

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

**BALDWIN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 231,768
TOTAL ASSETS	<u>\$ 231,768</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 213,089
Due to Club Funds	<u>18,679</u>
TOTAL LIABILITIES	<u>\$ 231,768</u>

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

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(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

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Baldwin, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities; and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

School Food Service Fund - This Special Revenue Fund is used to account for the operation of the school district's cafeterias.

Title I Fund - This Special Revenue Fund is used to account for the federal resources used to provide remedial education.

IDEA Pre-School Fund - This Special Revenue Fund is used to account for the federal resources used for providing special education to disabled pre-school students.

Buildings and Grounds, Repair and Renovation Fund - This Capital Projects Fund is used to account for resources used for major repairs and renovations planned by the district.

MAEP Note Retirement Fund - This Debt Service Fund is used to account for state resources pledged to repay debt obligations for limited obligation bonds payable.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

C. Measurement Focus and Basis of Accounting (Continued)

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 operation.

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than three months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items

Donated inventories 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.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

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

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years

J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note (5) for details.

K. Interfund Transactions and Balances

Interfund transactions and balances are the result of timing differences between the date expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note (3) for details for interfund transactions, including receivables and payables at year-end.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies (Continued)

L. Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Funds which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

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

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes

Ad valorem property taxes are levied by the governing authorities of the counties and the city 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 authorities.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies (Continued)

N. Mississippi Adequate Education Program Revenues

Revenues from the 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.

O. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years and required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the 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. Cod Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit and interest bearing accounts with qualified state depositories; (b) direct United State Treasury obligation; (c) United States Government Agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$928,188 and \$231,768, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$928,188. The bank balance was \$1,378,463.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the 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, 2007, none of the district's bank balance of \$1,378,463 was exposed to custodial credit risk.

Investments

As of June 30, 2007, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Market Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	Less than 1	<u>\$ 91,857</u>	AAA
Total Investments		<u><u>\$ 91,857</u></u>	

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

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

Custodial Credit Risk - Investments - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent (5.00%) or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the district had no investments requiring such disclosure.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(3) Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/Due To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund	\$ 9,069	\$ -
Title I Fund	-	4,885
Other Governmental Funds	-	4,184
	<u> </u>	<u> </u>
Total All Funds	<u>\$ 9,069</u>	<u>\$ 9,069</u>

All due from/due to balances were to eliminate deficit cash balances.

A. Transfers In/Transfers Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 16,693	\$ 380,313
Food Service Fund	-	10,000
Title I Fund	-	3,698
IDEA Preschool	-	71
Building Repair and Renovation Fund	150,000	-
Other Governmental Funds	230,313	2,924
	<u> </u>	<u> </u>
Total All Funds	<u>\$ 397,006</u>	<u>\$ 397,006</u>

The transfers in to the General Fund were to transfer indirect costs of federal programs and reimburse the General Fund for expenditures made before federal funds became available. The transfer in to the Building Repair and Renovation Fund was to increase a reserve fund for repair and renovations of school grounds. The transfers in to the Other Governmental Funds were primarily to support the operation of the vocational fund.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(4) Capital Assets

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

	Balance 7/1/06	Additions	Retirements	Completed Construction	Balance 6/30/07
Non-Depreciable Capital Assets					
Land	42,149	-	-	-	42,149
Total Non-Depreciable Capital Assets	42,149	-	-	-	42,149
Depreciable Capital Assets:					
Buildings	7,803,836	-	-	-	7,803,836
Building Improvements	106,565	-	-	-	106,565
Improvements other than Buildings	314,991	-	-	-	314,991
Mobile Equipment	665,530	118,025	60,650	-	722,905
Furniture and Equipment	121,495	-	-	-	121,495
Total Depreciable Capital Assets	9,012,417	118,025	60,650	-	9,069,792
Less Accumulated Depreciation for:					
Buildings	1,496,134	150,915	-	-	1,647,049
Building Improvements	56,078	3,242	-	-	59,320
Improvements other than Buildings	45,953	12,600	-	-	58,553
Mobile Equipment	447,334	39,922	48,168	-	439,088
Furniture and Equipment	113,215	2,331	-	-	115,546
Total Accumulated Depreciation	2,158,714	209,010	48,168	-	2,319,556
Total Depreciable Capital Assets, Net	6,853,703	(90,985)	12,482	-	6,750,236
Governmental Activities Capital Assets, Net	\$ 6,895,852	\$ (90,985)	\$ 12,482	\$ -	\$ 6,792,385

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 132,863
Support Services	74,626
Non-Instructional	1,521
Total Depreciation Expense	\$ 209,010

(5) Long-Term Liabilities

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

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(5) Long-Term Liabilities (Continued)

	Balance 7/1/06	Additions	Reductions	Balance 6/30/07	Amounts Due Within One Year
General Obligation Bonds Payable	\$ 2,865,000	\$ -	\$ 195,000	\$ 2,670,000	\$ 210,000
Limited Obligation Bonds Payable	1,440,000	-	90,000	1,350,000	95,000
Three Mill Notes Payable	210,000	-	35,000	175,000	35,000
Obligations Under Energy Efficiency Lease	38,815	-	7,202	31,613	7,329
Compensated Absences Payable	63,323	-	8,008	55,315	-
Total	\$ 4,617,138	\$ -	\$ 335,210	\$ 4,281,928	\$ 347,329

A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2001	Varies	6/1/2001	12/1/2012	\$ 1,230,000	\$ 680,000
General Obligation Bonds, Series 2002	Varies	7/1/2002	7/1/2022	2,295,000	1,990,000
Total				\$ 3,525,000	\$ 2,670,000

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 210,000	\$ 112,708	\$ 322,708
2009	220,000	103,239	323,239
2010	230,000	93,340	323,340
2011	190,000	84,351	274,351
2012	205,000	75,556	280,556
2013 - 2017	705,000	274,056	979,056
2018 - 2022	745,000	125,914	870,914
2023	165,000	3,816	168,816
Total	\$ 2,670,000	\$ 872,980	\$ 3,542,980

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 7.10% of property assessments as of October 1, 2006. This debt will be retired from the 2001 General Obligation Bonds Refinance Fund and the Debt Service 2002 Bond Issue Fund.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(5) Long-Term Liabilities (Continued)

B. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Series 1998	Varies	6/1/1998	6/1/2018	\$ 1,900,000	\$ 1,350,000
Total				<u>\$ 1,900,000</u>	<u>\$ 1,350,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 95,000	\$ 64,339	\$ 159,339
2009	100,000	60,064	160,064
2010	105,000	55,464	160,464
2011	110,000	50,607	160,607
2012	115,000	45,437	160,437
2013 - 2017	670,000	139,088	809,088
2018	155,000	7,556	162,556
Total	<u>\$ 1,350,000</u>	<u>\$ 422,555</u>	<u>\$ 1,772,555</u>

The State Aid Capital Improvement Bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-7, Miss. Code Ann. (1972). The State Aid Capital Improvement Bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

C. Three Mill Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2001	4.50%	11/29/2001	12/1/2011	\$ 325,000	\$ 175,000
Total				<u>\$ 325,000</u>	<u>\$ 175,000</u>

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(5) Long-Term Liabilities (Continued)

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

June 30,	Principal	Interest	Total
2008	\$ 35,000	\$ 7,984	\$ 42,984
2009	35,000	6,405	41,405
2010	35,000	4,791	39,791
2011	35,000	3,194	38,194
2012	35,000	1,597	36,597
Total	\$ 175,000	\$ 23,971	\$ 198,971

This debt will be retired from the Three Mill Note Retirement Fund.

D. Obligations Under Energy Efficiency Lease.

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

June 30,	Principal	Interest	Total
2008	\$ 7,329	\$ 1,487	\$ 8,816
2009	7,699	1,117	8,816
2010	8,088	728	8,816
2011	8,497	319	8,816
Total	\$ 31,613	\$ 3,651	\$ 35,264

An energy efficiency lease agreement dated May 23, 2006, was executed by and between the district (the lessee, and State of Mississippi (the lessor).

The agreement authorized the borrowing of up to \$40,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications, and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund and not exceed 10 years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the District Maintenance Fund.

E. Compensated Absences Payable.

As more fully explained in Note 1(O), compensated absences payable are 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.

**BALDWIN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(6) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2007, was 11.30% of the 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 years ending June 30, 2007, 2006, and 2005, were \$470,273, \$442,104, and \$399,314, respectively, which equaled the required contributions for each year.

(7) 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.

BALDWIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 1,638,441	\$ 1,721,802	\$ 1,772,814	\$ 83,361	\$ 51,012
State Sources	4,578,634	4,469,490	4,469,490	(109,144)	-
Federal Sources	52,352	54,409	54,409	2,057	-
Total Revenues	6,269,427	6,245,701	6,296,713	(23,726)	51,012
Expenditures					
Instruction	3,715,874	3,675,168	3,783,920	40,706	(108,752)
Support Services	2,330,805	2,260,705	2,256,614	70,100	4,091
Noninstructional	54,000	55,155	52,155	(1,155)	3,000
Debt Service					
Principal	-	7,202	7,202	(7,202)	-
Interest	-	1,614	1,614	(1,614)	-
Total Expenditures	6,100,679	5,999,844	6,101,505	100,835	(101,661)
Excess (Deficiency) of Revenues over Expenditures	168,748	245,857	195,208	77,109	(50,649)
Other Financing Sources (Uses)					
Sale of Assets	-	2,157	2,157	2,157	-
Operating Transfers In	570,957	543,372	16,693	(27,585)	(526,679)
Operating Transfers Out	(789,507)	(906,992)	(380,313)	(117,485)	526,679
Total Other Financing Sources (Uses)	(218,550)	(361,463)	(361,463)	(142,913)	-
Net Change in Fund Balance	(49,802)	(115,606)	(166,255)	(65,804)	(50,649)
Fund Balances					
Beginning of Year	474,479	474,479	474,479	-	-
End of Year	\$ 424,677	\$ 358,873	\$ 308,224	\$ (65,804)	\$ (50,649)

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

**BALDWIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 108,000	\$ 121,566	\$ 121,566	\$ 13,566	\$ -
State Sources	3,000	2,631	2,631	(369)	-
Federal Sources	359,000	363,192	363,192	4,192	-
Total Revenues	470,000	487,389	487,389	17,389	-
Expenditures					
Support Services	46,854	47,779	47,737	(925)	42
Non-Instructional Services	375,532	396,928	406,773	(21,396)	(9,845)
Total Expenditures	422,386	444,707	454,510	(22,321)	(9,803)
Excess (Deficiency) of Revenues over Expenditures	47,614	42,682	32,879	(4,932)	(9,803)
Other Financing Sources (Uses)					
Operating Transfers Out	(10,000)	(10,000)	(10,000)	-	-
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(10,000)	-	-
Net Change in Fund Balance	37,614	32,682	22,879	(4,932)	(9,803)
Fund Balances					
Beginning of Year	121,966	121,966	121,966	-	-
Change in Reserve for Inventory	-	-	10,174	-	10,174
End of Year	\$ 159,580	\$ 154,648	\$ 155,019	\$ (4,932)	\$ 371

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

**BALDWIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Federal Sources	\$ 266,870	\$ 343,156	\$ 277,971	\$ 76,286	\$ (65,185)
Total Revenues	<u>266,870</u>	<u>343,156</u>	<u>277,971</u>	<u>76,286</u>	<u>(65,185)</u>
Expenditures					
Instruction	93,789	141,185	95,540	(47,396)	45,645
Support Services	173,466	194,027	178,733	(20,561)	15,294
Noninstructional Services	-	3,350	-	(3,350)	3,350
Total Expenditures	<u>267,255</u>	<u>338,562</u>	<u>274,273</u>	<u>(71,307)</u>	<u>64,289</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(385)</u>	<u>4,594</u>	<u>3,698</u>	<u>4,979</u>	<u>(896)</u>
Other Financing Sources (Uses)					
Operating Transfers Out	(3,607)	(4,594)	(3,698)	(987)	896
Total Other Financing Sources (Uses)	<u>(3,607)</u>	<u>(4,594)</u>	<u>(3,698)</u>	<u>(987)</u>	<u>896</u>
Net Change in Fund Balance	<u>(3,992)</u>	<u>-</u>	<u>-</u>	<u>3,992</u>	<u>-</u>
Fund Balances					
Beginning of Year	-	-	-	-	-
End of Year	<u>\$ (3,992)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,992</u>	<u>\$ -</u>

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

BALDWIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE IDEA PRESCHOOL Fund
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Federal Sources	\$ 18,203	\$ 18,203	\$ 5,278	\$ -	\$ (12,925)
Total Revenues	<u>18,203</u>	<u>18,203</u>	<u>5,278</u>	<u>-</u>	<u>(12,925)</u>
Expenditures					
Instruction	4,900	9,110	392	(4,210)	8,718
Support Services	13,176	8,966	4,815	4,210	4,151
Total Expenditures	<u>18,076</u>	<u>18,076</u>	<u>5,207</u>	<u>-</u>	<u>12,869</u>
Excess (Deficiency) of Revenues over Expenditures	<u>127</u>	<u>127</u>	<u>71</u>	<u>-</u>	<u>(56)</u>
Other Financing Sources (Uses)					
Operating Transfers Out	(127)	(127)	(71)	-	56
Total Other Financing Sources (Uses)	<u>(127)</u>	<u>(127)</u>	<u>(71)</u>	<u>-</u>	<u>56</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balances					
Beginning of Year	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BALDWIN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Individual Fund Disclosures

The General Fund has an excess of expenditures over budget in the amount of \$101,661. This excess of expenditures over budget is not in violation of state law since the excess resulted from auditors' adjustments and the fund had a fund balance available to cover the expenditures.

The Food Service Fund has an excess of expenditures over budget in the amount of \$9,803. This excess of expenditures over budget is not in violation of state law since the excess resulted from auditors' adjustments and the fund had a fund balance available to cover the expenditures.

**BALDWIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-Through Mississippi Department of Education:		
Non-Cash Assistance:		
Food Donation	10.550	\$ 30,521
Child Nutrition Cluster:		
School Breakfast Program	10.553	93,876
National School Lunch Program	10.555	216,729
Total Child Nutrition Cluster		<u>310,605</u>
Total Passed-Through Mississippi Department of Education		<u>341,126</u>
Total U.S. Department of Agriculture		<u>341,126</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	<u>27,258</u>
Total Federal Communications Commission		<u>27,258</u>
National Endowment for the Humanities		
Passed--Through the MS Humanities Council		
Promotion of the Humanities - Federal/State Partnerships	45.129	<u>1,795</u>
Total Federal Communications Commission		<u>1,795</u>
U.S. Department of Education		
Passed-Through Mississippi Department of Education:		
Special Education Cluster:		
Special Education - Grants to States	84.027	212,970
Special Education - Preschool Grants	84.173	<u>5,278</u>
Total Special Education Cluster		218,248
Title I Grants to Local Educational Agencies	84.010	277,971
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,620
State Grants for Innovative Programs	84.298	3,434
Education Technology State Grants	84.318	3,112
Comprehensive School Reform Demonstration	84.332	51,188
Rural Education	84.358	27,860
Improving Teacher Quality - State Grants	84.367	61,193
Grants for State Assessments and Related Activities	84.369	<u>1,946</u>
Total		<u>649,572</u>
Total Passed-Through Mississippi Department of Education		<u>649,572</u>
Total U.S. Department of Education		<u>649,572</u>
Total for All Federal Awards		<u>\$ 1,019,751</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.

BALDWIN SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and Fringe Benefits	\$ 5,628,270	\$ 4,445,686	\$ 330,230	\$ 363,484	\$ 488,870
Other	2,421,744	662,775	96,346	47,512	1,615,111
Total	\$ 8,050,014	\$ 5,108,461	\$ 426,576	\$ 410,996	\$ 2,103,981
 Total number of students *	 940				
 Cost per student	 \$ 8,564	 \$ 5,435	 \$ 454	 \$ 437	 \$ 2,238

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

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

General Administration - Includes expenditures for the following functions: Support Services - General Administrative (2300s); and Support Services - Business (2500s).

School Administration - Includes expenditures for the following function: Support Services - School Administration (2400s).

Other - Includes all expenditure functions not included in Instruction or Administration categories.

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

BALDWIN SCHOOL DISTRICT

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

Superintendent and School Board
Baldwyn School District

We have audited the 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, 2007, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Baldwyn School District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baldwin School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated November 21, 2008, which is included in this report.

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

Branan Vantony & Company, P. A.

November 21, 2008
Corinth, Mississippi



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

Superintendent and School Board
Baldwyn School District

Compliance

We have audited the compliance of the Baldwyn School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Baldwyn School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Baldwyn School District's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Baldwyn School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Baldwyn School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of significant deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Branner Vonstony & Company, P. A.

November 21, 2008
Corinth, Mississippi



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INDEPENDENT AUDITORS' 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, 2007, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 \$8,689 of classroom supply funds carried over from previous years.

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

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

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

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

Finding

During our audit, we noted the following instances of non-compliance in the Activity Funds:

- a. As reported in the prior year, several expenditures had no supporting documentation.
- b. Two instances of "split-invoices" were noted, which circumvented the purchasing law requiring any single purchase greater than \$3,500 to have at least two written quotes.

Recommendation

We recommend the school district instruct school principals not to pay for any expenditure unless the proper documentation is obtained. Furthermore, no payments should be made if proper purchasing law procedures have not been followed.

Response

Immediately upon notification of the non-compliance, Baldwin School District took the necessary steps to correct this problem regarding the handling of the school's activity funds. As of March 1, 2007, all activity funds were being correctly reported with proper documentation on file. Furthermore, all expenditures in Activity Funds are now centralized.

Auditors' Note

The items noted in our testing were all prior to March 1, 2007. No problems were noted after the Activity Fund expenditures were centralized.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

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

Branner Vanotony & Company, P. A.

November 21, 2008
Corinth, Mississippi

**BALDWIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510 (a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Child Nutrition Cluster
CFDA #10.553
CFDA #10.555 | |
| | b. Title I Grants to Local Educational Agencies
CFDA #84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

**BALDWIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section 2: 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 3: Federal Award Findings and Questioned Costs

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