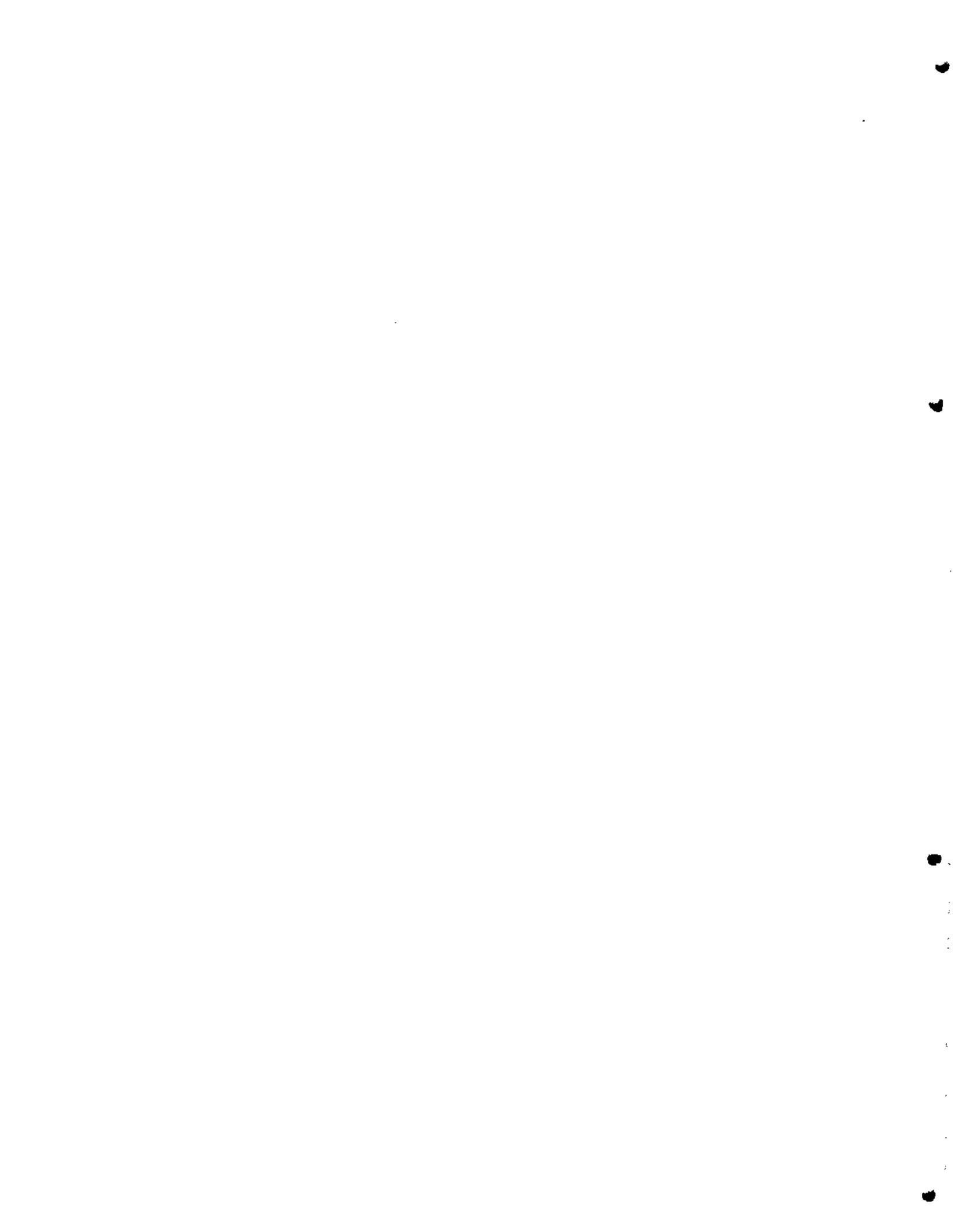




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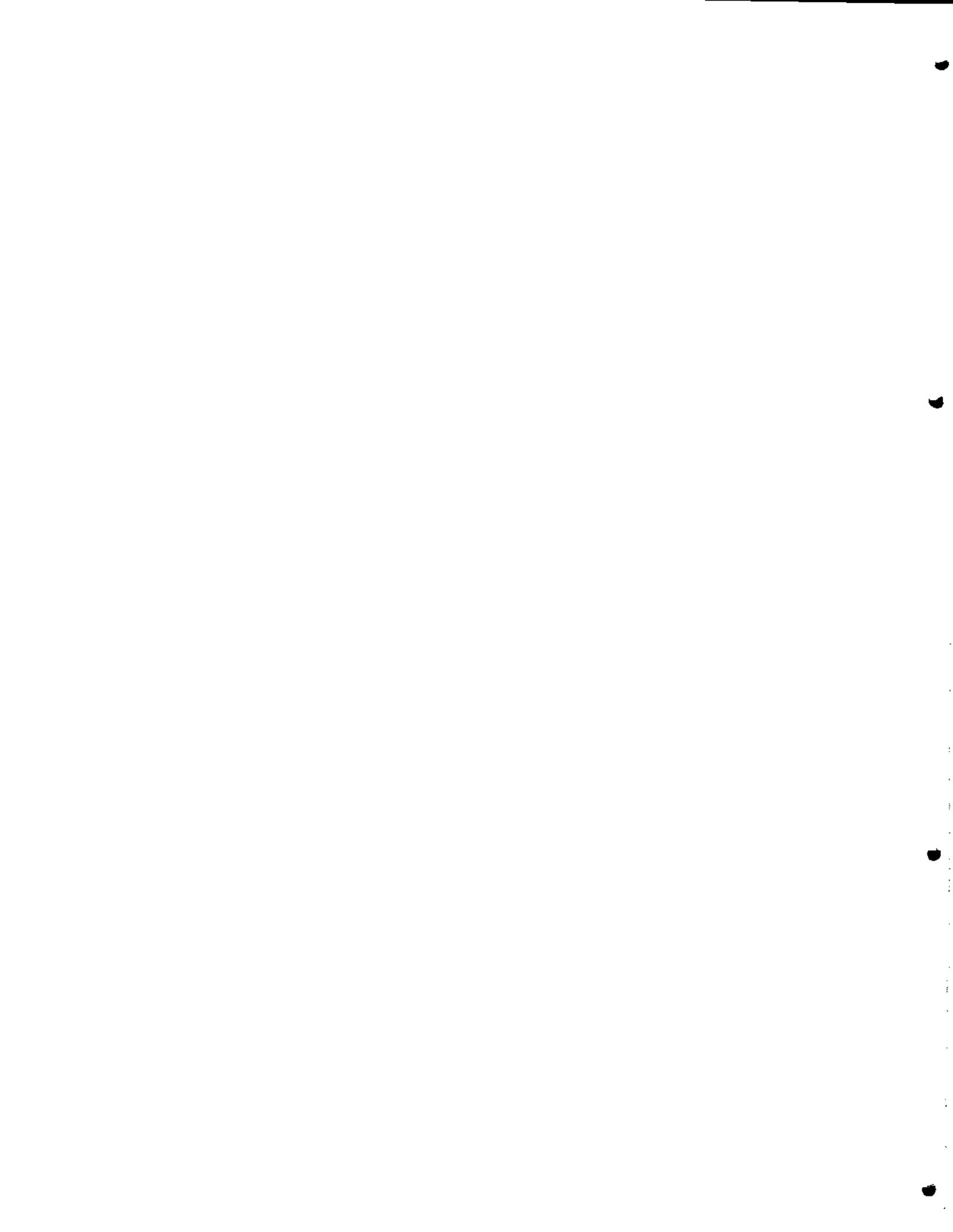


**BALDWIN SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2008**



**BALDWIN SCHOOL DISTRICT  
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JUNE 30, 2008**

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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, 2008, 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2010, 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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 Baldwin 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 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 as required by the Mississippi Department of Education and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Braun Vanstone & Company, P. A.*

Corinth, Mississippi  
April 1, 2010

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 \$172,694, which represents a 4.50% decrease from fiscal year 2007.

General revenues account for \$7,040,679 in revenue, or 84.29% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,312,174 or 15.71% of total revenues.

The District had \$8,180,159 in expenses; only \$1,312,174 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,040,679 were adequate to provide for these programs.

Among major funds, the General Fund had \$6,645,217 in revenues and \$6,413,793 in expenditures. The General Fund's fund balance increased \$96,420 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$133,916.

Long-term debt decreased by \$275,179.

### **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, 2008**

**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 schedule has been provided for the General Fund and each major Special Revenue fund.

A Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found in this report. Additionally, a Schedule of Instructional, Administrative, and Other Expenditures – Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds, Last Four Years, and Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Funds, Last Four Years, are included on pages 31-33 of this report as required by the Mississippi Department of Education.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,014,390 as of June 30, 2008.

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, 2008**

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2008, compared to June 30, 2007.

**Table 1  
Condensed Statement of Net Assets**

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 1,444,120	\$ 1,412,210	\$ 31,910	2.26%
Capital Assets, Net	6,658,469	6,792,385	(133,916)	-1.97%
<b>Total Assets</b>	<b>8,102,589</b>	<b>8,204,595</b>	<b>(102,006)</b>	<b>-1.24%</b>
Current Liabilities	81,450	80,971	479	0.59%
Long-Term Debt Outstanding	4,006,749	4,281,928	(275,179)	-6.43%
<b>Total Liabilities</b>	<b>4,088,199</b>	<b>4,362,899</b>	<b>(274,700)</b>	<b>-6.30%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	2,803,469	2,597,385	206,084	7.93%
Restricted	358,026	1,004,198	(646,172)	-64.35%
Unrestricted	852,895	240,113	612,782	255.21%
<b>Total Net Assets</b>	<b>\$ 4,014,390</b>	<b>\$ 3,841,696</b>	<b>\$ 172,694</b>	<b>4.50%</b>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008, were \$8,352,853. The total cost of all programs and services was \$8,180,159. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2008, compared to June 30, 2007:

**Table 2  
Changes in Net Assets**

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Program Revenues				
Charges for Services	\$ 117,588	\$ 117,473	\$ 115	0.10%
Operating Grants	1,194,586	1,210,575	(15,989)	-1.32%
General Revenues				
Property Taxes	1,835,342	1,783,083	52,259	2.93%
Grants and Contributions not Restricted	4,839,515	4,616,267	223,248	4.84%
Other	365,822	356,278	9,544	2.68%
<b>Total Revenues</b>	<b>8,352,853</b>	<b>8,083,676</b>	<b>269,177</b>	<b>3.33%</b>
<b>Expenses:</b>				
Instruction	4,814,778	4,518,932	295,846	6.55%
Support Services	2,649,076	2,621,676	27,400	1.05%
Non-Instructional	526,049	450,574	75,475	16.75%
Interest on Long-Term Liabilities	190,256	203,554	(13,298)	-6.53%
<b>Total Expenses</b>	<b>8,180,159</b>	<b>7,794,736</b>	<b>385,423</b>	<b>4.94%</b>
<b>Increase in Net Assets</b>	<b>\$ 172,694</b>	<b>\$ 288,940</b>	<b>\$ (116,246)</b>	<b>-40.23%</b>

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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
	2008	2007	Percentage Change	2008	2007	Percentage Change
Instruction	\$ 4,814,778	\$ 4,518,932	6.55%	\$(4,364,751)	\$(4,066,985)	7.32%
Support Services	2,649,076	2,621,676	1.05%	(2,415,115)	(2,228,871)	8.36%
Non-Instructional	526,049	450,574	16.75%	102,137	32,722	212.14%
Interest on Long-Term Liabilities	190,256	203,554	-6.53%	(190,256)	(203,554)	-6.53%
<b>Total Expenses</b>	<b>\$ 8,180,159</b>	<b>\$ 7,794,736</b>	<b>4.94%</b>	<b>\$(6,867,985)</b>	<b>\$(6,466,688)</b>	<b>6.21%</b>

Net cost of governmental activities \$6,867,985 was financed by general revenue, which is made up of primarily property and privilege taxes of \$1,835,342 and state revenue of \$4,782,607.

Investment earnings accounted for \$30,617 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 \$1,387,873, an increase of \$40,921. \$548,029 or 39.49% 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 \$839,844 or 60.51% 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 increase in fund balance in the General Fund for the fiscal year was \$96,420. The total fund balance of all other Governmental Funds showed a decrease of \$55,499.

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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 budgeted revenues were amended to reflect additional grants awarded after the original budget was adopted. Expenditures were amended upward from the original for instruction due the addition of staff and the expenditures under the new grant. Support Services expenditures were amended downward primarily to reflect the fact that a bus purchase originally budgeted for was put on hold.

**Major Special Revenue Funds**

Teacher/Principal Training Fund - The budget was amended to reflect the final allocation from the Mississippi Department of Education.

EHA IDEA Part B 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, 2008, the District's total capital assets were \$9,188,100, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a net increase of \$76,159, which is a result of purchasing new furniture and equipment and a building addition. Total accumulated depreciation as of June 30, 2008, was \$2,529,631 and total depreciation expense for the year was \$210,075, resulting in net capital assets of \$6,658,469.

Additional information of the District's capital assets can be found in this report. Table 4 shows fiscal year ended June 30, 2008, as compared to fiscal year ended June 30, 2007.

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

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 42,149	\$ 42,149	\$ -	0.00%
Construction in Progress	63,159	-	63,159	100.00%
Buildings	6,005,871	6,156,787	(150,916)	-2.45%
Building Improvements	44,003	47,245	(3,242)	-6.86%
Improvements other than Buildings	243,839	256,438	(12,599)	-4.91%
Mobile Equipment	243,894	283,817	(39,923)	-14.07%
Furniture and Equipment	15,554	5,949	9,605	161.46%
<b>Totals</b>	<b>\$ 6,658,469</b>	<b>\$ 6,792,385</b>	<b>\$ (133,916)</b>	<b>-1.97%</b>

**BALDWIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Debt Administration.** At June 30, 2008, the District had \$4,006,749 in long-term debt outstanding, of which \$384,699 is due within one year.

Table 5 shows fiscal year ended June 30, 2008, as compared to fiscal year ended June 30, 2007:

**Table 5  
Long-Term Debt Outstanding**

	2008	2007	Increase (Decrease)	Percent Increase (Decrease)
General Obligation Bonds Payable	\$ 2,460,000	\$ 2,670,000	\$ (210,000)	-7.87%
Limited Obligation Bonds Payable	1,255,000	1,350,000	(95,000)	-7.04%
Three Mill Notes Payable	140,000	175,000	(35,000)	-20.00%
Shortfall Note Payable	66,000	-	66,000	100.00%
Obligations Under Energy Efficiency Lease	24,284	31,613	(7,329)	-23.18%
Compensated Absences Payable	61,465	55,315	6,150	11.12%
<b>Totals</b>	<b>\$ 4,006,749</b>	<b>\$ 4,281,928</b>	<b>\$ (275,179)</b>	<b>-6.43%</b>

**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 2008-2009 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, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,081,517
Due From Other Governments	218,955
Inventories	14,309
Deferred Charges	30,069
Restricted Assets	99,270
Capital Assets, Non-Depreciable	
Land	42,149
Construction in Progress	63,159
Capital Assets, Net of Accumulated Depreciation	
Buildings	6,005,871
Building Improvements	44,003
Improvements other than Buildings	243,839
Mobile Equipment	243,894
Furniture and Equipment	15,554
<b>Total Assets</b>	<u><u>8,102,589</u></u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	15,000
Unearned Revenue	11,178
Interest Payable on Long Term Liabilities	55,272
Long-Term Liabilities (due within one year)	
Capital Related Liabilities	355,000
Non-Capital Liabilities	29,699
Long-Term Liabilities (due beyond one year)	
Capital Related Liabilities	3,500,000
Non-Capital Liabilities	122,050
<b>Total Liabilities</b>	<u><u>4,088,199</u></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,833,538
Restricted Net Assets	
Expendable	
School-Based Activities	157,694
Debt Service	148,081
Unemployment Benefits	22,182
Unrestricted	852,895
<b>Total Net Assets</b>	<u><u>\$ 4,014,390</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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					<b>Governmental Activities</b>
Instruction	\$ 4,814,778	\$ -	\$ 450,027	\$ -	\$ (4,364,751)
Support Services	2,649,076	-	233,961	-	(2,415,115)
Non-Instructional Services	526,049	117,588	510,598	-	102,137
Interest on Long-Term Liabilities	190,256	-	-	-	(190,256)
<b>Total Governmental Activities</b>	<b>\$ 8,180,159</b>	<b>\$ 117,588</b>	<b>\$ 1,194,586</b>	<b>\$ -</b>	<b>(6,867,985)</b>
<b>General Revenues</b>					
Taxes:					
General Purpose Levies					
Debt Service Levies					
Unrestricted Grants and Contributions					
State					
Federal					
Unrestricted Investment Earnings					
Other Revenues					
<b>Total General Revenues</b>					
Change in Net Assets					
Net Assets - Beginning					
Net Assets-Ending					

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

**BALDWIN SCHOOL DISTRICT  
 COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2008**

	Major Funds		
	General Fund	Teacher/ Principal Training Fund	EHA IDEA Part B Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 287,400	\$ 10,972	\$ -
Investments	-	-	-
Due from Other Governments	75,200	-	46,113
Due From Other Funds	57,044	-	-
Inventories	-	-	-
<b>Total Assets</b>	<b>\$ 419,644</b>	<b>\$ 10,972</b>	<b>\$ 46,113</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 15,000	\$ -	\$ -
Uncarned Revenue	-	10,972	-
Due To Other Funds	-	-	46,113
<b>Total Liabilities</b>	<b>15,000</b>	<b>10,972</b>	<b>46,113</b>
<b>Fund Balances</b>			
<b>Reserved for:</b>			
Inventory	-	-	-
Debt Service	-	-	-
Unemployment	-	-	-
<b>Unreserved:</b>			
<b>Designated, Reported in:</b>			
Capital Projects Funds	-	-	-
<b>Undesignated, Reported in:</b>			
General Fund	404,644	-	-
Special Revenue Funds	-	-	-
<b>Total Fund Balances</b>	<b>404,644</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 419,644</b>	<b>\$ 10,972</b>	<b>\$ 46,113</b>

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	\$ -	\$ 183,145	\$ 1,081,517
-	99,270	-	99,270
-	81,559	16,083	218,955
-	-	-	57,044
-	-	14,309	14,309
<u>\$ 600,000</u>	<u>\$ 180,829</u>	<u>\$ 213,537</u>	<u>\$ 1,471,095</u>
\$ -	\$ -	\$ -	\$ 15,000
-	-	206	11,178
-	-	10,931	57,044
-	-	11,137	83,222
-	-	14,309	14,309
-	180,829	22,524	203,353
-	-	22,182	22,182
600,000	-	-	600,000
-	-	-	404,644
-	-	143,385	143,385
<u>600,000</u>	<u>180,829</u>	<u>202,400</u>	<u>1,387,873</u>
<u>\$ 600,000</u>	<u>\$ 180,829</u>	<u>\$ 213,537</u>	<u>\$ 1,471,095</u>

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**BALDWIN SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<u>Amount</u>
<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 1,387,873</b>
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 \$2,529,631	6,658,469
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	(4,006,749)
3. Accrued interest on debt is not due and payable in the current period and therefore not reported in the funds	(55,272)
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>30,069</u>
<b>Total Net Assets - Governmental Activities</b>	<b><u><u>\$ 4,014,390</u></u></b>

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, 2008**

	Major Funds		
	General Fund	Teacher/ Principal Training Fund	EHA IDEA Part B Fund
<b>Revenues</b>			
Local Sources	\$ 1,908,372	\$ -	\$ -
State Sources	4,670,144	-	-
Federal Sources	66,701	53,424	202,560
<b>Total Revenues</b>	<u>6,645,217</u>	<u>53,424</u>	<u>202,560</u>
<b>Expenditures</b>			
Instruction	4,109,478	45,967	80,163
Support Services	2,174,846	8,649	119,868
Non-Instructional Services	57,494	-	-
Facilities Acquisition and Construction	63,159	-	-
Debt Service:			
Principal	7,329	-	-
Interest	1,487	-	-
<b>Total Expenditures</b>	<u>6,413,793</u>	<u>54,616</u>	<u>200,031</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>231,424</u>	<u>(1,192)</u>	<u>2,529</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Loans	66,000	-	-
Operating Transfers In	17,068	-	-
Operating Transfers Out	(218,072)	-	(2,529)
<b>Total Other Financing Sources (Uses)</b>	<u>(135,004)</u>	<u>-</u>	<u>(2,529)</u>
<b>Net Change in Fund Balances</b>	96,420	(1,192)	-
<b>Fund Balances:</b>			
July 1, 2007	308,224	1,192	-
<b>Decrease in Reserve for Inventory</b>	-	-	-
<b>July 30, 2008</b>	<u>\$ 404,644</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Exhibit D**

<u>Major Funds (Continued)</u>			
<u>Buildings and Grounds Repair and Renovations Fund</u>	<u>MAEP Retirement Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,184	\$ 406,196	\$ 2,318,752
-	163,118	134,853	4,968,115
-	-	743,301	1,065,986
-	<u>167,302</u>	<u>1,284,350</u>	<u>8,352,853</u>
-	-	442,764	4,678,372
-	-	279,770	2,583,133
-	-	458,687	516,181
-	-	-	63,159
-	95,000	245,000	347,329
-	<u>64,889</u>	<u>123,382</u>	<u>189,758</u>
-	<u>159,889</u>	<u>1,549,603</u>	<u>8,377,932</u>
-	<u>7,413</u>	<u>(265,253)</u>	<u>(25,079)</u>
-	-	-	66,000
-	-	218,072	235,140
-	-	(14,539)	(235,140)
-	-	<u>203,533</u>	<u>66,000</u>
-	<u>7,413</u>	<u>(61,720)</u>	<u>40,921</u>
600,000	173,416	273,112	1,355,944
-	-	(8,992)	(8,992)
<u>\$ 600,000</u>	<u>\$ 180,829</u>	<u>\$ 202,400</u>	<u>\$ 1,387,873</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, 2008**

	<u>Amount</u>
<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 40,921</b>
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 \$76,159 and the depreciation expense amounted to \$210,075	(133,916)
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	347,329
3. Proceeds of long-term debt are recorded as other financing sources in the governmental funds, but are reported in the Statement of Net Assets as liabilities	(66,000)
4. Increase in compensated absences is not reported in the governmental funds, but it increases expenses in the Statement of Activities.	(6,150)
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	1,650
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased in the Statement of Activities	(8,992)
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>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 172,694</u></u></b>

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, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 252,123
<b>TOTAL ASSETS</b>	<b><u>\$ 252,123</u></b>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	\$ 230,427
Due to Club Funds	<u>21,696</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 252,123</u></b>

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, 2008**

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

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of 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.

For financial reporting purposes, Baldwin School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. However, the District has no component units.

**B. Basis of Presentation**

**Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, the District does not have any business-type activities.

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

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is 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 tax and other items not properly included among program revenues are reported instead as general revenues.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**B. Basis of Presentation (continued)**

**Fund Financial Statements:**

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

Teacher/Principal Training Fund - This fund accounts for a federal grant which is used primarily to provide instructional training for teaching staff and principals.

EHA IDEA Part B Fund - This fund accounts for a federal grant which is used to provide free appropriate public education to all children with disabilities.

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 the fund financial statements.

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 major 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.

**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 operation.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

**D. Account Classifications**

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

**E. Encumbrances**

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

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets or Equity**

**1. Cash and Cash Equivalents**

The school 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.

**2. Receivables and Payables**

Activity 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 interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund 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 assets because their use is limited by applicable debt statutes.

**6. Capital Assets**

Capital assets, which include property, plant, furniture, and equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets or Equity (continued)**

**6. Capital Assets (continued)**

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ -	-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note (4) for details.

**7. Compensated Absences**

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

**8. Long-Term Liabilities, Deferred Debt Expense, and Bond Issue Discounts/Premium**

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note (5) for details.

**9. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(1) Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets or Equity (continued)**

**9. Fund Equity (continued)**

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 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 designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years 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.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$1,081,517 and \$252,123, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,081,517. The bank balance was \$1,822,447.

*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, 2008, none of the district's bank balance of \$1,822,447 was exposed to custodial credit risk.

**Investments**

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

<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	\$ 99,270	AAA
Total Investments		<u>\$ 99,270</u>	

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

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

*Custodial Credit Risk - Investments* - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds 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, 2008, the district had no investments requiring such disclosure.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(3) Interfund Receivables, Payables, and Transfers**

The following is a summary of interfund transactions and balances:

**A. Due From/Due To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	EHA, IDEA Part B Fund	\$ 46,113
General Fund	Other Governmental Funds	10,931
Total		<u>\$ 57,044</u>

Interfund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts.

**B. Interfund Transfers**

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 218,072
EHA, IDEA Part B Fund	General Fund	2,529
Other Governmental Funds	General Fund	14,539
Total		<u>\$ 235,140</u>

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. Transfers in to Other Governmental Funds were primarily to support the operation of the vocational fund.

**(4) Capital Assets**

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

	Balance 7/1/07	Additions	Retirements	Completed Construction	Balance 6/30/08
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 42,149	\$ -	\$ -	\$ -	\$ 42,149
Construction in Progress	-	63,159	-	-	63,159
<b>Total Non-Depreciable Capital Assets</b>	<u>42,149</u>	<u>63,159</u>	<u>-</u>	<u>-</u>	<u>105,308</u>
<b>Depreciable Capital Assets:</b>					
Buildings	7,803,836	-	-	-	7,803,836
Building Improvements	106,565	-	-	-	106,565
Improvements other than Buildings	314,991	-	-	-	314,991
Mobile Equipment	722,905	-	-	-	722,905
Furniture and Equipment	121,495	13,000	-	-	134,495
<b>Total Depreciable Capital Assets</b>	<u>9,069,792</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>9,082,792</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings	1,647,049	150,916	-	-	1,797,965
Building Improvements	59,320	3,242	-	-	62,562
Improvements other than Buildings	58,553	12,599	-	-	71,152
Mobile Equipment	439,088	39,923	-	-	479,011
Furniture and Equipment	115,546	3,395	-	-	118,941
<b>Total Accumulated Depreciation</b>	<u>2,319,556</u>	<u>210,075</u>	<u>-</u>	<u>-</u>	<u>2,529,631</u>
<b>Total Depreciable Capital Assets, Net</b>	<u>6,750,236</u>	<u>(197,075)</u>	<u>-</u>	<u>-</u>	<u>6,553,161</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 6,792,385</u>	<u>\$ (153,916)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,658,469</u>

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(4) Capital Assets (Continued)**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 134,701
Support Services	74,626
Non-Instructional	748
Total Depreciation Expense	\$ 210,075

**(5) Long-Term Liabilities**

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

	Balance 7/1/07	Additions	Reductions	Balance 6/30/08	Amounts Due Within One Year
A. General Obligation Bonds Payable	\$ 2,670,000	\$ -	\$ 210,000	\$ 2,460,000	\$ 220,000
B. Limited Obligation Bonds Payable	1,350,000	-	95,000	1,255,000	100,000
C. Three Mill Notes Payable	175,000	-	35,000	140,000	35,000
D. Shortfall Notes Payable	-	66,000	-	66,000	22,000
E. Obligations Under Energy Efficiency Lease	31,613	-	7,329	24,284	7,699
F. Compensated Absences Payable	55,315	6,150	-	61,465	-
<b>Total</b>	<b>\$ 4,281,928</b>	<b>\$ 72,150</b>	<b>\$ 347,329</b>	<b>\$ 4,006,749</b>	<b>\$ 384,699</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
General Obligation Bonds, Series 2001	3.70 - 4.60%	6/1/2001	12/1/2012	\$ 1,230,000	\$ 555,000
General Obligation Bonds, Series 2002	4.00 - 5.50%	7/1/2002	7/1/2022	2,295,000	1,905,000
<b>Total</b>				<b>\$ 3,525,000</b>	<b>\$ 2,460,000</b>

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(5) Long-Term Liabilities (Continued)**

**A. General Obligation Bonds Payable (continued)**

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

Year Ending June 30,	Principal	Interest	Total
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	215,000	66,487	281,487
2014 - 2018	625,000	245,716	870,716
2019 - 2023	775,000	91,583	866,583
Total	<u>\$ 2,460,000</u>	<u>\$ 760,272</u>	<u>\$ 3,220,272</u>

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, 2008, the amount of outstanding bonded indebtedness was equal to 6.38% of property assessments as of October 1, 2007. This debt will be retired from the 2001 General Obligation Bonds Refinance Fund and the Debt Service 2002 Bond Issue Fund.

**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	4.40 - 6.00%	6/1/1998	6/1/2018	\$ 1,900,000	\$ 1,255,000
Total				<u>\$ 1,900,000</u>	<u>\$ 1,255,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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	120,000	39,975	159,975
2014 - 2018	705,000	106,669	811,669
Total	<u>\$ 1,255,000</u>	<u>\$ 358,216</u>	<u>\$ 1,613,216</u>

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(5) Long-Term Liabilities (Continued)**

B. Limited Obligation Bonds Payable (continued)

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	\$ 140,000
Total				<u>\$ 325,000</u>	<u>\$ 140,000</u>

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

June 30,	Principal	Interest	Total
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	<u>\$ 140,000</u>	<u>\$ 15,987</u>	<u>\$ 155,987</u>

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

D. Shortfall Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2007 Shortfall Note	5.00%	11/5/2007	11/5/2010	\$ 66,000	\$ 66,000
				<u>\$ 66,000</u>	<u>\$ 66,000</u>

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

June 30,	Principal	Interest	Total
2009	\$ 22,000	\$ 3,355	\$ 25,355
2010	22,000	2,231	24,231
2011	22,000	1,115	23,115
	<u>\$ 66,000</u>	<u>\$ 6,701</u>	<u>\$ 72,701</u>

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

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(5) Long-Term Liabilities (Continued)**

E. 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
2009	\$ 7,699	\$ 1,117	\$ 8,816
2010	8,088	728	8,816
2011	8,497	319	8,816
Total	\$ 24,284	\$ 2,164	\$ 26,448

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.

F. Compensated Absences Payable.

As more fully explained in Note 1(F)7, 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.

**(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, 2008, was 11.85% 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, 2008, 2007, and 2006, were \$528,023, \$470,273, and \$442,104, respectively, which equaled the required contributions for each year.

**BALDWIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**(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.

**(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. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

**(9) Alternative School Consortium**

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Booneville School District, the Baldwin School District, and the Prentiss County School District.

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

The Booneville School District has been designated as the lead school district for NEMRAEC, and the operations of the consortium are included in its financial statements.

**(10) Subsequent Events**

Subsequent to June 30, 2008, the school district issued to following debt instrument.

<u>Title of Issue</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2009 Shortfall Notes	Tax Shortfall	9/24/09	9/24/13	5.75%	\$ 87,000

Also, the school district received Three-Mill Limited Tax Notes in the amount of \$1,750,000, which qualified as Qualified School Construction Bonds (QSCB) proceeds on December 23, 2009, as part of the American Recovery and Reinvestment Act (ARRA) of 2009. The proceeds will be used for construction, rehabilitation, and renovation of school facilities. The interest rate on these notes is expected to be between 0.8% and 1.0%. Also, after completion of the project(s), any unused portion of the proceeds will have to be returned. The notes will be repaid with Three-mill note tax levies and will mature in fiscal year 2024.

**BALDWIN SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 1,844,028	\$ 1,965,507	\$ 1,908,372	\$ 121,479	\$ (57,135)
State Sources	4,693,284	4,670,144	4,670,144	(23,140)	-
Federal Sources	55,200	66,701	66,701	11,501	-
<b>Total Revenues</b>	<b>6,592,512</b>	<b>6,702,352</b>	<b>6,645,217</b>	<b>109,840</b>	<b>(57,135)</b>
<b>Expenditures</b>					
Instruction	4,030,081	4,109,938	4,109,478	(79,857)	460
Support Services	2,355,567	2,174,846	2,174,846	180,721	-
Noninstructional	54,500	58,292	57,494	(3,792)	798
Facilities Acquisition and Construction	120,000	113,159	63,159	6,841	50,000
Debt Service					
Principal	7,329	7,329	7,329	-	-
Interest	1,487	1,487	1,487	-	-
<b>Total Expenditures</b>	<b>6,568,964</b>	<b>6,465,051</b>	<b>6,413,795</b>	<b>103,913</b>	<b>51,258</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>23,548</b>	<b>237,301</b>	<b>231,424</b>	<b>213,753</b>	<b>(5,877)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans	-	66,000	66,000	66,000	-
Operating Transfers In	598,034	617,266	17,068	19,232	(600,198)
Operating Transfers Out	(842,315)	(819,833)	(218,072)	22,482	601,761
<b>Total Other Financing Sources (Uses)</b>	<b>(244,281)</b>	<b>(136,567)</b>	<b>(135,004)</b>	<b>107,714</b>	<b>1,563</b>
<b>Net Change in Fund Balance</b>	<b>(220,733)</b>	<b>100,734</b>	<b>96,420</b>	<b>321,467</b>	<b>(4,314)</b>
<b>Fund Balances</b>					
<b>Beginning of Year</b>	<b>308,224</b>	<b>308,224</b>	<b>308,224</b>	<b>-</b>	<b>-</b>
<b>End of Year</b>	<b>\$ 87,491</b>	<b>\$ 408,958</b>	<b>\$ 404,644</b>	<b>\$ 321,467</b>	<b>\$ (4,314)</b>

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

BALDWIN SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE TEACHER/PRINCIPAL TRAINING FUND  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Federal Sources	\$ 69,817	\$ 76,970	\$ 53,424	\$ 7,153	\$ (23,546)
<b>Total Revenues</b>	<u>69,817</u>	<u>76,970</u>	<u>53,424</u>	<u>7,153</u>	<u>(23,546)</u>
<b>Expenditures</b>					
Instruction	43,215	46,227	45,967	(3,012)	260
Support Services	<u>22,925</u>	<u>30,743</u>	<u>8,649</u>	<u>(7,818)</u>	<u>22,094</u>
<b>Total Expenditures</b>	<u>66,140</u>	<u>76,970</u>	<u>54,616</u>	<u>(10,830)</u>	<u>22,354</u>
<b>Net Change in Fund Balance</b>	3,677	-	(1,192)	(3,677)	(1,192)
<b>Fund Balances</b>					
Beginning of Year	<u>1,192</u>	<u>1,192</u>	<u>1,192</u>	-	-
End of Year	<u>\$ 4,869</u>	<u>\$ 1,192</u>	<u>\$ -</u>	<u>\$ (3,677)</u>	<u>\$ (1,192)</u>

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

BALDWIN SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE EHA, IDEA PART B FUND  
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Federal Sources	\$ 233,829	\$ 233,829	\$ 202,560	\$ -	\$ (31,269)
<b>Total Revenues</b>	<u>233,829</u>	<u>233,829</u>	<u>202,560</u>	<u>-</u>	<u>(31,269)</u>
<b>Expenditures</b>					
Instruction	105,664	95,232	80,163	10,432	15,069
Support Services	125,173	136,068	119,868	(10,895)	16,200
<b>Total Expenditures</b>	<u>230,837</u>	<u>231,300</u>	<u>200,031</u>	<u>(463)</u>	<u>31,269</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>2,992</u>	<u>2,529</u>	<u>2,529</u>	<u>(463)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers Out	(2,992)	(2,529)	(2,529)	463	-
<b>Total Other Financing Sources (Uses)</b>	<u>(2,992)</u>	<u>(2,529)</u>	<u>(2,529)</u>	<u>463</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	-	-	-	-	-
<b>Fund Balances</b>					
Beginning of Year	-	-	-	-	-
<b>End of Year</b>	<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, 2008**

Budgetary Comparison Schedule

**(1) Basis of Presentation**

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

**(2) Budget Amendments and Revisions**

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

**BALDWIN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-Through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 99,644
National School Lunch Program	10.555	278,780
Total Child Nutrition Cluster		<u>378,424</u>
Total Passed-Through Mississippi Department of Education		<u>378,424</u>
<b>Total U.S. Department of Agriculture</b>		<u>378,424</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	26,402
<b>Total Federal Communications Commission</b>		<u>26,402</u>
<b>National Endowment for the Humanities</b>		
Passed-Through the MS Department of Education		
Medical Assistance Program	93.778	9,792
<b>Total Federal Communications Commission</b>		<u>9,792</u>
<b>U.S. Department of Education</b>		
Passed-Through Mississippi Department of Education:		
Special Education Cluster:		
Special Education - Grants to States	84.027	207,875
Special Education - Preschool Grants	84.173	16,159
Total Special Education Cluster		<u>224,034</u>
Title I Grants to Local Educational Agencies	84.010	316,856
Safe and Drug-Free Schools and Communities - State Grants	84.186	8,186
State Grants for Innovative Programs	84.298	1,451
Education Technology State Grants	84.318	1,834
Rural Education	84.358	28,025
Improving Teacher Quality - State Grants	84.367	54,616
Total		<u>635,002</u>
Total Passed-Through Mississippi Department of Education		<u>635,002</u>
<b>Total U.S. Department of Education</b>		<u>635,002</u>
<b>Total for All Federal Awards</b>		<u>\$ 1,049,620</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, 2008**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and Fringe Benefits	\$ 6,000,856	\$ 4,741,109	\$ 350,661	\$ 388,147	\$ 520,939
Other	2,377,076	645,482	96,805	36,424	1,598,365
<b>Total</b>	<b>\$ 8,377,932</b>	<b>\$ 5,386,591</b>	<b>\$ 447,466</b>	<b>\$ 424,571</b>	<b>\$ 2,119,304</b>
 Total number of students *	 915				
 Cost per student	 \$ 9,156	 \$ 5,887	 \$ 489	 \$ 464	 \$ 2,316

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.

"UNAUDITED"

**BALDWIN SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GENERAL FUNDS - LAST FOUR YEARS**

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
<b>Revenues</b>				
Local Sources	\$ 1,908,372	\$ 1,772,814	\$ 1,757,847	\$ 1,424,299
State Sources	4,670,144	4,469,490	4,288,093	4,109,454
Federal Sources	66,701	54,409	52,412	48,612
<b>Total Revenues</b>	<u>6,645,217</u>	<u>6,296,713</u>	<u>6,098,352</u>	<u>5,582,365</u>
<b>Expenditures</b>				
Instruction	4,109,478	3,783,920	3,683,991	3,264,894
Support Services	2,174,846	2,256,614	1,996,031	2,009,858
Non-Instructional Services	57,494	52,155	49,874	49,994
Facilities Acquisition and Construction	63,159	-	-	-
Debt Service				
Principal	7,329	7,202	-	-
Interest	1,487	1,614	-	-
<b>Total Expenditures</b>	<u>6,413,793</u>	<u>6,101,505</u>	<u>5,729,896</u>	<u>5,324,746</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>231,424</u>	<u>195,208</u>	<u>368,456</u>	<u>257,619</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	66,000	-	-	-
Inception of Energy Efficiency Lease	-	-	38,815	-
Sale of Assets	-	2,157	-	-
Operating Transfers In	17,068	16,693	75,197	15,471
Operating Transfers Out	(218,072)	(380,313)	(518,057)	(350,095)
<b>Total Other Financing Sources (Uses)</b>	<u>(135,004)</u>	<u>(361,463)</u>	<u>(404,045)</u>	<u>(334,624)</u>
<b>Net Change in Fund Balances</b>	<u>96,420</u>	<u>(166,255)</u>	<u>(35,589)</u>	<u>(77,005)</u>
<b>Fund Balances:</b>				
<b>Beginning of Year</b>	308,224	474,479	452,009	577,580
Prior Period Adjustment	-	-	58,059	(48,566)
<b>Beginning of Year, as Restated</b>	<u>308,224</u>	<u>474,479</u>	<u>510,068</u>	<u>529,014</u>
<b>End of Year</b>	<u>\$ 404,644</u>	<u>\$ 308,224</u>	<u>\$ 474,479</u>	<u>\$ 452,009</u>

\* Source: Prior Year Audit Reports

"UNAUDITED"

**BALDWIN SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUNDS - LAST FOUR YEARS**

	2008	2007*	2006*	2005*
<b>Revenues</b>				
Local Sources	\$ 2,318,752	\$ 2,267,157	\$ 2,234,460	\$ 1,828,435
State Sources	4,968,115	4,757,384	4,584,209	4,222,855
Federal Sources	1,065,986	1,069,460	1,145,511	1,205,507
<b>Total Revenues</b>	<b>8,352,853</b>	<b>8,094,001</b>	<b>7,964,180</b>	<b>7,256,797</b>
<b>Expenditures</b>				
Instruction	4,678,372	4,403,138	4,371,218	3,795,308
Support Services	2,583,133	2,656,258	2,340,114	2,423,702
Non-Instructional Services	516,181	458,983	501,019	464,938
Facilities Acquisition and Construction	63,159	-	-	-
Debt Service:				
Principal	347,329	327,202	315,000	300,000
Interest	189,758	204,433	216,713	229,679
<b>Total Expenditures</b>	<b>8,377,932</b>	<b>8,050,014</b>	<b>7,744,064</b>	<b>7,213,627</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(25,079)</b>	<b>43,987</b>	<b>220,116</b>	<b>43,170</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	66,000	-	-	-
Inception of Energy Efficiency Lease	-	-	38,815	-
Sale of Assets	-	2,157	-	-
Operating Transfers In	235,140	397,006	594,002	365,565
Operating Transfers Out	(235,140)	(397,006)	(594,002)	(365,565)
<b>Total Other Financing Sources (Uses)</b>	<b>66,000</b>	<b>2,157</b>	<b>38,815</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>40,921</b>	<b>46,144</b>	<b>258,931</b>	<b>43,170</b>
<b>Fund Balances:</b>				
<b>Beginning of Year</b>	1,355,944	1,299,626	981,394	990,615
Prior Period Adjustments	-	-	58,059	(48,566)
<b>Beginning of Year, as Restated</b>	<b>1,355,944</b>	<b>1,299,626</b>	<b>1,039,453</b>	<b>942,049</b>
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>(8,992)</b>	<b>10,174</b>	<b>1,242</b>	<b>(3,825)</b>
<b>End of Year</b>	<b>\$ 1,387,873</b>	<b>\$ 1,355,944</b>	<b>\$ 1,299,626</b>	<b>\$ 981,394</b>

\* Source: Prior Year Audit Reports



**CERTIFIED PUBLIC ACCOUNTANTS**  
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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, 2008, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated April 1, 2010. 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*.

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.

*Branan Vornsteyn & Company, P. A.*

Corinth, Mississippi  
April 1, 2010



**CERTIFIED PUBLIC ACCOUNTANTS**  
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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, 2008. 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, 2008.

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 in 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 Vanston & Company, P. A.*

Corinth, Mississippi  
April 1, 2010



**CERTIFIED PUBLIC ACCOUNTANTS**  
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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, 2008, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated April 1, 2010. 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 \$6,782 of classroom supply funds carried over from previous years.

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

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

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

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

This report is intended solely for the information and use of the school board, 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.

*Brauner Vorstony & Company, P. A.*

Corinth, Mississippi  
April 1, 2010

**BALDWIN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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<br>CFDA #10.553<br>CFDA #10.555   | b. Title I Grants to Local Educational Agencies<br>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  |

**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.

