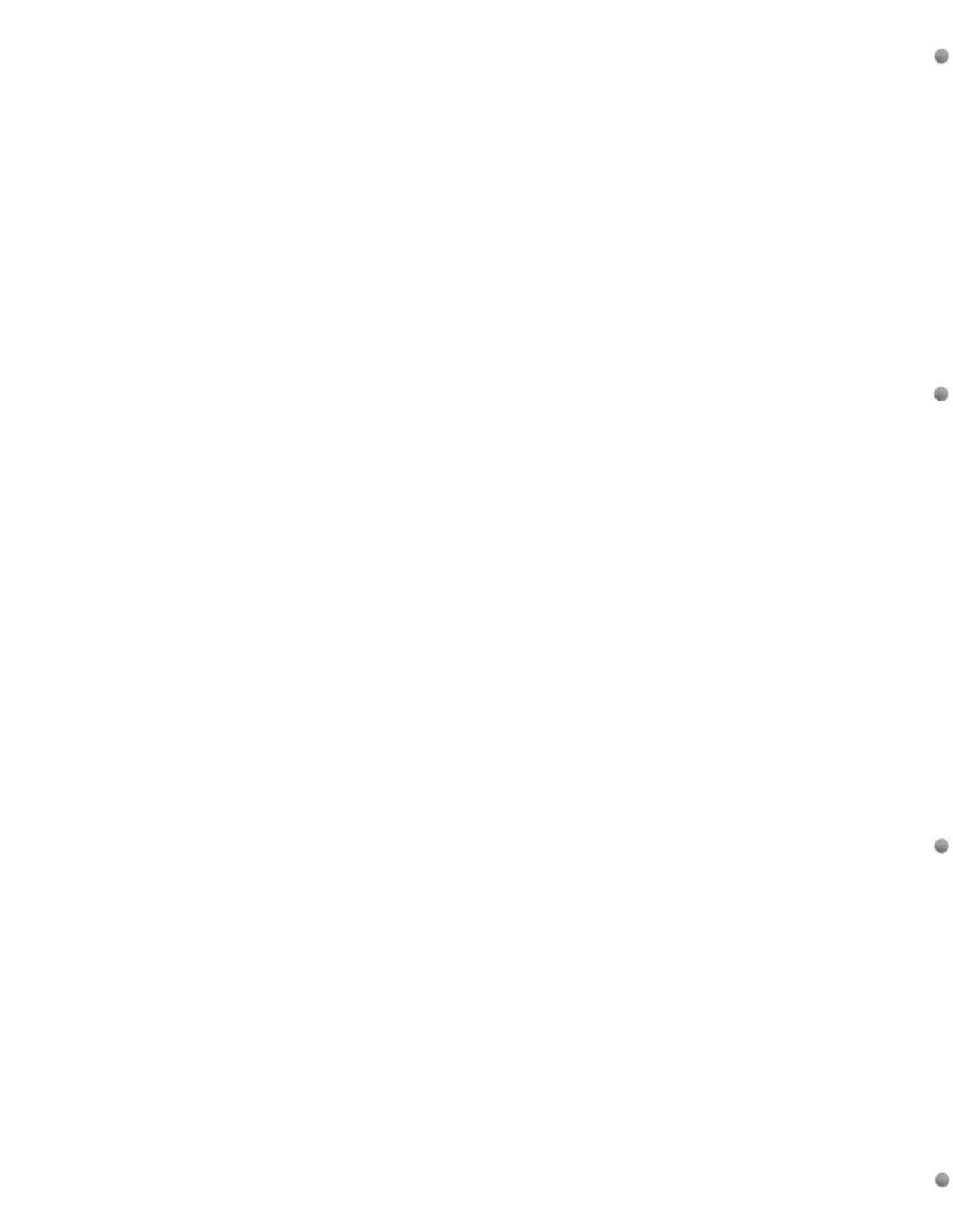




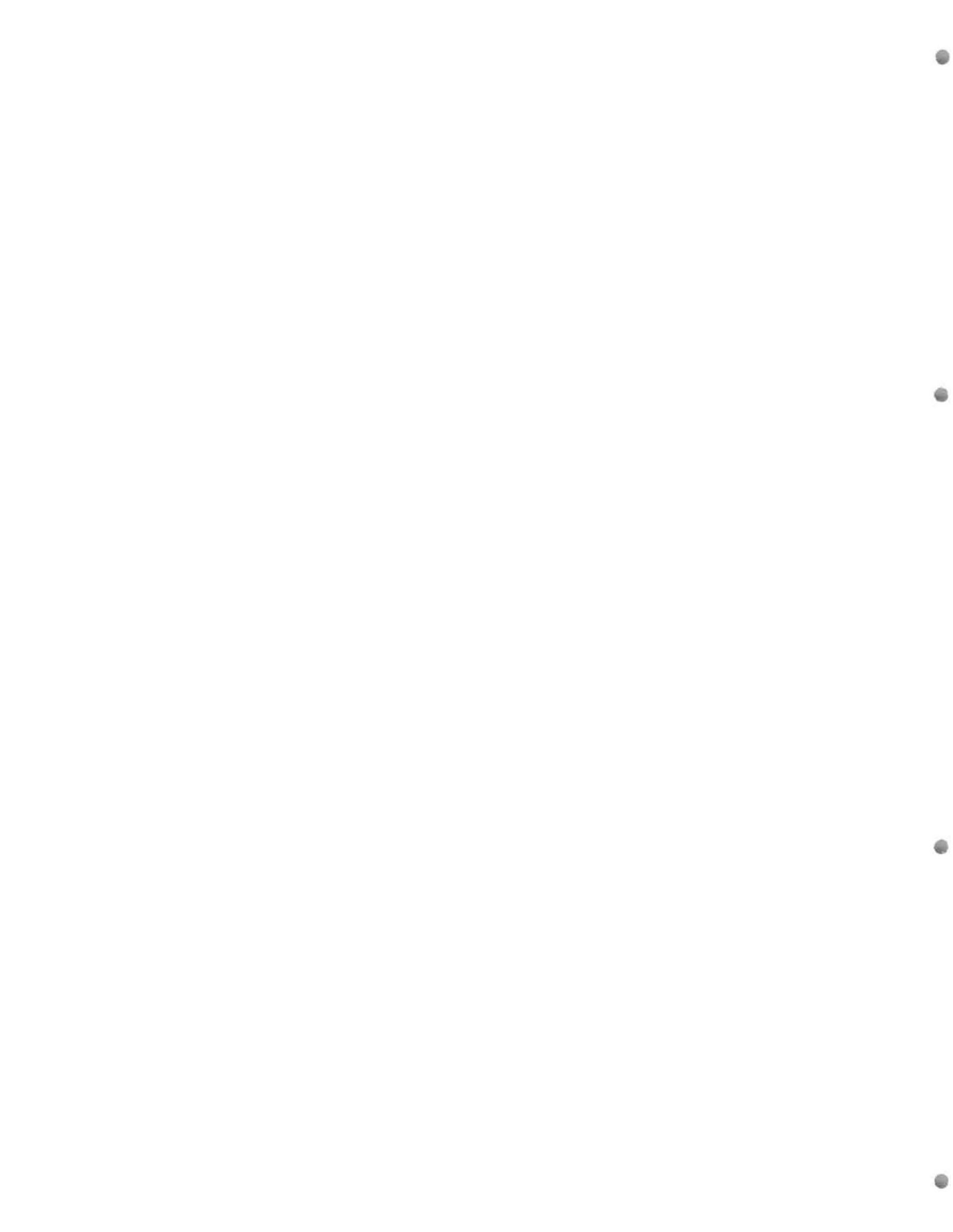
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**BALDWIN SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**



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JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Baldwyn School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2011, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baldwyn School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District, as of June 30, 2011, 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 March 7, 2013, on our consideration of the Baldwyn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Raymer, Vensterg & Co. P.A

March 7, 2013
Booneville, Mississippi

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of Baldwin School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$511,445 which represents 11.57% increase from fiscal year 2010. The total net assets for 2010 increased \$508,450 which represents a 13.00% increase from fiscal year 2009.
- General revenues amounted to \$6,010,144 and \$6,614,371, or 71.43% and 80.45% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,403,741, or 28.57% of the total revenues for 2011, and \$1,607,747, or 19.55% of the total revenues for 2010.
- The District had \$7,902,440 and \$7,713,668 in expenses for fiscal years 2011 and 2010; only \$2,403,741 for 2011 and \$1,607,747 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$6,010,144 for 2011 and \$6,614,371 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,714,328 in revenues and \$5,175,636 in expenditures for 2011, and \$5,875,126 in revenues and \$5,636,433 in expenditures for 2010. The General Fund's fund balance increased by \$389,185 from 2010 to 2011, and by \$542,650 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$271,365 for 2011 and \$1,043,677 for 2010. The increase for 2011 was primarily due to the completion of construction in progress on the BMS project with the increase in accumulated depreciation.
- Long-term debt decreased by \$365,099 for 2011 and increased by \$1,431,170 for 2010. The decrease for 2011 was due primarily to the principal payments on debt. The liability for compensated absences decreased by \$10,400 for 2011 and increased by \$4,258 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$4,931,755 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 1,680,369	\$ 1,963,398	-14.42%
Restricted assets	124,603	117,311	6.22%
Capital assets, net	7,934,257	7,662,892	3.54%
Total assets	<u>9,739,229</u>	<u>9,743,601</u>	-0.04%
Current liabilities	74,832	220,903	-66.12%
Long-term debt outstanding	4,732,642	5,102,388	-7.25%
Total liabilities	<u>4,807,474</u>	<u>5,323,291</u>	-9.69%
Net assets:			
Invested in capital assets, net of related debt	3,360,177	2,743,245	22.49%
Restricted	572,280	1,077,876	-46.91%
Unrestricted	999,298	599,189	66.78%
Total net assets	<u>\$ 4,931,755</u>	<u>\$ 4,420,310</u>	11.57%

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

- Decrease in current assets in the amount of \$283,029.
- Increase in net capital assets in the amount of \$271,365.
- The principal retirement of \$404,497 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$8,413,885 and \$8,222,118, respectively. The total cost of all programs and services was \$7,902,440 for 2011 and \$7,713,668 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 323,230	\$ 324,062	-0.26%
Operating grants and contributions	2,046,339	1,283,685	59.41%
Capital grants and contributions	34,172	-	N/A
General revenues:			
Property taxes	2,057,102	2,212,555	-7.03%
Grants and contributions not restricted	3,930,419	4,377,205	-10.21%
Investment earnings	14,162	18,953	-25.28%
Other	8,461	5,658	49.54%
Total revenues	<u>8,413,885</u>	<u>8,222,118</u>	2.33%
Expenses:			
Instruction	4,467,629	4,401,103	1.51%
Support services	2,820,681	2,702,537	4.37%
Non-instructional	463,688	473,849	-2.14%
Interest and other expense on long-term liabilities	150,442	136,179	10.47%
Total expenses	<u>7,902,440</u>	<u>7,713,668</u>	2.45%
Increase(decrease) in net assets	<u>511,445</u>	<u>508,450</u>	0.59%
Net assets, July 1	<u>4,420,310</u>	<u>3,911,860</u>	13.00%
Net assets, June 30	<u>\$ 4,931,755</u>	<u>\$ 4,420,310</u>	11.57%

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ 4,467,629	\$ 4,401,103	1.51%
Support services	2,820,681	2,702,537	4.37%
Non-instructional	463,688	473,849	-2.14%
Interest on long-term liabilities	150,442	136,179	10.47%
Total expenses	<u>\$ 7,902,440</u>	<u>\$ 7,713,668</u>	2.45%

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ (3,089,699)	\$ (3,797,560)	-18.64%
Support services	(2,238,732)	(2,137,452)	4.74%
Non-instructional	(19,826)	(34,730)	-42.91%
Interest on long-term liabilities	(150,442)	(136,179)	10.47%
Total net (expense) revenue	<u>\$ (5,498,699)</u>	<u>\$ (6,105,921)</u>	-9.94%

- Net cost of governmental activities (\$5,498,699 for 2011 and \$6,105,921 for 2010) was financed by general revenue, which is primarily made up of property taxes of (\$2,057,102 for 2011 and \$2,212,555 for 2010) and state and federal revenues of (\$3,930,419 for 2011 and \$4,377,205 for 2010).

- Investment earnings amounted to \$14,162 for 2011 and \$18,953 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,703,023, a decrease of \$111,795, which includes a decrease in inventory of \$1,192. \$999,573 or 58.69% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$703,450 or 41.31% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted, committed or assigned.

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$389,185. The fund balance of Other Governmental Funds showed a decrease in the amount of \$508,273, which includes a decrease in inventory of \$1,192. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
21st Century Fund	no increase or decrease
MAEP Debt Retirement	\$ 7,293

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$11,136,528, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$528,212 from 2010. Total accumulated depreciation as of June 30, 2011, was \$3,202,271, and total depreciation expense for the year was \$267,546, resulting in total net capital assets of \$7,934,257.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 42,149	\$ 42,149	0.00%
Construction in progress	-	1,215,184	-100.00%
Buildings	7,209,766	5,788,396	24.56%
Building improvements	176,395	37,521	370.12%
Improvements other than buildings	206,040	218,640	-5.76%
Mobile equipment	272,148	319,719	-14.88%
Furniture and equipment	27,759	41,283	-32.76%
Total	<u>\$ 7,934,257</u>	<u>\$ 7,662,892</u>	3.54%

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Debt Administration. At June 30, 2011, the District had \$4,732,642 in outstanding long-term debt, of which \$409,826 is due within one year. The liability for compensated absences decreased \$10,400 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,820,000	\$ 2,010,000	-9.45%
Limited obligation bonds payable	965,000	1,085,000	-11.06%
Three mill notes payable	35,000	70,000	-50.00%
Shortfall notes payable	107,798	109,000	-1.10%
Obligations under energy efficiency leases	-	8,497	-100.00%
Qualified school construction bonds payable	1,750,000	1,750,000	N/A
Compensated absences payable	54,844	65,244	-15.94%
Total	<u>\$ 4,732,642</u>	<u>\$ 5,097,741</u>	-7.16%

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

Current Issues

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

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

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

Enrollment for the 2010-2011 year decreased by 1.27% to 855 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BALDWIN SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,254,504
Due from other governments	326,175
Other receivables, net	1,654
Inventories	13,974
Deferred debt issuance costs	84,062
Restricted assets	124,603
Capital assets, non-depreciable:	
Land	42,149
Capital assets, net of accumulated depreciation:	
Buildings	7,209,766
Building improvements	176,395
Improvements other than buildings	206,040
Mobile equipment	272,148
Furniture and equipment	27,759
Total assets	9,739,229
Liabilities	
Accounts payable and accrued liabilities	17,264
Unearned revenue	623
Unamortized bond premium	4,080
Interest payable on long-term liabilities	52,865
Long-term liabilities, due within one year:	
Capital related liabilities	365,000
Non-capital related liabilities	44,826
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,205,000
Non-capital related liabilities	117,816
Total liabilities	4,807,474
Net Assets	
Invested in capital assets, net of related debt	3,360,177
Restricted for:	
Expendable:	
School based activities	90,531
Debt service	460,757
Unemployment benefits	20,992
Unrestricted	999,298
Total net assets	\$ 4,931,755

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

BALDWIN SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction	\$ 4,467,629	235,983	1,141,947	-	(3,089,699)
Support services	2,820,681	-	547,777	34,172	(2,238,732)
Noninstructional services	463,688	87,247	356,615	-	(19,826)
Interest on long-term debt	150,442	-	-	-	(150,442)
Total governmental activities	<u>\$ 7,902,440</u>	<u>323,230</u>	<u>2,046,339</u>	<u>34,172</u>	<u>(5,498,699)</u>
General Revenues:					
Taxes:					
					1,630,853
					426,249
Unrestricted grants and contributions:					
					3,848,128
					82,291
					14,162
					8,461
					<u>6,010,144</u>
					<u>511,445</u>
					<u>4,420,310</u>
					<u>\$ 4,931,755</u>

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

BALDWIN SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2011

	Major Funds						Total
	General	Title I	EHA Part B	21st Century	MAEP Debt Retirement	Other Governmental Funds	
	Fund	Fund	Fund	Fund	Fund	Fund	
Assets							
Cash and cash equivalents	\$ 855,615	-	-	-	-	398,889	1,254,504
Investments	-	-	-	-	124,603	-	124,603
Due from other governments	63,887	65,149	20,158	54,635	81,559	40,787	326,175
Due from other funds	175,640	-	-	-	-	-	175,640
Inventories	-	-	-	-	-	13,974	13,974
Total Assets	1,095,142	65,149	20,158	54,635	206,162	453,650	1,894,896
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	17,264	-	-	-	-	-	17,264
Due to other funds	-	65,149	20,158	54,635	-	34,044	173,986
Unearned revenue	-	-	-	-	-	623	623
Total liabilities	17,264	65,149	20,158	54,635	-	34,667	191,873
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	13,974	13,974
Restricted for:							
Debt service funds	-	-	-	-	206,162	307,460	513,622
Food services	-	-	-	-	-	57,953	57,953
Grant activities	-	-	-	-	-	18,604	18,604
Unemployment benefits	-	-	-	-	-	20,992	20,992
Assigned:							
Activity funds	78,305	-	-	-	-	-	78,305
Unassigned:	999,573	-	-	-	-	-	999,573
Total fund balances	1,077,878	-	-	-	206,162	418,983	1,703,023
Total liabilities and fund balances	\$ 1,095,142	65,149	20,158	54,635	206,162	453,650	1,894,896

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

BALDWIN SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total fund balances for governmental funds

Amounts reported for governmental activities in the statement
of net assets are different because: \$ 1,703,023

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

Land	42,149	
Buildings	9,497,874	
Building improvements	254,602	
Improvements other than buildings	314,991	
Mobile equipment	869,611	
Furniture and equipment	157,301	
Accumulated depreciation	<u>(3,202,271)</u>	7,934,257

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

General obligation bonds	(1,820,000)	
Limited obligation bonds	(965,000)	
Three mill notes payable	(35,000)	
Shortfall notes payable	(107,798)	
Qualified school construction bonds	(1,750,000)	
Compensated absences	(54,844)	
Unamortized charges	84,062	
Unamortized premiums	(4,080)	
Accrued interest payable	<u>(52,865)</u>	(4,705,525)

Net assets of governmental activities \$ 4,931,755

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

BALDWIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2011

	Major Funds						Total
	General Fund	Title I Fund	EHA Part B Fund	21st Century Fund	MAEP Debt Retirement	Other Governmental Funds	
Revenue:							
Local sources	\$ 1,897,637	-	-	-	-	515,749	2,413,386
State sources	3,734,400	-	-	-	163,117	139,459	4,036,976
Federal sources	82,291	384,683	167,655	148,673	-	1,179,652	1,962,954
Total revenues	5,714,328	384,683	167,655	148,673	163,117	1,834,860	8,413,316
Expenditures:							
Instruction	2,958,654	128,244	48,198	111,328	-	1,076,289	4,322,713
Support services	2,181,479	248,115	114,923	35,076	-	126,022	2,705,615
Noninstructional services	26,687	2,572	2,015	-	-	431,845	463,119
Facilities acquisition and construction	-	-	-	-	-	539,019	539,019
Debt service:							
Principal	8,497	-	-	-	120,000	276,000	404,497
Interest	319	-	-	-	35,824	109,682	145,825
Total expenditures	5,175,636	378,931	165,136	146,404	155,824	2,558,857	8,580,788
Excess of revenues over (under) expenditures	538,692	5,752	2,519	2,269	7,293	(723,997)	(167,472)
Other Financing Sources							
(Uses):							
Insurance recovery	7,071	-	-	-	-	-	7,071
Proceeds of loans	49,798	-	-	-	-	-	49,798
Operating transfers in	20,670	-	-	-	-	227,046	247,716
Operating transfers out	(227,046)	(5,752)	(2,519)	(2,269)	-	(10,130)	(247,716)
Total other financing sources (uses)	(149,507)	(5,752)	(2,519)	(2,269)	-	216,916	56,869
Net change in fund balances	389,185	-	-	-	7,293	(507,081)	(110,603)
Fund Balances:							
July 1, 2010	688,693	-	-	-	198,869	927,256	1,814,818
Increase (decrease) in reserve for inventory	-	-	-	-	-	(1,192)	(1,192)
June 30, 2011	\$ 1,077,878	-	-	-	206,162	418,983	1,703,023

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

BALDWIN SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (110,603)

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

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

Capital outlay	\$ 539,019	
Depreciation expense	<u>(267,546)</u>	271,473

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (108)

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

Bonds and notes issued	(49,798)	
Payments of debt principal	404,497	
Accrued interest payable	<u>(4,616)</u>	350,083

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

Change in compensated absences	10,400	
Change in inventory reserve	(1,192)	
Amortization of deferred charges, premiums and discounts	<u>(8,608)</u>	600

Change in net assets of governmental activities \$ 511,445

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

BALDWIN SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 261,285
Total assets	<u>261,285</u>
Liabilities	
Accounts payable and accrued liabilities	240,282
Due to other funds	1,654
Due to student clubs	<u>19,349</u>
Total liabilities	<u>\$ 261,285</u>

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

Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statements No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The school district reports the following major governmental funds:

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

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

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

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

MAEP Debt Retirement – This fund is used to account for revenues and expenditures of the funds provided by the MAEP program.

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

The District’s fiduciary funds include the following:

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

E. Encumbrances

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

Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities, and net assets/fund balances

(1) Cash, Cash equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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

(3) Due from Other Governments

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

(4) Inventories and Prepaid Items

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

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(5) Restricted Assets

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

(6) Capital Assets

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

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

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

(7) Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(7) Compensated Absences (Continued)

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

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

(8) Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

(9) Fund balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board. No commitments have been made by the board.

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(9) Fund balances (Continued)

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

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

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

Note 2 - Cash and Cash Equivalents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects) and bond sinking funds (Debt Service Funds) must be credited to those funds.

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

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

Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,254,504 and \$261,285, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$1,935,546 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAA	Less than 1	\$ 124,603
Total			<u>\$ 124,603</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.

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 65,149
	EHA Part B fund	20,158
	21st Century fund	54,635
	Other governmental funds	34,044
	Fiduciary funds	1,654
Total funds		<u>\$ 175,640</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 227,046
Title I fund	General fund	5,752
IDEA Part B fund	General fund	2,519
21st Century fund	General fund	2,269
Other governmental funds	General fund	10,130
Total funds		<u>\$ 247,716</u>

The principal purpose of interfund transfers was to provide funds for daily operation or for indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$124,603, of the MAEP Limited Obligation Bonds Payable (State Aid Capital Improvements Refunding Series, 2008).

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Balance 6/30/2011
Governmental Activities:					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 42,149	-	-	-	42,149
Construction in progress	1,215,184	539,019	-	(1,754,203)	-
Total non-depreciable assets	1,257,333	539,019	-	(1,754,203)	42,149
<u>Depreciable capital assets:</u>					
Buildings	7,891,708	-	-	1,606,166	9,497,874
Building improvements	106,565	-	-	148,037	254,602
Improvements other than buildings	314,991	-	-	-	314,991
Mobile equipment	869,611	-	-	-	869,611
Furniture and equipment	168,108	-	(10,807)	-	157,301
Total depreciable capital assets	9,350,983	-	(10,807)	1,754,203	11,094,379
<u>Less accumulated depreciation:</u>					
Buildings	2,103,312	184,796	-	-	2,288,108
Building improvements	69,044	9,163	-	-	78,207
Improvements other than buildings	96,351	12,600	-	-	108,951
Mobile equipment	549,892	47,571	-	-	597,463
Furniture and equipment	126,825	13,416	(10,699)	-	129,542
Total accumulated depreciation	2,945,424	267,546	(10,699)	-	3,202,271
Total depreciable capital assets, net	6,405,559	(267,546)	(108)	1,754,203	7,892,108
Governmental activities capital assets, net	\$ 7,662,892	271,473	(108)	-	7,934,257

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 150,949
Support services	116,597
Total depreciation expense	\$ 267,546

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A General obligation bonds payable	\$ 2,010,000	-	190,000	1,820,000	205,000
B Limited obligation bonds payable	1,085,000	-	120,000	965,000	125,000
C Three mill note payable	70,000	-	35,000	35,000	35,000
D Shortfall note payable	109,000	49,798	51,000	107,798	44,826
E Obligations under energy efficiency lease	8,497	-	8,497	-	-
F Qualified school construction bonds	1,750,000	-	-	1,750,000	-
G Compensated absences payable	65,244	-	10,400	54,844	-
				-	-
Total	<u>\$ 5,097,741</u>	<u>49,798</u>	<u>414,897</u>	<u>4,732,642</u>	<u>409,826</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2001	3.70-4.60%	06/01/01	12/01/12	\$ 1,230,000	\$ 205,000
General obligation bonds, series 2002	4.00-5.50%	07/01/02	07/01/22	2,295,000	1,615,000
				<u>\$ 3,525,000</u>	<u>\$ 1,820,000</u>

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 100,000	7,080	107,080
2013	105,000	2,415	107,415
Total	<u>\$ 205,000</u>	<u>9,495</u>	<u>214,495</u>

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

2. General obligation bond issue July 1, 2002:

Year Ending June 30	Principal	Interest	Total
2012	\$ 105,000	68,476	173,476
2013	110,000	64,071	174,071
2014	115,000	59,514	174,514
2015	120,000	54,636	174,636
2016	125,000	49,460	174,460
2017-2021	710,000	158,447	868,447
2022-2023	330,000	15,242	345,242
Total	<u>\$ 1,615,000</u>	<u>469,846</u>	<u>2,084,846</u>

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

A. General obligation bonds payable

Total general obligation bond payment for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 205,000	75,556	280,556
2013	215,000	66,486	281,486
2014	115,000	59,514	174,514
2015	120,000	54,636	174,636
2016	125,000	49,460	174,460
2017-2021	710,000	158,447	868,447
2022-2023	330,000	15,242	345,242
Total	<u>\$ 1,820,000</u>	<u>479,341</u>	<u>2,299,341</u>

Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 6 - Long-term liabilities (Continued)

A. General obligation bonds payable (Continued)

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-5-5 and 37-59-7, Miss. Code Ann. (1072). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 4.50% of property assessments as of October 1, 2010.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2008	3.00-3.50%	09/11/08	06/01/18	\$ 1,325,000	965,000
				<u>\$ 1,325,000</u>	<u>965,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 125,000	31,225	156,225
2013	130,000	27,475	157,475
2014	130,000	23,250	153,250
2015	140,000	19,025	159,025
2016	140,000	14,925	154,925
2017-2018	300,000	15,525	315,525
	<u>\$ 965,000</u>	<u>131,425</u>	<u>1,096,425</u>

This debt will be retired from the MAEP Retirement fund.

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

C. Three mill note payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, series 2001	4.50%	11/20/01	12/1/11	\$ 325,000	35,000
Total				<u>\$ 325,000</u>	<u>35,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 35,000	1,597	36,597
	<u>\$ 35,000</u>	<u>1,597</u>	<u>36,597</u>

This debt will be retired from the Three Mill Debt Retirement fund.

D. Shortfall notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2009 Shortfall note	5.75%	9/24/09	6/24/13	\$ 87,000	58,000
2011 Shortfall note	4.75%	10/8/10	12/1/13	49,798	49,798
Total				<u>\$ 136,798</u>	<u>107,798</u>

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 29,000	3,381	32,381
2013	29,000	1,695	30,695
Total	<u>\$ 58,000</u>	<u>5,076</u>	<u>63,076</u>

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

Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 6 - Long-term liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 15,826	2,399	18,225
2013	16,585	1,640	18,225
2014	17,387	838	18,225
Total	<u>\$ 49,798</u>	<u>4,877</u>	<u>54,675</u>

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

D. Shortfall notes payable

Total shortfall notes payable from all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 44,826	5,779	50,605
2013	45,585	3,336	48,921
2014	17,387	838	18,225
Total	<u>\$ 107,798</u>	<u>9,953</u>	<u>117,751</u>

E. Obligations under energy efficiency lease

This debt was paid off during the current year.

F. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

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

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

Year Ending	Principal	Interest	Total
2012	\$ -	16,450	\$ 16,450
2013	-	16,450	16,450
2014	-	16,450	16,450
2015	-	16,450	16,450
2016	-	16,450	16,450
2017-2021	-	82,250	82,250
2022-2025	1,750,000	65,800	1,815,800
	<u>\$ 1,750,000</u>	<u>230,300</u>	<u>1,980,300</u>

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

G. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Baldwyn School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$940,000 of bonds outstanding were defeased.

Note 8 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$490,785, \$507,282, and \$526,696, respectively, which equaled the required contributions for each year.

Note 9 - Contingencies

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

Note 10 - Risk Management

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 11 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The District promises to pay interest on such principal amount from the date of this Note or from the most recent interest payment date to which interest has been paid at the rate of interest per annum set forth above on November 15 of each year, commencing November 15, 2012, until said principal sum is paid, to the registered owner hereof who shall appear in the registration records of the District maintained by the Paying Agent as of the Record Date. However, the United States Treasury reimburses the District for the amount of interest paid on the principal amount. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending	Amount
June 30	
2012	\$ 65,000
2013	65,000
2014	135,000
2015	135,000
2016	135,000
2017-2021	675,000
2022-2025	540,000
 Total	 <u>\$ 1,750,000</u>

The sinking fund schedule was incorrectly reported in the prior year. The payment due for the year ended June 30, 2011 was interest only.

Note 12 – Alternative School Consortium

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

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

**Baldwyn School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 12 – Alternative School Consortium (Continued)

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

Note 13 – Insurance loss recoveries

The Baldwyn School District received \$7,071 in insurance loss recoveries related to a bus accident during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance loss recoveries	Percentage	Expenditure function
\$ 7,071	100.00%	Support services

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Baldwyn School District evaluated the activity of the district through March 7, 2013 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

Baldwyn School District
Budgetary Comparison for the General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 2,161,291	2,011,590	1,897,637	(149,701)	(113,953)
State sources	3,993,019	3,734,400	3,734,400	(258,619)	-
Federal sources	52,009	82,291	82,291	30,282	-
Total revenues	<u>6,206,319</u>	<u>5,828,281</u>	<u>5,714,328</u>	<u>(378,038)</u>	<u>(113,953)</u>
Expenditures:					
Instruction	3,477,610	2,959,222	2,958,654	518,388	568
Support services	2,225,945	2,192,133	2,181,479	33,812	10,654
Noninstructional services	30,000	26,687	26,687	3,313	-
Facilities acquisition and construction	-	1,278	-	(1,278)	1,278
Debt Service:					
Principal	8,497	8,497	8,497	-	-
Interest	319	319	319	-	-
Total expenditures	<u>5,742,371</u>	<u>5,188,136</u>	<u>5,175,636</u>	<u>554,235</u>	<u>12,500</u>
Excess (deficiency) of revenues over expenditures	<u>463,948</u>	<u>640,145</u>	<u>538,692</u>	<u>176,197</u>	<u>(101,453)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	7,070	7,071	7,070	1
Proceeds of loans	34,000	49,798	49,798	15,798	-
Operating transfers in	719,442	652,940	20,670	(66,502)	(632,270)
Operating transfers out	(901,382)	(857,383)	(227,046)	43,999	630,337
Total other financing sources (uses)	<u>(147,940)</u>	<u>(147,575)</u>	<u>(149,507)</u>	<u>365</u>	<u>(1,932)</u>
Net change in fund balance	<u>316,008</u>	<u>492,570</u>	<u>389,185</u>	<u>176,562</u>	<u>(103,385)</u>
Fund Balance:					
July 1, 2010	<u>688,692</u>	<u>688,692</u>	<u>688,693</u>	<u>-</u>	<u>1</u>
June 30, 2011	<u>\$ 1,004,700</u>	<u>1,181,262</u>	<u>1,077,878</u>	<u>176,562</u>	<u>(103,384)</u>

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

Baldwyn School District
Budgetary Comparison Schedule for Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 334,671	451,434	384,683	116,763	(66,751)
Total revenues	<u>334,671</u>	<u>451,434</u>	<u>384,683</u>	<u>116,763</u>	<u>(66,751)</u>
Expenditures:					
Instruction	47,237	136,826	128,244	(89,589)	8,582
Support services	282,326	306,018	248,115	(23,692)	57,903
Noninstructional services	-	2,838	2,572	(2,838)	266
Total expenditures	<u>329,563</u>	<u>445,682</u>	<u>378,931</u>	<u>(116,119)</u>	<u>66,751</u>
Excess (deficiency) of revenues over expenditures	<u>5,108</u>	<u>5,752</u>	<u>5,752</u>	<u>644</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(5,108)	(5,752)	(5,752)	(644)	-
Total other financing sources (uses)	<u>(5,108)</u>	<u>(5,752)</u>	<u>(5,752)</u>	<u>(644)</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:					
July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Baldwyn School District
Budgetary Comparison Schedule for EHA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 430,577	430,577	167,655	-	(262,922)
Total revenues	430,577	430,577	167,655	-	(262,922)
Expenditures:					
Instruction	190,665	293,093	48,198	(102,428)	244,895
Support services	162,857	127,954	114,923	34,903	13,031
Noninstructional services	2,000	3,000	2,015	(1,000)	985
Total expenditures	355,522	424,047	165,136	(68,525)	258,911
Excess (deficiency) of revenues over expenditures	75,055	6,530	2,519	(68,525)	(4,011)
Other Financing Sources (Uses):					
Operating transfers out	(5,396)	(6,530)	(2,519)	(1,134)	4,011
Total other financing sources (uses)	(5,396)	(6,530)	(2,519)	(1,134)	4,011
Net change in fund balance	69,659	-	-	(69,659)	-
Fund Balance:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ 69,659	-	-	(69,659)	-

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

Baldwyn School District
Budgetary Comparison Schedule for 21st Century Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	235,757	148,673	235,757	(87,084)
Total revenues	-	235,757	148,673	235,757	(87,084)
Expenditures:					
Instruction	-	180,541	111,328	(180,541)	69,213
Support services	-	49,172	35,076	(49,172)	14,096
Noninstructional services	-	2,500	-	(2,500)	2,500
Total expenditures	-	232,213	146,404	(232,213)	85,809
Excess (deficiency) of revenues over expenditures	-	3,544	2,269	3,544	(1,275)
Other Financing Sources (Uses):					
Operating transfers out	-	(3,544)	(2,269)	(3,544)	1,275
Total other financing sources (uses)	-	(3,544)	(2,269)	(3,544)	1,275
Net change in fund balance	-	-	-	-	-
Fund Balance:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	-	-	-	-

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

Baldwyn School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2011

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, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 114,176
National school lunch program	10.555	279,109
Total Child Nutrition Cluster		<u>393,285</u>
Total Passed-through MDE		<u>393,285</u>
Total U.S. Department of Agriculture		<u>393,285</u>
Federal Communications Commission		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	26,004
Total Federal Communications Commission		<u>26,004</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants		
	84.186	990
Twenty-first century community learning centers	84.287	148,673
Rural education	84.358	22,752
Improving teacher quality - state grants	84.367	84,648
ARRA-State fiscal stabilization fund, education state grants, Recovery Act	84.394	233,711
Education jobs fund	84.410	174,521
Total		<u>665,295</u>
Education Technology cluster:		
Education technology state grant	84.318	2,470
ARRA-Education technology state grant, Recovery Act	84.386	4,784
Total Education Technology cluster		<u>7,254</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	384,683
ARRA-Title I grants to local education agencies, Recovery Act	84.389	218,425
Total Title I cluster		<u>603,108</u>
Special Education Cluster		
Special education - grants to states	84.027	167,655
Special education - preschool grants	84.173	9,082
ARRA-special education-grants to states, Recovery Act	84.391	43,240
ARRA-special education-preschool grants, Recovery Act	84.392	1,343
Total Special Education Cluster		<u>221,320</u>
Total Passed-through MDE		<u>1,496,977</u>
Total U.S. Department of Education		<u>1,496,977</u>

BALDWIN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	25,593
Total passed-through Mississippi Department of Education		25,593
Total U. S. Department of Health and Human Services		25,593
Total for All Federal Awards		\$ 1,941,859

NOTES TO SCHEDULE

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

Baldwyn School District
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
June 30, 2011

<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	\$ 5,509,923	4,219,493	386,613	411,735	492,082
Other	3,070,865	863,275	113,066	46,071	2,048,453
Total	\$ 8,580,788	5,082,768	499,679	457,806	2,540,535
 Total Number of Students *	 <u>855</u>				
 Cost per Student	 <u>\$ 10,036</u>	 <u>5,945</u>	 <u>585</u>	 <u>535</u>	 <u>2,971</u>

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

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

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

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

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

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

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

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 1,897,637	\$ 1,911,916	\$ 1,845,637	\$ 1,908,372
State sources	3,734,400	3,908,848	4,423,318	4,670,144
Federal sources	82,291	54,362	72,066	66,701
Total revenues	<u>5,714,328</u>	<u>5,875,126</u>	<u>6,341,021</u>	<u>6,645,217</u>
Expenditures:				
Instruction	2,958,654	3,447,531	4,204,129	4,109,478
Support services	2,181,479	2,145,425	2,296,898	2,174,846
Noninstructional services	26,687	32,198	41,436	57,494
Facilities acquisition	-	2,463	73,846	63,159
Debt Service:				
Principal	8,497	8,088	7,699	7,329
Interest	319	728	1,117	1,487
Total expenditures	<u>5,175,636</u>	<u>5,636,433</u>	<u>6,625,125</u>	<u>6,413,793</u>
Excess (deficiency) of revenues over(under) expenditures	<u>538,692</u>	<u>238,693</u>	<u>(284,104)</u>	<u>231,424</u>
Other Financing Sources (Uses):				
Proceeds of loans	49,798	87,000	-	66,000
Sale of other property	-	-	501	-
Insurance loss recovery	7,071	-	7,997	-
Operating transfers in	20,670	429,878	203,733	17,068
Operating transfers out	(227,046)	(212,921)	(186,728)	(218,072)
Total other financing sources	<u>(149,507)</u>	<u>303,957</u>	<u>25,503</u>	<u>(135,004)</u>
Net change in fund balances	<u>389,185</u>	<u>542,650</u>	<u>(258,601)</u>	<u>96,420</u>
Fund balances:				
Beginning of period	<u>688,693</u>	<u>146,043</u>	<u>404,644</u>	<u>308,224</u>
End of period	<u>\$ 1,077,878</u>	<u>\$ 688,693</u>	<u>\$ 146,043</u>	<u>\$ 404,644</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

Revenues:	2011	2010*	2009*	2008*
Local sources	\$ 2,413,386	\$ 2,560,661	\$ 2,329,352	\$ 2,318,752
State sources	4,036,976	4,204,413	4,718,889	4,968,115
Federal sources	1,962,954	1,456,477	1,076,573	1,065,986
Total revenues	<u>8,413,316</u>	<u>8,221,551</u>	<u>8,124,814</u>	<u>8,352,853</u>
Expenditures:				
Instruction	4,322,713	4,271,919	4,729,238	4,678,372
Support services	2,705,615	2,695,940	2,708,960	2,583,133
Noninstructional services	463,119	475,102	510,265	516,181
Facilities acquisition and construction	539,019	1,166,051	73,845	63,159
Debt Service:				
Principal	404,497	410,088	409,699	347,329
Interest	145,825	143,167	168,412	189,758
Other	-	25,446	53,310	-
Total expenditures	<u>8,580,788</u>	<u>9,187,713</u>	<u>8,653,729</u>	<u>8,377,932</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(167,472)</u>	<u>(966,162)</u>	<u>(528,915)</u>	<u>(25,079)</u>
Other Financing Sources (Uses):				
Proceeds of bonds	-	1,750,000	1,325,000	-
Premium on debt issuance	-	-	5,667	-
Payment to refunded bond escrow agent	-	-	(1,255,000)	-
Proceeds of loans	49,798	87,000	-	66,000
Sale of other property	-	-	501	-
Insurance loss recovery	7,071	-	7,997	-
Operating transfers in	247,716	642,799	424,633	235,140
Operating transfers out	(247,716)	(642,799)	(424,633)	(235,140)
Total other financing sources	<u>56,869</u>	<u>1,837,000</u>	<u>84,165</u>	<u>66,000</u>
Net change in fund balances	<u>(110,603)</u>	<u>870,838</u>	<u>(444,750)</u>	<u>40,921</u>
Fund balances:				
Beginning of period	1,814,818	942,701	1,387,873	1,355,944
Increase(decrease) in reserve for inventory	<u>(1,192)</u>	<u>1,279</u>	<u>(422)</u>	<u>(8,992)</u>
End of period	<u>\$ 1,703,023</u>	<u>\$ 1,814,818</u>	<u>\$ 942,701</u>	<u>\$ 1,387,873</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board
Baldwyn School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Baldwyn School District as of and for the year ended June 30, 2011, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Baldwyn School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. Finding 2011-1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. Findings 2011-2 and 2011-3.

Compliance and Other Matters

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

We noted a certain other matter that we reported to management in a separate letter dated March 7, 2013.

Baldwyn School District's responses to these findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Baldwyn School District's responses and, accordingly, we express no opinion on them.

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

Brewer, Vanstang & Co. P.A.

March 7, 2013
Booneville, Mississippi



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

Superintendent and School Board
Baldwyn School District

Compliance

We have audited 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Baldwyn School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Baldwyn School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

MEMBERS AMERICAN SOCIETY OF CPA'S-MEMBERS MISSISSIPPI SOCIETY OF CPA'S

Internal Control over Compliance

The management of the Baldwin School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Baldwin School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be *material weaknesses* and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-4 and 2011-5 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-6 to be a significant deficiency.

Baldwyn School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Baldwin School District's responses and, accordingly, we express no opinion on the responses.

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

Pyrower, Vanotary & Co. P.A.

March 7, 2013
Booneville, Mississippi



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

Superintendent and School Board
Baldwyn School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baldwyn School District as of and for the year ended June 30, 2011, which collectively comprise Baldwyn School District's basic financial statements and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,708 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

Finding: We were unable to determine when the final amended budget was approved and adopted.

Recommendation: Document in the minutes the adoption date of the final amended budget.

Response: This will be recorded in the minutes in the future.

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

The Baldwyn School District's response to the findings included in this report was not audited and, accordingly, we express no opinion on it.

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

Pyrauner, Vansterg & Co. P.A

March 7, 2013
Booneville, Mississippi

**Baldwyn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes
 - b. Significant deficiency(ies) identified? Yes
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? Yes
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
a. CFDA# 84.010, 84.389	Title I cluster
b. CFDA# 84.027, 84.173, 84.391, 84.392	Special Education cluster
c. CDFA# 84.410	Education jobs fund

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

Section 2: Financial Statement Findings

Significant Deficiency Considered to be a Material Weakness

Finding 2011-1

Criteria: Management is responsible for establishing a proper internal control system to insure strong financial accountability and safeguarding of assets.

**Baldwyn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 2: Financial Statement Findings (Continued)

Significant Deficiency Considered to be a Material Weakness (Continued)

Finding 2011-1 (Continued)

Condition: Internal controls surrounding revenue recognition should be strengthened due to lack of segregation of duties.

Cause: The school district has a limited number of accounting personnel. During the test work for internal controls, we noted the same individual performed the following functions in the revenue cycle which indicated a lack of segregation of duties:

- Prepared receipts
- Prepared deposit tickets
- Delivered deposits to the bank
- Recorded receipts to the general ledger
- Prepared journal entries
- Reconciled bank statements

Effect: The lack of proper segregation of duties creates an opportunity for misappropriation of assets and subsequent concealment.

Recommendation: We recommend that the district strengthen its internal controls by segregating incompatible accounting functions.

Response: Upon notification of the non-compliance, Baldwyn School District will improve its segregation of duties, pertaining to internal control. Improvements will be made to segregate duties with the District's limited number of accounting personnel.

Significant Deficiencies not Considered to be Material Weaknesses

Finding 2011-2

Criteria: Management is responsible for implementing proper controls over payroll to insure strong financial accountability and safeguarding of assets.

Condition: The school district's internal controls procedures were inadequate to prevent or detect errors in calculating payroll reimbursements. Refer to Finding 2011-6

Cause: The district has a limited number of accounting personnel.

Effect: Inadequate controls over payroll expenditures increase the risk of unauthorized, inappropriate expenditures being made.

Recommendation: We recommend that the district require periodic review and reconciliation of payroll expenditures.

**Baldwyn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Significant Deficiencies not Considered to be Material Weaknesses (Continued)

Finding 2011-2 (Continued)

Response: Upon notification of the non-compliance, Baldwyn School District will improve its segregation of duties pertaining to Internal Control. Improvements will be made to segregate duties with the District's limited number of accounting personnel.

Findings 2011-3

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

Condition: The school district's internal control procedures were inadequate in that the activity deposits are not being made in a timely manner. In tests performed, we noted that four of the fifteen deposits tested, or 27%, were held three or more business days after the event occurred.

Cause: The schools, where money is collected, are holding the money three or more days before making the deposit.

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

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

Response: Upon notification of the non-compliance, Baldwyn School District has taken the necessary steps to correct this problem. Money collected at the schools is being deposited daily.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to be Material Weaknesses

Finding 2011-4

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

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

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

**Baldwyn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

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

Significant Deficiencies Considered to be Material Weaknesses (Continued)

Finding 2011-4 (Continued)

Cause: A lack of knowledge and internal controls led to no semi-annual certifications or personnel activity reports being completed for Special Education.

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

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

Finding 2011-5

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

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

Condition: Internal controls were not in place to prevent or detect errors in reporting payroll expenditures of a federal grant. One employee who was paid from more than one federally funded program, one which was the Special Education program, failed to show, based on her time records, that she had any time spent in the Special Education program even though she was budgeted in the Special Education budget.

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

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

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

**Baldwyn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Significant Deficiency not Considered to be a Material Weakness

Finding 2011-6

Program: State Stabilization funds 84.394

Criteria: Management is responsible for implementing proper controls over payroll to ensure strong financial accountability and safeguarding of assets.

Condition: The school district's internal controls procedures were inadequate to prevent or detect errors in calculating payroll reimbursements. The district had one employee whose salary was docked for one day in error. When the reimbursement was made, a check was actually cut twice, therefore, paying that employee more than her contract allowed. The reimbursement was made with State Stabilization funds.

Cause: The district failed to reconcile payroll expenditures to employee contracts.

Effect: Inadequate controls over payroll expenditures increase the risk of unauthorized, inappropriate expenditures being made.

Recommendation: We recommend that the district require periodic review and reconciliation of payroll expenditures to time records.

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

Auditee's Corrective Action Plan

As required by OMB Circular A-87, the Baldwyn School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-4	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: K Jackson Title: Special Education Director Phone Number : 662-365-1007</p> <p>b. Corrective action planned: All Employees working on a single cost objective will complete and sign certification at least semi-annually.</p> <p>c. Anticipated Completion Date: May 2013</p>
2011-5	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: K Jackson Title: Special Education Director Phone Number : 662-365-1007</p> <p>b. Corrective action planned: Adequate records will be maintained to determine time worked on each program.</p> <p>c. Anticipated Completion Date: May 2013</p>
2011-6	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Melanie Long Title: Business Manager Phone Number : 662-365-1007</p> <p>b. Corrective action planned: From this date forward payroll expenditures will be more closely monitored and will be reconciled to Employee Contract amounts.</p> <p>c. Anticipated Completion Date: December 31, 2012</p>

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

Summary of Prior Audit Findings

Prior Audit Findings:

As required by Section __.315(c) of OMB Circular A-133, the Baldwyn School District has prepared and hereby submits the following status of findings as of June 30, 2011:

FINDING	STATUS
2010-1	Corrections were implemented upon notification

