



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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BALDWIN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2004

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BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

BALDWIN SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

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, 2004, which collectively comprise the Baldwyn School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baldwyn School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Baldwyn School District, as of June 30, 2004, 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 May 5, 2005, on our consideration of the Baldwyn School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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.

The Management's Discussion and Analysis on pages 7 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 41 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baldwin School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2005

BALDWIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BALDWIN SCHOOL DISTRICT

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**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

The discussion and analysis of Baldwin School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets decreased \$46,868, including the effect of prior period adjustments, which represents a 2% increase from fiscal year 2003.

General revenues account for \$5,600,955 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,363,618 or 20% of total revenues.

The District had \$6,972,790 in expenses; only \$1,363,618 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,600,955 were adequate to provide for these programs.

Among major funds, the General Fund had \$5,367,963 in revenues and \$5,160,926 in expenditures. The General Fund's fund balance increased \$24,050, or 4%, over the prior year.

Capital assets, net of accumulated depreciation, increased by \$661,547 as a result of the completion of construction of a new gymnasium and band hall.

Long-term debt decreased by \$311,818 as a result of schedule debt service repayments.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as "Other Governmental Funds."

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

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

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

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

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

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$3,025,353 as of June 30, 2004.

By far the largest portion of the District's net assets (70%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2004 and 2003.

Current Assets	\$ 1,186,972	\$ 2,148,853
Capital Assets, net	<u>7,243,299</u>	<u>6,581,752</u>
Total Assets	<u><u>\$ 8,430,271</u></u>	<u><u>\$ 8,730,605</u></u>
Current liabilities	\$ 223,943	\$ 259,327
Long-term Liabilities	<u>5,180,975</u>	<u>5,492,793</u>
Total Liabilities	<u><u>\$ 5,404,918</u></u>	<u><u>\$ 5,752,120</u></u>
Net Assets		
Invested in capital assets, net of related debt	\$ 2,113,299	\$ 1,161,752
Restricted	346,788	1,335,997
Unrestricted	<u>565,266</u>	<u>480,736</u>
Total Net Assets	<u><u>\$ 3,025,353</u></u>	<u><u>\$ 2,978,485</u></u>

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

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

Scheduled repayments of over \$300,000 in debt service payments.

Depreciation of capital assets in the amount of \$204,857.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004, were \$6,964,573. The total cost of all programs and services was \$6,972,790. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004 and 2003.

Program Revenues	\$ 1,363,618	\$ 1,462,307
General Revenues	<u>5,600,955</u>	<u>5,387,067</u>
Total Revenues	<u>6,964,573</u>	<u>6,849,374</u>
Expenses		
Instruction	3,923,497	3,502,774
Support Services	2,251,398	2,081,352
Non-instructional	503,232	482,182
Interest on Long-Term Liabilities	<u>294,663</u>	<u>255,502</u>
Total Expenses	<u>6,972,790</u>	<u>6,321,810</u>
Prior Period Adjustments	<u>55,085</u>	<u>0</u>
Increase in Net Assets	<u>\$ 46,868</u>	<u>\$ 527,564</u>

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

	Total Expenses	Net (Expense) Revenue
Instruction	\$ 3,923,497	(3,342,773)
Support Services	2,251,398	(1,936,839)
Non-instructional	503,232	(34,897)
Interest on long-term liabilities	<u>294,663</u>	<u>(294,663)</u>
Total Expenses	<u>\$ 6,972,790</u>	<u>(5,609,172)</u>

The net cost of governmental activities (\$5,609,172) was financed by general revenue, which is made up of primarily property taxes (\$1,491,901) and state revenue (\$4,017,861).

Investment earnings accounted for \$15,873 of funding.

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$990,615, a decrease of \$980,248, including the effect of prior period adjustments, due primarily to the completion of the new gymnasium and band hall, financing for which was received in the prior year. \$577,580 or 58% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$413,035 or 42% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$24,050, or 2%, which is not attributable to any one significant factor.

The School Food Service Fund is used to account for the operation of the school district's cafeterias. Revenues for this fund are primarily from federal sources and sales to students. The fund balance at June 30, 2004, was \$153,207, a decrease of \$24,870, including the effect of prior period adjustments. This was partially a result of capital expenditures for new equipment.

The Building Project 2002 Bond Issue Fund was created during the year ended June 30, 2003, to account for the disbursements of a major bond issue, which is being used for the addition of major capital facilities. The fund balance for this special purpose capital project fund was completely depleted as a result of completion of the gymnasium and band hall.

The MAEP Debt Service Fund is a debt service fund dedicated to account for the receipt of state revenues used for repayment of the State Aid Capital Improvement Bonds.

The fund balance of Other Governmental Funds showed a decrease due primarily to debt service payments paid from prior year resources.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant revisions are as follows:

Expenses for Instruction had to be amended after the original budget because the school district decided to hire more teachers to reduce class size. Also, raises approved after the original budget was adopted for district employees other than teachers (teachers' assistants).

Expenditures for Support Services were amended primarily because raises for staff other than teachers were approved after the original budget was adopted.

Significant changes in the School Food Service Fund for noninstructional expenses were caused by the

need to upgrade equipment, as well as raises for cafeteria workers.

**BALDWIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

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, 2004, the District's total capital assets were \$8,984,988, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$866,404 from the previous year. This increase was a result of the completion of construction of a new gymnasium and band hall. Total accumulated depreciation as of June 30, 2004, was \$1,741,689 and total depreciation expense for the year was \$204,857, resulting in total net assets of \$7,243,299.

Debt Administration. At June 30, 2004, the District had \$5,180,975 in general obligation bonds and other long-term debt outstanding, of which \$300,000 is due within one year. During the year ended June 30, 2004, the school district reduced long-term debt by \$311,818.

CURRENT ISSUES

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

There has been no significant change in enrollment figures for the 2004-2005 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BALDWIN SCHOOL DISTRICT

FINANCIAL STATEMENTS

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 897,015
Due from other governments	153,599
Inventories and prepaid items	35,718
Deferred charges	38,661
Restricted assets	61,979
Capital assets, net	<u>7,243,299</u>
 Total Assets	 <u>8,430,271</u>
Liabilities	
Accounts payable and accrued liabilities	130,298
Deferred revenue	27,398
Interest payable on long-term liabilities	66,247
Long-term liabilities, due within one year	
Capital related liabilities	300,000
Long-term liabilities, due beyond one year	
Capital related liabilities	4,830,000
Non-capital related liabilities	<u>50,975</u>
 Total Liabilities	 <u>5,404,918</u>
Net Assets	
Investment in capital assets, net of related debt	2,113,299
Restricted net assets:	
Expendable:	
School-based activities	188,474
Debt service	137,103
Unemployment benefits	21,211
Unrestricted	<u>565,266</u>
 Total Net Assets	 <u>\$ 3,025,353</u>

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

BALDWIN SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 3,923,497	137,961	442,763		(3,342,773)
Support services	2,251,398		314,559		(1,936,839)
Non-instructional	503,232	111,087	357,248		(34,897)
Interest and other on long-term liabilities	294,663				(294,663)
Total Governmental Activities	\$ 6,972,790	249,048	1,114,570	0	(5,609,172)
General Revenues:					
Taxes:					
					1,237,306
					254,595
Unrestricted grants and contributions:					
					4,017,861
					42,513
					15,873
					32,807
					<u>5,600,955</u>
					<u>(8,217)</u>
					2,978,485
					55,085
					<u>3,033,570</u>
					\$ <u><u>3,025,353</u></u>

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

BALDWIN SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2004

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Building Project 2002 Fund	MAEP Retirement Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 494,312	144,072	123,722		134,909	897,015
Cash with fiscal agents				380		380
Investments				61,599		61,599
Due from other governments	54,815			81,558	17,226	153,599
Due from other funds	8,446					8,446
Inventories and prepaid items	20,007	15,711				35,718
Total Assets	\$ 577,580	159,783	123,722	143,537	152,135	1,156,757
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$	6,576	123,722			130,298
Due to other funds					8,446	8,446
Deferred revenue					27,398	27,398
Total Liabilities	0	6,576	123,722	0	35,844	166,142
Fund Balances:						
Reserved for:						
Inventory		15,711				15,711
Prepaid items	20,007					20,007
Debt service				143,537	59,813	203,350
Unreserved:						
Undesignated, reported in:						
General Fund	557,573					557,573
Special Revenue Funds		137,496			56,478	193,974
Total Fund Balances	577,580	153,207	0	143,537	116,291	990,615
Total Liabilities and Fund Balances	\$ 577,580	159,783	123,722	143,537	152,135	1,156,757

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, 2004

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 990,615
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,741,689.	7,243,299
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,180,975)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(66,247)
4. Issuance cost of long-term liabilities is reported as an expenditure in the governmental funds, but is deferred and amortized in the Statement of Net Assets.	<u>38,661</u>
Total Net Assets - Governmental Activities	<u>\$ 3,025,353</u>

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
For the Year Ended June 30, 2004

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Building Project 2002 Fund	MAEP Retirement Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 1,400,604	127,598	3,670	1,037	256,620	1,789,529
State sources	3,924,846	2,582		163,117	159,639	4,250,184
Federal sources	42,513	315,928			566,319	924,760
Total Revenues	5,367,963	446,108	3,670	164,154	982,578	6,964,473
Expenditures:						
Instruction	3,257,426				555,836	3,813,262
Support services	1,857,598	43,598	346		278,573	2,180,115
Noninstructional services	45,902	421,744			35,721	503,367
Facilities acquisition and construction			866,404			866,404
Debt service:						
Principal				80,000	210,000	290,000
Interest				81,001	214,038	295,039
Other					998	998
Total Expenditures	5,160,926	465,342	866,750	161,001	1,295,166	7,949,185
Excess (Deficiency) of Revenues over Expenditures	207,037	(19,234)	(863,080)	3,153	(312,588)	(984,712)
Other Financing Sources (Uses):						
Sale of transportation equipment	100					100
Operating transfers in	15,987		29,744		203,634	249,365
Operating transfers out	(199,074)	(10,000)			(40,291)	(249,365)
Total Other Financing Sources (Uses)	(182,987)	(10,000)	29,744	0	163,343	100
Net Change in Fund Balances	24,050	(29,234)	(833,336)	3,153	(149,245)	(984,612)
Fund Balances:						
July 1, 2003	553,530	178,077	833,336	140,384	265,536	1,970,863
Prior period adjustments		2,708				2,708
July 1, 2003, as restated	553,530	180,785	833,336	140,384	265,536	1,973,571
Increase in reserve for inventory	0	1,656	0	0	0	1,656
June 30, 2004	\$ 577,580	153,207	0	143,537	116,291	990,615

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, 2004

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (984,612)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$866,404 and the depreciation expense amounted to \$204,857.	661,547
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	290,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	3,522
4. Issuance cost for long-term liabilities is reported as an expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, but is deferred and amortized over the life of the debt on the Statement of Activities	(2,148)
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	1,656
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>21,818</u>
Change in Net Assets of Governmental Activities	<u>\$ (8,217)</u>

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

BALDWIN SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2004

Exhibit E

		Agency Funds
Assets		<u> </u>
Cash and cash equivalents	\$	<u> 388,893</u>
Total Assets	\$	<u><u> 388,893</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	301,122
Due to student clubs		<u> 87,771</u>
Total Liabilities	\$	<u><u> 388,893</u></u>

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This Special Revenue Fund is used to account for the district's food service operations.

Building Project 2002 Fund - This Capital Projects Fund is used to account for the disbursement of a bond issue for major capital facilities.

MAEP Retirement Fund - This Debt Service Fund is used to account for the payments on the MAEP debt.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. 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.

I. Capital Assets.

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 4 for details.

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$897,015 and \$388,893, respectively. The bank balance was \$1,598,500.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$380.
Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury bills	\$ <u>61,599</u>	<u>0</u>	<u>0</u>	61,599	61,599
Total Investments				\$ <u>61,599</u>	<u>61,599</u>

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 8,446	
Other governmental funds		8,446
Total	\$ <u>8,446</u>	<u>8,446</u>

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental Funds:		
General Fund	\$ 15,987	199,074
School Food Service Fund		10,000
Building Project 2002 Fund	29,744	
Other governmental funds	203,634	40,291
Total	\$ <u>249,365</u>	<u>249,365</u>

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(4) Capital Assets.

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

	Balance 7-1-2003	Additions	Retirements	Completed Construction	Balance 6-30-2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 42,149				42,149
Construction in progress	1,872,274	866,404		(2,738,678)	
Total non-depreciable capital assets	<u>1,914,423</u>	<u>866,404</u>	<u>0</u>	<u>(2,738,678)</u>	<u>42,149</u>
<u>Depreciable capital assets:</u>					
Buildings	5,176,316			2,627,520	7,803,836
Building improvements	106,565				106,565
Improvements other than buildings	203,833			111,158	314,991
Mobile equipment	601,680				601,680
Furniture and equipment	115,767				115,767
Total depreciable capital assets	<u>6,204,161</u>	<u>0</u>	<u>0</u>	<u>2,738,678</u>	<u>8,942,839</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,043,388	150,915			1,194,303
Building improvements	46,353	3,242			49,595
Improvements other than buildings	8,153	12,600			20,753
Mobile equipment	331,906	36,579			368,485
Furniture and equipment	107,032	1,521			108,553
Total accumulated depreciation	<u>1,536,832</u>	<u>204,857</u>	<u>0</u>	<u>0</u>	<u>1,741,689</u>
Total depreciable capital assets, net	<u>4,667,329</u>	<u>(204,857)</u>	<u>0</u>	<u>2,738,678</u>	<u>7,201,150</u>
Governmental activities capital assets, net	<u>\$ 6,581,752</u>	<u>661,547</u>	<u>0</u>	<u>0</u>	<u>7,243,299</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 132,053
Support services	71,283
Non-instructional	<u>1,521</u>
Total Depreciation Expense	<u>\$ 204,857</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(5) Long-term Liabilities.

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

	Balance 7-1-2003	Additions	Reductions	Balance 6-30-2004	Amounts due within one year
A. General obligation bonds payable	\$ 3,420,000		175,000	3,245,000	185,000
B. Limited obligation bonds payable	1,685,000		80,000	1,605,000	80,000
C. Three mill notes payable	315,000		35,000	280,000	35,000
D. Compensated absences payable	72,793		21,818	50,975	
Total	\$ <u>5,492,793</u>	<u>0</u>	<u>311,818</u>	<u>5,180,975</u>	<u>300,000</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 bonds, Series 2001	Varies	06-01-01	12-01-12	\$ 1,230,000	1,020,000
General obligation bonds, Series 2002	Varies	07-01-02	07-01-22	<u>2,295,000</u>	<u>2,225,000</u>
Total				\$ <u>3,525,000</u>	<u>3,245,000</u>

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

Year Ending June 30	Principal	Interest	Total
2005	\$ 185,000	138,580	323,580
2006	195,000	130,166	325,166
2007	195,000	121,609	316,609
2008	210,000	112,708	322,708
2009	220,000	103,239	323,239
2010 - 2014	955,000	349,248	1,304,248
2015 - 2019	650,000	218,264	868,264
2020 - 2024	<u>635,000</u>	<u>59,522</u>	<u>694,522</u>
Total	\$ <u>3,245,000</u>	<u>1,233,336</u>	<u>4,478,336</u>

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2004, the amount of outstanding bonded indebtedness was equal to 11.1% of property assessments as of October 1, 2003. This debt will be retired from the 2001 B.O. Bond Fund and 2002 Bond Fund.

B. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	Varies	06-01-98	06-01-18	\$ 1,900,000	1,605,000
Total				\$ <u>1,900,000</u>	<u>1,605,000</u>

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

Year Ending June 30	Principal	Interest	Total
2005	\$ 80,000	75,649	155,649
2006	85,000	72,129	157,129
2007	90,000	68,389	158,389
2008	95,000	64,339	159,339
2009	100,000	60,064	160,064
2010 - 2014	575,000	225,759	800,759
2015 - 2019	580,000	72,393	652,393
Total	\$ <u>1,605,000</u>	<u>638,722</u>	<u>2,243,722</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 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. This debt will be retired from the MAEP Retirement Fund.

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

C. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, Series 2001	4.5%	11-29-01	12-01-11	\$ 325,000	280,000
Total				\$ <u>325,000</u>	<u>280,000</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>
2005	\$ 35,000	12,810	47,810
2006	35,000	11,178	46,178
2007	35,000	9,581	44,581
2008	35,000	7,984	42,984
2009	35,000	6,405	41,405
2010 - 2014	<u>105,000</u>	<u>9,581</u>	<u>114,581</u>
Total	\$ <u>280,000</u>	<u>57,539</u>	<u>337,539</u>

This debt will be retired from the Building Project Three-mill Note Fund.

D. Compensated absences payable.

As more fully explained in Note 1(O), 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.

(6) Defined Benefit Pension Plan.

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

BALDWIN SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$336,294, \$323,916 and \$295,189, respectively, which equaled the required contributions for each year.

(7) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. To correct a prior year error in recording accrued interest payable.	\$ 52,377
2. To correct a prior year error in recording an asset or liability.	<u>2,708</u>
Total	\$ <u><u>55,085</u></u>

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

<u>Major Fund</u>	<u>Explanation</u>	<u>Amount</u>
School Food Service Fund	To correct a prior year error in recording an asset or liability.	\$ <u>2,708</u>
Total		\$ <u><u>2,708</u></u>

(8) Risk Management.

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

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,323,469	1,400,916	1,400,604	77,447	(312)
State sources	3,874,699	3,921,846	3,924,846	47,147	3,000
Federal sources	45,663	42,513	42,513	(3,150)	
Total Revenues	<u>5,243,831</u>	<u>5,365,275</u>	<u>5,367,963</u>	<u>121,444</u>	<u>2,688</u>
Expenditures:					
Instruction	3,254,342	3,289,858	3,257,426	(35,516)	32,432
Support services	1,758,014	1,862,338	1,857,598	(104,324)	4,740
Noninstructional services	62,000	45,914	45,902	16,086	12
Total Expenditures	<u>5,074,356</u>	<u>5,198,110</u>	<u>5,160,926</u>	<u>(123,754)</u>	<u>37,184</u>
Excess (Deficiency) of Revenues over Expenditures	<u>169,475</u>	<u>167,165</u>	<u>207,037</u>	<u>(2,310)</u>	<u>39,872</u>
Other Financing Sources (Uses):					
Sale of transportation equipment		100	100	100	
Operating transfers in	434,402	423,478	15,987	(10,924)	(407,491)
Operating transfers out	(586,771)	(606,565)	(199,074)	(19,794)	407,491
Total Other Financing Sources (Uses)	<u>(152,369)</u>	<u>(182,987)</u>	<u>(182,987)</u>	<u>(30,618)</u>	<u>0</u>
Net Change in Fund Balances	<u>17,106</u>	<u>(15,822)</u>	<u>24,050</u>	<u>(32,928)</u>	<u>39,872</u>
Fund Balances:					
July 1, 2003	<u>552,220</u>	<u>553,530</u>	<u>553,530</u>	<u>1,310</u>	<u>0</u>
June 30, 2004	<u>\$ 569,326</u>	<u>537,708</u>	<u>577,580</u>	<u>(31,618)</u>	<u>39,872</u>

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

BALDWIN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 School Food Service Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 115,098	128,040	127,598	12,942	(442)
State sources	2,900	2,600	2,582	(300)	(18)
Federal sources	291,000	316,235	315,928	25,235	(307)
Total Revenues	<u>408,998</u>	<u>446,875</u>	<u>446,108</u>	<u>37,877</u>	<u>(767)</u>
Expenditures:					
Support services	39,559	43,783	43,598	(4,224)	185
Noninstructional services	322,644	425,917	421,744	(103,273)	4,173
Total Expenditures	<u>362,203</u>	<u>469,700</u>	<u>465,342</u>	<u>(107,497)</u>	<u>4,358</u>
Excess (Deficiency) of Revenues over Expenditures	<u>46,795</u>	<u>(22,825)</u>	<u>(19,234)</u>	<u>(69,620)</u>	<u>3,591</u>
Other Financing Sources (Uses):					
Operating transfers out	(14,000)	(10,000)	(10,000)	4,000	
Total Other Financing Sources (Uses)	<u>(14,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>4,000</u>	<u>0</u>
Net Change in Fund Balances	<u>32,795</u>	<u>(32,825)</u>	<u>(29,234)</u>	<u>(65,620)</u>	<u>3,591</u>
Fund Balances:					
July 1, 2003	170,000	182,441	178,077	12,441	(4,364)
Prior period adjustments			2,708		2,708
July 1, 2003, as restated	<u>170,000</u>	<u>182,441</u>	<u>180,785</u>	<u>12,441</u>	<u>(1,656)</u>
Increase in reserve for inventory	<u>0</u>	<u>0</u>	<u>1,656</u>	<u>0</u>	<u>1,656</u>
June 30, 2004	<u>\$ 202,795</u>	<u>149,616</u>	<u>153,207</u>	<u>(53,179)</u>	<u>3,591</u>

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

BALDWIN SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2004

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents 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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

(3) Individual Fund Disclosures.

The Reading Excellence Grant Fund was not budgeted. The unbudgeted fund is in violation of state law. However, the school district has no liability associated with this violation.

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

BALDWIN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>23,030</u>
Child nutrition cluster:		
School breakfast program	10.553	80,134
National school lunch program	10.555	230,900
Total child nutrition cluster		<u>311,034</u>
Total U.S. Department of Agriculture		<u>334,064</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,060
Total		<u>1,060</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	223,743
Vocational education - basic grants to states	84.048	7,486
Safe and drug-free schools and communities - state grants	84.186	5,101
Twenty-first century community learning centers	84.287	7,745
Education technology state grants	84.318	9,596
Reading excellence	84.338	16,581
Rural education	84.358	28,305
Improving teacher quality - state grants	84.367	66,200
Total		<u>364,757</u>
Special education cluster:		
Special education - grants to states	84.027	192,739
Special education - preschool grants	84.173	7,764
Total		<u>200,503</u>
Total passed-through Mississippi Department of Education		<u>565,260</u>
Total U.S. Department of Education		<u>566,320</u>
Total for All Federal Awards		\$ <u><u>900,384</u></u>

NOTES TO SCHEDULE

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

BALDWIN SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2004

<u>Expenditures</u>		<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$	4,399,020	3,387,652	568,489	442,879
Other		<u>3,550,165</u>	<u>425,610</u>	<u>300,893</u>	<u>2,823,662</u>
Total	\$	<u>7,949,185</u>	<u>3,813,262</u>	<u>869,382</u>	<u>3,266,541</u>
Total number of students		<u>908</u>			
Cost per student	\$	<u>8,755</u>	<u>4,200</u>	<u>957</u>	<u>3,598</u>

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

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - all the 1000 functional codes.

Administrative - includes expenditures for the following functions: support services - general administration (2300s); support services - school administration (2400s); support services - business (2500s).

Other - includes all expenditure functions not included in instruction or administrative.

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

BALDWIN SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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 the Baldwyn School District as of and for the year ended June 30, 2004, which collectively comprise Baldwyn School District's basic financial statements, and have issued our report thereon dated May 5, 2005. 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

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated May 5, 2005, which is included in this report.

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. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Baldwyn School District

Compliance

We have audited the compliance of the Baldwyn School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The school district's major federal program is identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Baldwyn School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Baldwin School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2005

BALDWIN SCHOOL DISTRICT

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

BALDWIN SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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, 2004, which collectively comprise Baldwyn School District's basis financial statements, and have issued our report thereon dated May 5, 2005. 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), 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 \$18,998 of classroom supply funds carried over from previous years.

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 are as follows:

Finding

During our examination of the district's original budget for the 2003-2004 fiscal year, we noted that the Reading Excellence Fund was not budgeted.

Recommendation

The district should comply with Section 37-61-19, Miss. Code Ann. (1972), which requires a fund be budgeted before any expenditures are incurred in that fund.

School District's Response

Due to a computer error, the Reading Excellence Grant Fund was omitted from the amended budget. The business manager did not prepare a budget for the Reading Excellence Grant in the original 2003-2004 budget because she thought the grant would be closed out by June 30, 2003, and there would be no expenditures for the 2003-2004 school year. The business manager found out later that the district had until October 2003 to obligate and spend the funds. The district assures the Department of Audit that all funds will be properly budgeted 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.

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. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2005

BALDWIN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BALDWIN SCHOOL DISTRICT

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BALDWIN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for the major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as a major program:
Child nutrition cluster
CFDA #10.553
CFDA #10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

BALDWIN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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



BALDWIN SCHOOL DISTRICT

Harvey G. Brooks - Superintendent

107 West Main Street • Baldwyn, MS 38824

Telephone (662) 365-1000

Fax (662) 365-1003

June 6, 2005

State of Mississippi
Office of the State Auditor
William R. Doss, CPA
Director, Financial and Compliance Audit Division
P.O. Box 956
Jackson MS 39205

Dear Mr. Doss,

This letter is in response to your letter dated May 24, 2005 regarding the audit finding for Baldwyn School District for year ending June 30, 2004.

Due to a computer error, the Reading Excellence Grant fund was omitted from the amended budget. The business manager did not prepare a budget for the Reading Excellence Grant in the original 2003-2004 Budget because she thought the grant would be closed out by June 30, 2003 and there would be no expenditures for the 2003-2004 school year. She found out later that we had until October 2003 to obligate and spend the funds. We assure the Department of Audit that all funds will be properly budgeted in the future.

If I can be of further assistance please do not hesitate to call.

Sincerely,

Mr. Harvey G. Brooks
Superintendent of Education