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LAUREL SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

LAUREL SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

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

September 14, 2006

Superintendent and School Board
Laurel School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Laurel School District as of and for the year ended June 30, 2006, which collectively compromise the Laurel School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Laurel School District's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Laurel School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year 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 September 14, 2006, on our consideration of the Laurel School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Superintendent and School Board
Laurel School District
Page two

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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 an opinion on the financial statements that collectively comprise the Laurel School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Holt & Associates, PLLC

Holt & Associates, PLLC

LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Laurel School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. 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.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$6,521,018 represents a 55% increase from FY2005.
- General revenues were \$22,013,599, or 68.7% of total revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,025,919 or 31.3% of total revenues.
- The District had \$25,518,500 in expenses; only \$547,463 of these expenses were offset by program specific charges for services, while \$9,478,456 in expenses were offset by grants or contributions. General revenues of \$22,013,599 were adequate to cover the additional expenses.
- Being the largest of the major funds, the General Fund had \$19,665,197 in revenues and \$17,052,570 in expenditures. The General Fund's fund balance increased \$3,546,764 over the prior year.
- Capital assets, net of accumulated depreciation, amounted to \$6,582,319.
- Long-term debt amounted to \$1,610,309.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 14 - 15 of this report.

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.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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. These reconciliations are on pages 18 and 20, respectively.

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.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

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 separate Statements of Fiduciary Net Assets on page 21.

Proprietary funds. The Laurel School District has no proprietary funds.

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 on pages 22 - 35 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 37 - 40 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 42 - 43 of this report.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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 \$18,389,701 as of June 30, 2006

By far the largest portion of the District's net assets (28.6%) 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 years ended June 30, 2005 and 2006.

	NET ASSETS		Percentage Change
	FY 06	FY05	
Assets			
Current Assets	\$ 13,629,682	\$ 9,334,478	46.0%
Capital Assets, Net	<u>6,582,319</u>	<u>4,878,188</u>	<u>34.9%</u>
Total Assets	<u>\$ 20,212,001</u>	<u>\$ 14,212,666</u>	<u>42.2%</u>
Liabilities			
Current Liabilities	\$ 697,992	\$ 238,737	192.4%
Long-term debt outstanding	<u>1,124,308</u>	<u>2,092,229</u>	<u>-46.3%</u>
Total Liabilities	<u>\$ 1,822,300</u>	<u>\$ 2,330,966</u>	<u>-21.8%</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 5,249,319	\$ 3,064,188	71.3%
Restricted	2,593,590	4,298,412	-39.7%
Unrestricted	<u>10,546,792</u>	<u>4,519,100</u>	<u>133.4%</u>
Total Net Assets	<u>\$ 18,389,701</u>	<u>\$ 11,881,700</u>	<u>54.8%</u>

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

- The district retired \$203,000 in General Obligation bonds and \$278,000 in 3 Mill/10 Year notes.
- The addition of \$1,929,530 in capital assets from the completion of major renovation projects.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Changes in net assets. From the Statement of Activities, the District's total revenues for the fiscal year ended June 30, 2006 were \$32,039,518. The total cost of all programs and services was \$25,518,500. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	Change in Net Assets		Percentage Change
	FY 06	FY 05	
Revenue			
Program revenues	\$ 10,025,919	\$ 6,906,947	45.2%
General revenues	<u>22,013,599</u>	<u>19,107,664</u>	<u>15.2%</u>
Total revenues	<u>32,039,518</u>	<u>26,014,611</u>	<u>23.2%</u>
Expenses			
Instruction	14,608,178	13,586,860	7.5%
Support services	9,234,776	9,332,786	-1.1%
Non-instructional	1,627,530	1,506,926	8.0%
Interest on long-term debt	<u>48,016</u>	<u>57,755</u>	<u>-16.9%</u>
Total Expenses	<u>25,518,500</u>	<u>24,484,327</u>	<u>4.2%</u>
Increase in net assets	6,521,018	1,530,284	326.1%
Net assets, July 1	<u>11,868,683</u>	<u>10,338,399</u>	<u>14.8%</u>
Net assets, June 30	<u>\$ 18,389,701</u>	<u>\$ 11,868,683</u>	<u>54.9%</u>

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section 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.

	FY 06		FY 05	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 14,608,178	\$ (8,571,323)	\$ 13,586,860	\$ (10,353,610)
Support Services	9,234,776	(7,009,816)	9,332,786	(7,365,035)
Non-instructional	1,627,530	136,574	1,506,926	199,020
Interest on long-term debt	<u>48,016</u>	<u>(48,016)</u>	<u>57,755</u>	<u>(57,755)</u>
	<u>\$ 25,518,500</u>	<u>\$ (15,492,581)</u>	<u>\$ 24,484,327</u>	<u>\$ (17,577,380)</u>

- Net cost of governmental activities (\$15,492,581) was financed by general revenue, which consists primarily of Ad Valorem taxes (\$8,399,563) and state unrestricted revenue (\$11,249,441). The Mississippi Adequate Education Program provides the largest portion of unrestricted state funds (\$10,720,649) with other state grants categorized as Homestead Exemption, Education Enhancement Funds and Ad Valorem Tax Reduction Grant.
- Investment earnings accounted for \$433,291 of funding.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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 fiscal year's end.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its Balance Sheet for Governmental Funds reported a combined fund balance of \$13,427,690, an increase of \$4,331,973 due primarily to an excess of revenues over expenditures in the General Fund as well as the receipt of \$705,536 in 16th Section Principal fund revenues. \$7,757,142 or 58% of the fund balance constitutes unreserved and undesignated fund balance in the General Fund, which is available for spending at the District's discretion. Additional fund balances of \$1,501,218 are held by special funds, capital funds and debt service funds and are available to be expended for purposes set forth by the granting authorities, school board discretion or state law. The Permanent Fund has a balance of \$3,076,958 which can be invested or borrowed for the purposes of constructing or renovating facilities or buying school buses. Borrowing from the Permanent Fund, however, would result in a direct decrease in the fund balance of the District Maintenance Fund since the entry must be booked as an advance between the Permanent Fund and the District Maintenance even though the repayment, according to statute, could be made over several years. The remaining fund balance of \$1,092,372 or 8%, 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 \$3,546,764 a result of revenues that exceeded expenditures. The district received \$462,310 more in Ad Valorem revenue than had been budgeted or requested.

The fund balance of Other Governmental Funds showed an increase of \$785,185 over FY05 audited figures, which was a result of revenues that exceeded expenditures by \$765,209 and an increase in the reserve for inventory of \$19,976. The excess of revenues over expenditures was due primarily to the increased revenues received from Sixteenth Section Land allocations.

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Revenue from local sources in the final General Fund budget was \$588,946 above original budget estimates due, primarily, to tax base growth and increased interest rates on investments. Tax revenues exceeded the original budget by \$396,765 and interest income exceeded expectations by \$183,617. Less e-rate funds were received than had been originally budgeted, creating a negative federal source variance from the original to final budgets. Overall, revenues in the final budget had a positive variance of \$518,061, representing 2.7% variance from the original General Fund budget.

Instructional expenditures in the General Fund were 24.8% less in the final budget than the original budget while Support Service expenditures budgeted were 4.8% less in the final budget compared to the original budget. The district received Restart and Displaced Student federal grants to aid in recovery from Hurricane Katrina. These grants paid the salaries and benefits of teaching and support staff that originally were budgeted to be paid from district funds. Also, the district did not fill some vacant budgeted slots and had some success in its concerted effort to reduce and control expenditures.

Title I (Fund 2211) final budget revenues compared to the original budget decreased by \$401,730. The original budget was an estimate because actual allocations were not known at the time of the original budget's adoption. The higher actual allocation was budgeted later in the year before being amended at year's end. Also, estimated carryover funds from FY05 were included in the original budget but were not spent and, therefore, will carry forward to FY07.

The Displaced Student Grant Fund (2570) had \$137,988 more revenue in the final budget than in the original budget. Only an estimate of available funding was known at the adoption of the original budget. Expenditures also increased in the final budget by \$137,988, with more being spent on instruction.

The 16th Section Permanent/Principal Fund's final budget exceeded the original budget by \$468,413 because of an increase in the amount of interest earned and transferred to the Interest Fund attributable to higher investment rates. Actual revenue was \$705,536 with \$702,453 being pro-rata revenue received from the Jones County School District.

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

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$12,621,766, including school buildings, buses, other school vehicles and furniture and equipment, and construction in process, an amount representing an increase of \$1,929,530 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$6,039,447 and total depreciation expense for the year was \$241,725, resulting in total net assets of \$6,582,319.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 566,683	\$ 566,683	0.0%
Construction in Process	1,535,346	-	100.0%
Buildings	1,753,815	1,796,745	-2.4%
Building improvements	2,096,588	1,851,846	13.2%
Improvements other than buildings	275,334	289,049	-4.7%
Mobile equipment	324,751	321,505	1.0%
Furniture and fixtures	29,802	52,360	-43.1%
Total	\$ 6,582,319	\$ 4,878,188	34.9%

Additional information of the District's capital assets can be found in Note 5 on page 30 - 31 of this report.

Debt Administration. At June 30, 2006, the District had \$1,610,309 in general obligation bonds and other long-term debt outstanding, of which \$486,000 is due within one year.

	Outstanding Debt		Percentage
	2006	2005	Change
General obligation bonds payable	\$ 244,000	\$ 447,000	-45.4%
Three mill notes payable	1,089,000	1,367,000	-20.3%
Compensated absences	277,309	278,229	-0.3%
	\$ 1,610,309	\$ 2,092,229	-23.0%

Additional information of the District's long-term debt can be found in Note 6 on pages 32 - 33 this report.

CURRENT ISSUES

The Laurel School District is more financially stable than at any time in the past two decades. The District has a fund balance in its District Maintenance Fund of over \$8 million. Although the MS Department of Education and the Office of the State Auditor recommend that districts maintain a fund balance in the District Maintenance Fund that is at least 5% of annual revenues, Laurel's reserves were 42.9% of FY06 revenues. Most of these reserves will be expended on capital improvement. Operational millage increased in FY06 to 53.98 mills, after having been 53.00 since FY03. Millage for debt fell in FY06 to 3.79 after having been 3.98 in FY05 and will be 3.06 in FY07. The assessed valuation of the district for FY06 showed significant growth over FY05, growing by 5% and almost 7.44 million. Looking toward FY07, the completion of Lowe's home and garden department store and other new property added to the tax rolls in calendar year 2006 resulted in the gross assessed valuation of the district increasing by \$10,678,796 for next year(7.0%).

**LAUREL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

A concern facing the district's financial health in future years is the stability of the funding of the MS Adequate Education Program. In FY04, the MAEP was fully funded for the first time. This funding was short-lived as the MAEP and the cost of employees' health insurance was under-funded statewide by the Legislature in FY05 and FY06. Because of this failure by the Legislature to fully fund the MAEP formula, Laurel's MAEP funding for FY07 will again be reduced by approximately 5.6%. This under-funding reduces our ability to make some discretionary expenditures, to maintain, enhance or upgrade facilities, hire staff, or give salary increases to existing staff. Future under-funding of this magnitude will undermine the "adequate education" funding concept of the MAEP formula and may severely impede the District's capital improvement plans and may require the District to spend current reserves for daily operating expenditures. Another concern involves the current "study" of the MAEP formula. It is not known whether attempts will be made by the legislature to reward fast-growing districts, perhaps reducing funds to districts that are not experiencing growth.

Student enrollment in the District was approximately 3036 at the end of FY06 and expected to decline only slightly in FY07 and subsequent years. The budget for FY07 has taken into account this projected enrollment when addressing both funding and staffing issues.

One matter that continues to be affected by our financial status in FY07 and future years is the age and condition of the district's schools. The need for capital improvement has been an ongoing focal point for years by the administration and school board. The newest school (Laurel High School) is forty-four years old while the oldest (Jones Middle School) is eighty years old. The Laurel School District spent over \$2,600,980 of District Maintenance and capital improvement funds on repairs and renovations in FY06. Completed projects in FY06 include new roofs installed on the gyms at Nora Davis, Maddox, and Laurel High School because of damage caused by Hurricane Katrina. Construction in progress at year's end included the renovation and modernization of the gymnasium at Laurel High School, with includes an addition on the north side that will become the main entrance. The additional square footage will house the ticket office, concession stand, bathrooms and will add fixed seating for approximately three hundred fifty. Other projects ongoing at the end of FY06 included the replacement of gym floors at Nora Davis and Oak Park Elementary schools, the replacement of roofs at Jones Middle School and Gardiner Administrative Building and the installation of new lights at Watkins Stadium. The district continues to try to upgrade facilities as funds become available or are identified as surplus. At a minimum, the district will re-roof the LHS Vocational-Technical Center at a cost of \$325,000. However, to address the majority of the capital improvements needed, the Laurel School District must secure significant long-term financing through whatever means may be possible. Since September 30, 2003, the Laurel School District has unsuccessfully attempted to pass bond issues three times, with the latest referendum having been held in May, 2006. However, Superintendent, Dr. Glenn M. McGee, Ed.D., the Board and the administration remain committed, however, to finding ways and means to upgrade and update facilities across the district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Laurel School District , P. O. Box 288, Laurel, MS 39441.

LAUREL SCHOOL DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LAUREL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

EXHIBIT A

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 9,484,059
Due from other governments	1,639,409
Due from Fiduciary funds	94,063
Food inventory	37,646
Restricted assets	2,374,505
Capital assets, net	<u>6,582,319</u>
TOTAL ASSETS	<u>\$ 20,212,001</u>
 LIABILITIES:	
Accounts payable and accrued liabilities	\$ 192,851
Deferred revenue	19,141
Long-term liabilities (Due within one year)	
Capital related liabilities	486,000
Long-term liabilities (Due beyond one year)	
Capital related liabilities	847,000
Non-capital related liabilities	<u>277,308</u>
TOTAL LIABILITIES	<u>1,822,300</u>
 NET ASSETS:	
Investment in capital assets (net of related debt)	5,249,319
Restricted net assets:	
Expendable:	
School-Based Activities	2,048,747
Debt Service	467,063
Capital Improvements	-
Unemployment Benefits	77,780
Non-expendable:	
Sixteenth section	3,076,958
Unrestricted	<u>7,469,834</u>
TOTAL NET ASSETS	<u>\$ 18,389,701</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAUREL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT B

**Net (Expense) Revenue
and Changes in Net
Assets**

Functions/Programs	Expenses	Program Revenues			Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 14,608,178	\$ 305,822	\$ 5,731,033	\$ -	\$ (8,571,323)
Support Services	9,234,776	-	2,199,756	25,204	(7,009,816)
Non-instructional	1,627,530	241,641	1,522,463	-	136,574
Interest and other expenses on long-term liabilities	48,016	-	-	-	(48,016)
Total governmental activities	\$ 25,518,500	\$ 547,463	\$ 9,453,252	\$ 25,204	(15,492,581)
Taxes:					
					7,844,454
					555,109
Unrestricted grants & contributions:					
					11,249,441
					74,671
					433,291
					735,448
					11,359
					(164)
					1,109,990
					<u>22,013,599</u>
					6,521,018
					11,881,700
					<u>(13,017)</u>
					<u>11,868,683</u>
					<u>\$ 18,389,701</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAUREL SCHOOL DISTRICT
GOVERNMENTAL FUND FINANCIAL STATEMENTS

**LAUREL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006**

EXHIBIT C

	MAJOR FUNDS					Total Governmental Funds
	General Fund	Title I Fund	Displaced Student Grant Fund	16th Section Principal Fund	Other Governmental Funds	
ASSETS:						
Cash and cash equivalents	\$ 7,570,072	\$ -	\$ -	\$ 2,374,505	\$ 1,913,987	\$ 11,858,564
Due from other governments	325,049	114,678	169,285	702,453	327,944	1,639,409
Due from other funds	504,708	-	-	-	104,185	608,893
Advances to other funds	47,573	-	-	-	-	47,573
Inventories and prepaid items	-	-	-	-	37,646	37,646
TOTAL ASSETS	<u>\$ 8,447,402</u>	<u>\$ 114,678</u>	<u>\$ 169,285</u>	<u>\$ 3,076,958</u>	<u>\$ 2,383,762</u>	<u>\$ 14,192,085</u>
LIABILITIES & FUND BALANCES:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 100,552	\$ -	\$ -	\$ -	\$ 12,142	\$ 112,694
Due to other funds	9,668	114,678	169,285	-	221,199	514,830
Advances from other funds	-	-	-	-	47,573	47,573
Retainage payable	70,157	-	-	-	-	70,157
Deferred revenue	-	-	-	-	19,141	19,141
Total Liabilities	<u>180,377</u>	<u>114,678</u>	<u>169,285</u>	<u>-</u>	<u>300,055</u>	<u>764,395</u>
Fund Balances:						
Reserved For:						
Inventory	-	-	-	-	37,646	37,646
Advances	47,573	-	-	-	-	47,573
Ad Valorem	462,310	-	-	-	-	462,310
Debt Service Funds	-	-	-	-	467,063	467,063
Unemployment benefits	-	-	-	-	77,780	77,780
Unreserved:						
Undesignated, reported in:						
General Fund	7,757,142	-	-	-	-	7,757,142
Special Revenue Funds	-	-	-	-	1,501,218	1,501,218
Permanent Funds	-	-	-	3,076,958	-	3,076,958
Total Fund Balances	<u>8,267,025</u>	<u>-</u>	<u>-</u>	<u>3,076,958</u>	<u>2,083,707</u>	<u>13,427,690</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,447,402</u>	<u>\$ 114,678</u>	<u>\$ 169,285</u>	<u>\$ 3,076,958</u>	<u>\$ 2,383,762</u>	<u>\$ 14,192,085</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAUREL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

EXHIBIT C-1

Total Fund Balance - Governmental Funds	\$	13,427,690
Amounts reported for net assets in the statement of net assets (Exhibit A) are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets net of accumulated depreciation as of 7-1-05	\$	4,878,188
Plus capital outlay expenditures made during year		1,946,020
Less depreciation expense recorded during year		(241,725)
Less loss on disposal of assets		<u>(164)</u>
		6,582,319
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		(1,610,309)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the State of Net Assets recognizes interest as it accrues.		
		(10,000)
4. Rounding		
		<u>1</u>
Total Net Assets - Governmental Activities	\$	<u>18,389,701</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LAUREL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT D

	MAJOR FUNDS					Total Governmental Funds
	General Fund	Title I Fund	Displaced Student Grant Fund	16th Section Principal Fund	Other Governmental Funds	
REVENUES						
Local Sources	\$ 8,403,865	\$ -	\$ -	\$ 96,605	\$ 891,207	\$ 9,391,677
State Sources	11,166,413	-	-	-	745,979	11,912,392
Federal Sources	94,919	1,494,713	512,785	-	6,787,758	8,890,175
Sixteenth Section Sources	-	-	-	705,537	29,911	735,448
TOTAL REVENUES	19,665,197	1,494,713	512,785	802,142	8,454,855	30,929,692
EXPENDITURES						
Instruction	8,551,987	986,852	512,785	-	4,422,959	14,474,583
Support Services	6,607,864	394,407	-	-	2,158,574	9,160,845
Noninstructional Services	-	97,342	-	-	1,546,261	1,643,603
Facility Acquisition and Construction	1,892,719	-	-	-	23,928	1,916,647
Debt Service:						
Principal	-	-	-	-	481,000	481,000
Interest	-	-	-	-	41,838	41,838
Other	-	-	-	-	9,193	9,193
TOTAL EXPENDITURES	17,052,570	1,478,601	512,785	-	8,683,753	27,727,709
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,612,627	16,112	-	802,142	(228,898)	3,201,983
OTHER FINANCIAL SOURCES (USES)						
Insurance loss recoveries	1,109,990	-	-	-	-	1,109,990
Indirect transfers	84,502	(16,112)	-	-	(68,390)	-
Operating Transfers In	410,830	-	-	-	486,252	897,082
Operating Transfers Out	(671,185)	-	-	(89,365)	(136,532)	(897,082)
TOTAL OTHER FINANCING SOURCES (USES)	934,137	(16,112)	-	(89,365)	281,330	1,109,990
NET CHANGE IN FUND BALANCES	3,546,764	-	-	712,777	52,432	4,311,973
JULY 1, 2005	4,720,261	-	-	2,364,181	2,011,298	9,095,740
Increase (decrease) in reserve for inventory	-	-	-	-	19,977	19,977
FUND BALANCE, JUNE 30, 2006	\$ 8,267,025	\$ -	\$ -	\$ 3,076,958	\$ 2,083,707	\$ 13,427,690

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAUREL 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, 2006**

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ 4,311,973

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 purchases amounted to \$1,946,020 and the depreciation expense amounted to \$241,725. | 1,704,295 |
| 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. | 481,000 |
| 3. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds. | (164) |
| 4. Increase (decrease) in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are increased (decreased) in the Statement of Activities. | 19,977 |
| 5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless when it becomes due. | 3,017 |
| 6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:
(Increase) decrease in compensated absences | <u>920</u> |

Change in net assets of governmental activities \$ 6,521,018

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAUREL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2006**

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,283,597
Due from other funds	<u>-</u>
TOTAL ASSETS	<u>1,283,597</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,115,559
Due to other funds	94,063
Due to student clubs	<u>73,975</u>
TOTAL LIABILITIES	<u>\$ 1,283,597</u>

NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the school board 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 Laurel since the governing authorities of the city select a majority of the school district's board but do not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government 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.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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 so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund – This is a 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.

Title I – This is the fund that accounts for the Title I Federal Program Grant.

Displaced Student Grant Fund – This fund that accounts for the federal revenue and the allowable expenditures associated with displaced students from Hurricane Katrina.

16th Section Principal Fund – This is the fund that accounts for 16th Section Sources.

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

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (asset 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 broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 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 consist 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.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

G. 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.

H. Capital Assets.

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

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

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

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

	<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 5 for details.

I. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. 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. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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.

K. 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.”

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Equity Classifications (continued)

Fund Financial Statements:

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

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

Reserved for advances – An account used to offset advances recorded in the assets accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved for debt service fund – 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.

Reserved for unemployment benefits – An account that represents apportion of the fund balance that is legally restricted for the payment of unemployment benefits.

L. Property Taxes.

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

M. Mississippi Adequate Education Program Revenues.

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

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 to do so 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 only if the payable has matured, for example, an employee retires.

(2) CHANGES IN ACCOUNTING STANDARDS.

As required, the Laurel School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes, or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) CASH AND CASH EQUIVALENTS

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions of 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 districts' 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 \$11,858,564 and \$1,283,597. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$9,484,059 and Restricted Assets - \$2,374,505. The Restricted Assets represent the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$14,924,053.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(3) CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk—Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on the behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$14,924,053 was exposed to custodial risk.

(4) INTERFUND TRANSACTIONS AND BALANCES.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 504,708	\$ 9,668
Title I	-	114,678
Displaced Students	-	169,285
Sixteenth Section	-	-
Other governmental funds	104,185	221,199
Fiduciary Funds	<u>-</u>	<u>94,063</u>
 Total Funds	 <u>\$ 608,893</u>	 <u>\$ 608,893</u>

The amounts due to or from other funds represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ 47,573	\$ -
Other governmental funds	-	47,573

C. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 410,830	\$ 671,185
Title I	-	-
Displaced Students	-	-
Sixteenth Section	-	89,365
Other governmental funds	<u>486,252</u>	<u>136,532</u>
 Total Funds	 <u>\$ 897,082</u>	 <u>\$ 897,082</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(5) CAPITAL ASSETS

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

	Balance 7/1/2005	Additions	Retirements	Adjustments	Balance 6/30/2006
<u>Non-depreciable capital</u>					
Land	\$ 566,683	\$ -	\$ -	\$ -	\$ 566,683
Construction in process	-	1,892,719	357,373	-	1,535,346
Total non-depreciable	<u>566,683</u>	<u>1,892,719</u>	<u>357,373</u>	<u>-</u>	<u>2,102,029</u>
<u>Depreciable capital assets:</u>					
Buildings	5,495,191	-	-	-	5,495,191
Building improvements	2,458,397	357,373	-	-	2,815,770
Improvements other than buildings	342,882	-	-	-	342,882
Mobile equipment	1,405,334	53,301	-	-	1,458,635
Furniture and equipment	423,749	-	16,490	-	407,259
Total depreciable capital	<u>10,125,553</u>	<u>410,674</u>	<u>16,490</u>	<u>-</u>	<u>10,519,737</u>
<u>Less accumulated</u>					
Buildings	3,698,446	42,930	-	-	3,741,376
Building improvements	606,551	112,631	-	-	719,182
Improvements other than buildings	53,833	13,715	-	-	67,548
Mobile equipment	1,083,829	55,720	-	(5,665)	1,133,884
Furniture and equipment	371,389	16,729	16,326	5,665	377,457
Total accumulated depreciation	<u>5,814,048</u>	<u>241,725</u>	<u>16,326</u>	<u>-</u>	<u>6,039,447</u>
Total depreciable capital assets, net	<u>4,311,505</u>	<u>168,949</u>	<u>164</u>	<u>-</u>	<u>4,480,290</u>
Governmental activities capital assets, net	<u>\$ 4,878,188</u>	<u>\$ 2,061,668</u>	<u>\$ 357,537</u>	<u>\$ -</u>	<u>\$ 6,582,319</u>

The fixed assets above include significant amounts of building improvements that 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.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(5) CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

Instruction	\$	159,433
Support services		72,683
Non-instructional		<u>9,609</u>
 Total depreciation expense	 \$	 <u>241,725</u>

Commitments under construction contracts at June 30, 2006 are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Roofing	\$ 35,700	\$ -
Stadium Lights	83,031	-
LHS Gym Renovations	1,210,134	-
ND Gym Floor Replacement	<u>52,168</u>	-
 Total	 <u>\$ 1,381,033</u>	 \$ -

(6) LONG-TERM LIABILITIES.

The following is a summary of changes in general long-term debt and other obligations:

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	Amounts due within one year
A. General obligation bonds payable	\$ 447,000	\$ -	\$ 203,000	\$ 244,000	\$ 202,000
B. Three mill notes payable	1,367,000	-	278,000	1,089,000	284,000
C. Compensated Absences Payable	<u>278,229</u>	<u>-</u>	<u>920</u>	<u>277,309</u>	<u>-</u>
	<u>\$ 2,092,229</u>	<u>\$ -</u>	<u>\$ 481,920</u>	<u>\$ 1,610,309</u>	<u>\$ 486,000</u>

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(6) LONG-TERM LIABILITIES (CONTINUED)

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	2.30%	2/15/03	3/15/08	<u>\$832,000</u>	<u>\$244,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$202,000	\$5,612	\$207,612
2008	<u>42,000</u>	<u>966</u>	<u>42,966</u>
Total	<u>\$244,000</u>	<u>\$ 6,578</u>	<u>\$250,578</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to .16% of assessed valuations as of August 2005. This debt will be retired from the debt service fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement	1.6-3.0%	5/1/03	9/15/09	<u>\$1,695,000</u>	<u>\$1,089,000</u>

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$284,000	\$25,511	\$309,511
2008	290,000	18,475	308,475
2009	298,000	10,608	308,608
2010	<u>217,000</u>	<u>3,255</u>	<u>220,255</u>
Total	<u>\$1,089,000</u>	<u>\$57,849</u>	<u>\$1,146,849</u>

This debt will be retired from the debt service fund.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(6) LONG-TERM LIABILITIES (CONTINUED)

C. Compensated absences payable.

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

(7) PRIOR PERIOD ADJUSTMENT – GOVERNMENT-WIDE STATEMENTS

The prior period adjustment is for the correction of interest payable that was omitted in the prior years government-wide financial statements for \$13,014 plus a \$3 rounding charge.

(8) DEFINED BENEFIT PENSION PLAN

Plan Description. The Laurel 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 7.25% of their annual covered salary and Laurel School District is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2006 was 10.75% 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 Laurel School District's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$1,590,711, \$1,375,966, and \$1,322,776 respectively, which equaled the required contributions for each year.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(9) OTHER COMMITMENTS.

Operating leases:

The school district has several operating leases for the following:

1. Canon IR5000 copier at Nora Davis Magnet School
2. Canon IR5000 copiers at Jones Junior High School
3. Canon IR5000 copier at Mason Elementary School
4. Canon IR5000 copier at Oak Park Elementary School
5. Canon IR5000 copier at Stainton Elementary School
6. Canon IR5070 copier at Laurel High School
7. Canon IR2200 at Alternative School
8. Ricoh IPI230 Priport copier at Jones Middle School
9. Canon IR5070 copier at Central Office
10. Canon IR5000 copier at Special Education Central Office.
11. Canon IR5000 copier at Maddox/Stainton upper grades.

Lease expenditures for the year ended June 30, 2006, amounted to \$42,720. Future lease payments for these leases are as follows:

Year Ending	<u>Amount</u>
<u>June 30</u>	
2007	\$35,304
2008	17,071
2009	<u>3,415</u>
Total	<u>\$55,790</u>

(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.

**LAUREL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(11) PARTICIPATION IN PUBLIC ENTITY RISK POOL

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

LAUREL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

**LAUREL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 1a

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
				<u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES					
Local Sources	\$ 7,814,919	\$ 8,403,865	\$ 8,403,865	\$ 588,946	\$ -
State Sources	11,189,463	11,166,413	11,166,413	(23,050)	-
Federal Sources	142,754	94,919	94,919	(47,835)	-
TOTAL REVENUES	<u>19,147,136</u>	<u>19,665,197</u>	<u>19,665,197</u>	<u>518,061</u>	<u>-</u>
EXPENDITURES					
Instruction	11,365,265	8,551,987	8,551,987	(2,813,278)	-
Support Services	7,498,800	7,143,514	7,143,514	(355,286)	-
Noninstructional Services	-	-	-	-	-
Facility Acquisition and Construction	-	1,286,912	1,357,069	1,286,912	70,157
TOTAL EXPENDITURES	<u>18,864,065</u>	<u>16,982,413</u>	<u>17,052,570</u>	<u>(1,881,652)</u>	<u>70,157</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>283,071</u>	<u>2,682,784</u>	<u>2,612,627</u>	<u>2,399,713</u>	<u>(70,157)</u>
OTHER FINANCIAL SOURCES (USES)					
Insurance loss recoveries	-	1,109,990	1,109,990	1,109,990	-
Indirect Costs	-	84,502	84,502	84,502	-
Operating Transfers In	608,225	410,830	410,830	(197,395)	-
Operating Transfers Out	(576,851)	(671,185)	(671,185)	(94,334)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,374</u>	<u>934,137</u>	<u>934,137</u>	<u>902,763</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	314,445	3,616,921	3,546,764	3,302,476	(70,157)
FUND BALANCES:					
July 1, 2005	<u>4,720,261</u>	<u>4,720,261</u>	<u>4,720,261</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 5,034,706</u>	<u>\$ 8,337,182</u>	<u>\$ 8,267,025</u>	<u>\$ 3,302,476</u>	<u>\$ (70,157)</u>

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

**LAUREL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 1b

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	<u>1,896,443</u>	<u>1,494,713</u>	<u>1,494,713</u>	<u>(401,730)</u>	<u>-</u>
TOTAL REVENUES	<u>1,896,443</u>	<u>1,494,713</u>	<u>1,494,713</u>	<u>(401,730)</u>	<u>-</u>
EXPENDITURES					
Instruction	1,126,539	986,852	986,852	(139,687)	-
Support Services	627,001	394,407	394,407	(232,594)	-
Noninstructional Services	112,932	97,342	97,342	(15,590)	-
Facilities Acquisition & Const.	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>1,866,472</u>	<u>1,478,601</u>	<u>1,478,601</u>	<u>(387,871)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>29,971</u>	<u>16,112</u>	<u>16,112</u>	<u>(13,859)</u>	<u>-</u>
OTHER FINANCIAL SOURCES (USES)					
Sale of property	-	-	-	-	-
Indirect Costs	(29,971)	(16,112)	(16,112)	13,859	-
Operating Transfers In	-	-	-	-	-
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(29,971)</u>	<u>(16,112)</u>	<u>(16,112)</u>	<u>13,859</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCE, JULY 1, 2005,	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**LAUREL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE DISPLACED STUDENT GRANT
FOR THE YEAR ENDED JUNE 30, 2006**

SCHEDULE 1c

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	<u>374,797</u>	<u>512,785</u>	<u>512,785</u>	<u>137,988</u>	<u>-</u>
TOTAL REVENUES	<u>374,797</u>	<u>512,785</u>	<u>512,785</u>	<u>137,988</u>	<u>-</u>
EXPENDITURES					
Instruction	374,797	512,785	512,785	137,988	-
Support Services	-	-	-	-	-
Noninstructional Services	-	-	-	-	-
Facilities Acquisition & Const.	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>374,797</u>	<u>512,785</u>	<u>512,785</u>	<u>137,988</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCIAL SOURCES (USES)					
Sale of property	-	-	-	-	-
Indirect Costs	-	-	-	-	-
Operating Transfers In	-	-	-	-	-
Other financing sources	-	-	-	-	-
Other financing uses	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JULY 1, 2005,	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**LAUREL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006**

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 budgets 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.

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

LAUREL SCHOOL DISTRICT
SUPPLEMENTAL INFORMATION

**LAUREL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

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>108,950</u>
Child nutrition cluster		
School breakfast program	10.553	352,307
National school lunch program	10.555	971,002
Summer food service program for children	10.559	<u>19,267</u>
Total child nutrition cluster		<u>1,342,576</u>
Total U.S. Department of Agriculture		<u>1,451,526</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>74,670</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Impact aid	84.041	20,311
Twenty-first century community learning centers	84.287	69
Dropout prevention programs	84.360A	<u>14,260</u>
Total U.S. Department of Education -- Direct		<u>34,640</u>
Passed-Through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,497,888
Title I - Coop program	84.010A	14,371
Migrant education - state grant program	84.011	19,638
Vocational education - basic grants to states	84.048	56,935
Safe and drug free schools and communities - state grants	84.186	17,322
Eisenhower professional development state grants	84.281	428,819
Twenty-first century community learning centers	84.287	465,876
State grants for innovative programs	84.298	17,123
Education technology state grants	84.318	150,321
Comprehensive school reform demonstration	84.332	14,943
Reading first state grants	84.357	511,669
Rural education	84.358	86,861
English language acquisition grants	84.365	13,500
Grants for state assessment and related activities	84.369	18,763
Hurricane Education Recovery Act programs	84.938	<u>3,216,179</u>
Total		<u>6,530,208</u>

**LAUREL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Special Education Cluster:		
Special education - grants to states	84.027	660,222
Special education - preschool grants	84.173	<u>20,785</u>
Total		<u>681,007</u>
Total Passed-Through MDE		<u>7,211,215</u>
Total U.S. Department of Education		<u>7,245,855</u>
 <u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	<u>3,935</u>
 <u>Department of Homeland Security</u>		
Passed-through the Mississippi Department of Homeland Security		
Disaster Grants--Public Assistance (Presidentially Declared Disasters)	97.036	<u>114,189</u>
 Total for all Federal Awards		 <u>\$ 8,890,175</u>

NOTES TO THE 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.

**LAUREL SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

<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	\$ 20,040,300	\$ 13,449,995	\$ 730,331	\$ 1,361,569	\$ 4,498,405
Other	<u>7,687,409</u>	<u>1,024,588</u>	<u>152,519</u>	<u>77,173</u>	<u>6,433,129</u>
 Total	 <u>\$ 27,727,709</u>	 <u>\$ 14,474,583</u>	 <u>\$ 882,850</u>	 <u>\$ 1,438,742</u>	 <u>\$ 10,931,534</u>
 Total number of students	2,733.2				
 Cost per student	\$ 10,145	\$ 5,296	\$ 323	\$ 526	\$ 4,000

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

Instruction and Other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type. (All the 1000, 2100, & 2200 functional codes)

General Administration – includes expenditures for the following functions: Support Services – General Administration (2300s); and Support Services – Business (2500's)

School Administration – includes expenditures for the following functions: Support Services – School Administration (2400s)

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

LAUREL SCHOOL DISTRICT
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLT & ASSOCIATES, PLLC

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Founder (1915 - 1997)

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Division of CPA Firms
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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*

September 14, 2006

Superintendent and School Board
Laurel School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Laurel School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 14, 2006. 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 assurance 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 over financial reporting 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 noted no 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 grants, 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 that are required to be reported under *Governmental Auditing Standards*.

Superintendent and School Board
Laurel School District
Page two

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.

Holt & Associates, PLLC

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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

September 14, 2006

Superintendent and School Board
Laurel School District

Compliance

We have audited the compliance of the Laurel School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The 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 the 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, Laurel School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Laurel 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 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 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 noted no 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.

Holt & Associates, PLLC

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

HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Division of CPA Firms
Private Companies Practice Section

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

September 14, 2006

Superintendent and School Board
Laurel School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Laurel School District as of and for the year ended June 30, 2006, which collectively comprise Laurel School District's basic financial statement and have issued our report thereon dated September 14, 2006. 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), state 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 laws and regulations. However, providing an opinion on compliance with 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 had no 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 financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

This report is intended for the information 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.

Holt & Associates, PLLC

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LAUREL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUREL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|--------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>Unqualified</u> |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | <u>No</u> |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | <u>No</u> |
| 6. Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | <u>No</u> |
| 7. Federal programs identified as major programs: | |
| a. <u>Title I – Grants to local educational agencies 84.010</u> | |
| b. <u>Title I – Coop program</u> | |
| c. <u>Special Education – Grants to states 84.027</u> | |
| d. <u>Special Education – Preschool Grants 84.173</u> | |
| e. <u>Hurricane Education Recovery Act program 84.938</u> | |

LAUREL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

- | | |
|---|------------------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>Yes</u> |
| 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? | <u>No</u> |

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.

LAUREL SCHOOL DISTRICT
AUDITEE'S CORRECTIVE ACTION PLAN
AND/OR
SCHEDULE OF PRIOR AUDIT FINDINGS



Laurel School District

"Come Explore With Us!"

Financial & Compliance Audit Division

As required by Section __.315 (b) of OMB Circular A-133, the Laurel 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, 2006:

Not Applicable

As required by Section __.315(b) of OMB Circular A-133, the Laurel School district has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

Not Applicable