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LAUREL SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

LAUREL SCHOOL DISTRICT

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LAUREL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. DAVID DILL, CPA, CGFM
JULIE M. UHER, CPA

H. I. HOLT, CPA
FOUNDER (1915 - 1997)

INDEPENDENT AUDITOR'S REPORT

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, 2011, which collectively comprise 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Laurel School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012 on our consideration of the Laurel School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Holt + Associates

February 29, 2012

LAUREL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Laurel School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased $6,480,015, which represents 37% increase from fiscal year 2010. Total net assets for 2010 increased $821,618, including a prior period adjustment of $(446,940), which represents a 5% increase from fiscal year 2009.

- General revenues amounted to $25,095,276 and $24,216,371, or 70% and 73% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $10,885,848, or 30% of total revenues for 2011, and $8,836,434, or 27 % of total revenues for 2010.

- The District had $29,501,109 and $31,784,247 in expenses for fiscal years 2011 and 2010; only $10,885,848 for 2011 and $8,836,434 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $25,095,276 for 2011 were adequate to provide for these programs. General revenues of $24,216,371 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $22,716,625 in revenues and $18,292,242 in expenditures for 2011, and $21,215,948 in revenues and $19,908,233 in expenditures in 2010. The General Fund's fund balance increased by $3,885,286 from 2010 to 2011, and decreased by $2,127,940, including a prior period adjustment of $182,570, from 2009 to 2010.

- Capital assets, net of accumulated depreciation, increased by $2,432,086 for 2011 and increased by $3,287,081 for 2010. The increase for 2011 was due to the addition of buildings and equipment.

- Long-term debt increased by $2,325,000 for 2011 and decreased by $600,000 for 2010. This increase was due primarily to issuance of long-term debt. The liability for compensated absences decreased by $11,195 for 2011 and increased by $26,769 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of government's financial position. Assets exceeded liabilities by $24,163,471 as of June 30, 2011.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 14,476,312	$ 8,912,581	62%
Other assets	93,597	98,797	-5%
Restricted assets	2,077,729	864,764	140%
Capital assets, net	36,297,560	33,865,474	7%
Total assets	52,945,198	43,741,616	21%
Current liabilities	791,693	381,931	107%
Long-term debt outstanding	27,990,034	25,676,229	9%
Total liabilities	28,781,727	26,058,160	10%
Net assets:			
Invested in capital assets, net of related debt	8,602,560	8,495,474	1%
Restricted	14,152,770	8,960,649	58%
Unrestricted	1,408,141	227,333	519%
Total net assets	$ 24,163,471	$ 17,683,456	37%

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

- Increase in net capital assets in the amount of $2,432,086 due to construction
- Increase of accounts payable due to construction
- The proceeds of long term debt of $3,000,000

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $35,981,124 and $33,052,805, respectively. The total cost of all programs and services was $29,501,109 for 2011 and $31,784,247 for 2010.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues			
Charges for services	$ 2,094,543	$ 367,450	470%
Operating grants and contributions	8,791,305	8,398,213	5%
Capital grants and contributions	-	70,771	-100%
General Revenues			
Property taxes	11,955,575	11,447,666	4%
Grants and contributions not restricted	11,569,854	11,224,594	3%
Unrestricted investment earnings	433,805	324,297	34%
Sixteen section sources	306,201	376,664	-19%
Other	829,841	843,150	-2%
Total Revenues	35,981,124	33,052,805	9%
Expenses:			
Instruction	17,137,399	17,229,493	-1%
Support Services	8,735,314	11,262,320	-22%
Non-instructional	2,291,319	1,995,155	15%
Interest and other expenses on long-term liabilities	1,337,077	1,297,279	3%
Total Expenses	29,501,109	31,784,247	-7%
Increase in Net Assets	6,480,015	1,268,558	411%
Net assets, July 1, as previously reported	17,683,456	16,861,838	5%
Prior period adjustment	-	(446,940)	-100%
Net assets, July 1, as restated	17,683,456	16,414,898	8%
Net assets, June 30	$ 24,163,471	$ 17,683,456	37%

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 17,137,399	$ 17,229,493	-1%
Support Services	8,735,314	11,262,320	-22%
Noninstructional	2,291,319	1,995,155	15%
Interest and other expenses on long-term liabilities	1,337,077	1,297,279	3%
	$ 29,501,109	$ 31,784,247	-7%

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (11,254,529)	$ (11,777,354)	-4%
Support Services	(7,397,037)	(9,870,755)	-25%
Noninstructional	1,373,382	(2,425)	-56734%
Interest and other expenses on long-term liabilities	(1,337,077)	(1,297,279)	3%
	$ (18,615,261)	$ (22,947,813)	-19%

- Net cost of governmental activities ($18,615,261 for 2011 and $22,947,813 for 2010) was financed by general revenue, which is primarily made up of property taxes ($11,955,575 for 2011 and $11,447,666 for 2010) and state and federal revenues ($11,569,854 for 2011 and $11,224,594 for 2010). In addition, there was $306,201 and $376,664 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $433,805 for 2011 and $324,297, for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $16,046,762 an increase of $6,361,028, including an increase in inventory of $5,723. $1,831,164 or 11% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $14,215,598 or 89% is either non spendable, restricted, or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted, or assigned.

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 $3,885,286. The fund balance of Other Governmental Funds showed an increase in the amount of $2,222,476 which includes an increase in reserve for inventory of $5,723 due primarily to bond proceeds and insurance proceeds. The increase/ (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Sixteenth Section Principal Fund	$ 253,266

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $45,331,104, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of $3,517,452 from 2010. Total accumulated depreciation as of June 30, 2011, was $9,033,544, and total depreciation expense for the year was $1,091,747, resulting in total net capital assets of $36,297,560.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 895,163	$ 895,163	0%
Construction in progress	3,377,512	324,977	939%
Buildings	26,456,947	27,038,627	-2%
Building improvements	3,468,403	3,677,043	-6%
Improvements other than buildings	985,668	1,037,995	-5%
Mobile equipment	372,219	394,920	-6%
Furniture and equipment	741,648	496,749	49%
Total	$ 36,297,560	$ 33,865,474	7%

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

Debt Administration. At June 30, 2011, the District had $27,990,034 in outstanding long-term debt, of which $875,000 is due within one year. The liability for compensated absences decreased $11,195 from the prior year.

Table 5
Outstanding Long-Term Debt

	Outstanding Debt	
	June 30, 2011	**June 30, 2010**
General obligation bonds payable	$ 24,695,000	$ 25,370,000
Qualified school construction bonds payable	3,000,000	-
Compensated absences payable	295,034	306,229
	$ 27,990,034	$ 25,676,229

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

CURRENT ISSUES

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

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

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

Enrollment for the 2010-2011 year increased by 2% to 2852 students.

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.

FINANCIAL STATEMENTS

LAUREL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT A

	Primary Government Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 12,982,724
Due from other governments	1,356,817
Other receivables	73,943
Inventories	62,828
Bond issue costs, capital related	93,597
Restricted assets	2,077,729
Capital assets, non-depreciable	
Land	895,163
Construction in progress	3,377,512
Capital assets, net of accumulated depreciation	
Buildings	26,456,947
Building improvements	3,468,403
Improvements other than buildings	985,668
Mobile equipment	372,219
Furniture and equipment	741,648
TOTAL ASSETS	52,945,198
LIABILITIES:	
Accounts payable and accrued liabilities	470,523
Accrued Interest	284,414
Unearned revenue	36,756
Long-term liabilities (Due within one year)	
Capital related liabilities	950,000
Long-term liabilities (Due beyond one year)	
Capital related liabilities	26,745,000
Non-capital related liabilities	295,034
TOTAL LIABILITIES	28,781,727
NET ASSETS:	
Invested in capital assets (net of related debt)	8,602,560
Restricted net assets:	
Expendable:	
School-based activities	6,193,592
Debt service	594,326
Capital improvements	1,552,661
Unemployment benefits	74,969
Non-expendable:	
Sixteenth section	5,737,222
Unrestricted:	1,408,141
TOTAL NET ASSETS	$ 24,163,471

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

LAUREL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 17,137,399	$ 216,532	$ 5,666,338	$ -	(11,254,529)
Support Services	8,735,314	-	1,338,277	-	(7,397,037)
Non-instructional	2,291,319	1,878,011	1,786,690	-	1,373,382
Interest and other expenses on long-term liabilities	1,337,077	-	-	-	(1,337,077)
Total governmental activities	$ 29,501,109	2,094,543	8,791,305	-	(18,615,261)

Taxes:	
General purpose levies	9,739,501
Debt purpose levies	2,216,074
Unrestricted grants & contributions:	
State	11,397,110
Federal	172,744
Unrestricted investment earnings	433,805
Sixteenth section earnings	306,201
Other	829,841
Total General Revenues	25,095,276
Change in Net Assets	6,480,015
Net Assets - Beginning	17,683,456
Net Assets - Ending	$ 24,163,471

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

LAUREL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT C

	MAJOR FUNDS			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 8,618,709	$ 1,226,739	$ 5,215,005	$ 15,060,453
Accrued interest receivable	-	-	73,943	73,943
Due from other governments	410,899	238,046	703,818	1,352,763
Due from other funds	37,379	-	13,207	50,586
Advances to other funds	235,062	4,272,437	-	4,507,499
Inventories and prepaid items	-	-	62,828	62,828
TOTAL ASSETS	$ 9,302,049	$ 5,737,222	$ 6,068,801	$ 21,108,072
LIABILITIES & FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	$ 69,703	$ -	$ 400,820	$ 470,523
Due to other funds	6,050	-	40,482	46,532
Advances from other funds	4,272,437	-	235,062	4,507,499
Unearned revenue	-	-	36,756	36,756
Total Liabilities	4,348,190	-	713,120	5,061,310
Fund Balances:				
Nonspendable:				
Advances	235,062	4,272,437	-	4,507,499
Inventory	-	-	62,828	62,828
Permanent fund principal	-	1,464,785	-	1,464,785
Restricted:				
Debt service	-	-	594,326	594,326
Capital projects	-	-	1,552,661	1,552,661
Grant activities	-	-	3,070,897	3,070,897
Unemployment benefits	-	-	74,969	74,969
Assigned:				
Capital improvements				
Other purposes	2,887,633	-	-	2,887,633
Unassigned	1,831,164	-	-	1,831,164
Total Fund Balances	4,953,859	5,737,222	5,355,681	16,046,762
TOTAL LIABILITIES AND FUND BALANCES	$ 9,302,049	$ 5,737,222	$ 6,068,801	$ 21,108,072

The 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, 2011

EXHIBIT C-1

Total Fund Balance - Governmental Funds		$ 16,046,762
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:		
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds:		
Land	895,163	
Construction in progress	3,377,512	
Buildings	31,573,507	
Building improvements	5,062,170	
Improvements other than buildings	1,224,782	
Mobile equipment	1,835,096	
Furniture and equipment	1,362,874	
Accumulated Depreciation	(9,033,544)	36,297,560
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(24,695,000)	
Qualified school construction bonds	(3,000,000)	
Bond issue costs	93,597	
Accrued interest payable	(284,414)	
Compensated absences	(295,034)	(28,180,851)
Total Net Assets - Governmental Activities		$ 24,163,471

The 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, 2011

EXHIBIT D

	MAJOR FUNDS			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources	$ 10,937,846	$ 15,221	$ 2,669,988	$ 13,623,055
State Sources	11,559,179	-	520,114	12,079,293
Federal Sources	219,600	-	8,062,266	8,281,866
Sixteenth Section Sources	-	238,045	68,156	306,201
Total Revenues	22,716,625	253,266	11,320,524	34,290,415
Expenditures:				
Instruction	10,488,761	-	5,909,562	16,398,323
Support Services	7,612,982	-	1,443,283	9,056,265
Noninstructional Services	557	-	2,100,220	2,100,777
Facilities Acquisition and Construction	10,490	-	3,042,045	3,052,535
Debt Service:				
Principal	-	-	675,000	675,000
Interest	179,452	-	1,161,281	1,340,733
Other	-	-	2,250	2,250
Total Expenditures	18,292,242	-	14,333,641	32,625,883
Excess (Deficiency) of Revenues Over Expenditures	4,424,383	253,266	(3,013,117)	1,664,532
Other Financing Sources (Uses):				
Bond Proceeds	-	-	3,000,000	3,000,000
Insurance loss recoveries	315	-	1,690,458	1,690,773
Operating Transfers In	596,543	-	1,194,909	1,791,452
Operating Transfers Out	(1,135,955)	-	(655,497)	(1,791,452)
Total Other Financing Sources (Uses)	(539,097)	-	5,229,870	4,690,773
Net Change in Fund Balances	3,885,286	253,266	2,216,753	6,355,305
Fund Balances:				
July 1, 2010	1,068,573	5,483,956	3,133,205	9,685,734
Increase (decrease) in reserve for inventory	-	-	5,723	5,723
June 30, 2011	$ 4,953,859	$ 5,737,222	$ 5,355,681	$ 16,046,762

The 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, 2011

EXHIBIT D-1

Net Change in fund balances - governmental funds		$ 6,355,305
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	3,523,897	
Depreciation expense	(1,091,747)	2,432,150
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net assets differs from the change in fund balance by the cost of the assets sold.		(64)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities.		
Bonds and notes issued	(3,000,000)	
Payments of debt principal	675,000	
Accrued interest payable	5,906	
Deferred issuance costs	(5,200)	(2,324,294)
4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Change in compensated absences	11,195	
Change in inventory reserve	5,723	16,918
Change in net assets of governmental activities		$ 6,480,015

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

LAUREL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011

EXHIBIT E

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,247,100
TOTAL ASSETS	1,247,100
LIABILITIES	
Accounts payable and accrued liabilities	1,177,826
Due to other funds	4,054
Due to student clubs	65,220
TOTAL LIABILITIES	$ 1,247,100

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

1) Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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 authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

(1) Summary of Significant Accounting Policies (Continued)

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is the fund that accounts for all revenues and expenditures of sixteenth section fund that are nonexpendable.

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

The District's fiduciary funds include the following:

Club Funds – Accounts for receipt of money due to various school clubs.

Clearing Funds – Accounts for claims and payroll liabilities.

GOVERNMENTAL FUNDS

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Permanent Funds - Permanent Funds are used to account for and report resources that are 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 (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

(1) Summary of Significant Accounting Policies (Continued)

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

3. Due from Other Governments

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

4. Inventories

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

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

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

(2) 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 on deposits are imposed by statutes as follows:

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

(2) Cash and Cash Equivalents (Continued)

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $15,060,453 and $1,247,100, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - $12,982,724 and restricted assets - $2,077,729.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of $17,608,343 was exposed to custodial credit risk.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General fund	Other Governmental Funds	$ 33,325
	Fiduciary Funds	4,054
Other Governmental Funds	General Fund	6,050
	Other Governmental Funds	7,157
Totals		$ 50,586

The purpose of the Due from/to other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General fund	Other Governmental Funds	$ 546,883
16th Section Principal Fund	General Fund	4,486,289
Totals		$ 5,033,172

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

(3) Inter-fund Receivables, Payables and Transfers (Continued)

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

Year Ending June 30	Principal	Interest	Total
2012	222,406	170,898	393,304
2013	231,302	162,001	393,303
2014	182,048	152,750	334,798
2015	189,329	145,467	334,796
2016	196,903	137,895	334,798
2017-2021	1,109,149	564,835	1,673,984
2022-2026	1,349,450	324,535	1,673,985
2027-2030	791,850	61,700	853,550
Total	$ 4,272,437	$ 1,720,081	$ 5,992,518

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other Governmental Funds	$ 1,135,955
Other Governmental Funds	General Fund	596,543
	Other Governmental Funds	58,954
Totals		$ 1,791,452

(4) Restricted Assets

The restricted assets represent the cash balance, totaling $1,226,739 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.

In addition, the restricted assets represent the cash, totaling $842 of the $26.5 Million Bond Construction Fund which is legally restricted and may not be used for purposes other than construction.

In additions, the restricted assets represent the cash, total $850,148 of the Qualified School Bond Construction Fund.

(5) Capital Assets

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

Governmental Activities:	Balance 7/1/2010	Additions	Deletions	Adjustments	Balance 6/30/2011
Non-depreciable capital assets:					
Land	$ 895,163	$ -	$ -	$ -	$ 895,163
Construction in progress	324,977	3,052,535	-	-	3,377,512
Total non-depreciable capital assets	1,220,140	3,052,535	-	-	4,272,675
Depreciable capital assets					
Buildings	31,573,507	-	-	-	31,573,507
Building improvements	5,062,170	-	-	-	5,062,170
Improvements other than buildings	1,224,782	-	-	-	1,224,782
Mobile Equipment	1,788,301	39,866	-	6,929	1,835,096
Furniture and equipment	944,752	431,496	(6,445)	(6,929)	1,362,874
Total depreciable capital assets	40,593,512	471,362	(6,445)	-	41,058,429
Less accumulated depreciation					
Buildings	4,534,880	581,680	-	-	5,116,560
Building improvements	1,385,127	208,640	-	-	1,593,767
Improvements other than buildings	186,787	52,327	-	-	239,114
Mobile Equipment	1,393,381	69,496	-	-	1,462,877
Furniture and equipment	448,003	179,604	(6,381)	-	621,226
Total accumulated depreciation	7,948,178	1,091,747	(6,381)	-	9,033,544
Total depreciable capital assets, net	32,645,334	(620,385)	(64)	-	32,024,885
Governmental activities capital assets, net	$ 33,865,474	$ 2,432,150	$ (64)	$ -	$ 36,297,560

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 790,342
Support	112,888
Non-Instruction	188,517
Total Depreciation Expense	$ 1,091,747

Construction in progress is composed of:

Description	Spent to June 30, 2011	Remaining Commitment
Baseball Fields	$ 2,193,012	$ 39,830
Jones Middle School	1,184,500	1,155,870
Total governmental activities	$ 3,377,512	$ 1,195,700

(6) Long-term Liabilities

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

Description	Balance 7/1//2010	Additions	Deletions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	$ 25,370,000	$ -	$ 675,000	$ 24,695,000	$ 750,000
B. Qualified school contruction bond payable	-	3,000,000	-	3,000,000	200,000
C. Compensated absences payable	306,229	-	11,195	295,034	-
	$ 25,676,229	$ 3,000,000	$ 686,195	$ 27,990,034	$ 950,000

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 Oustanding
General obligation bonds					
Series 2008	3.5-5.0%	4/1/2008	4/1/2028	$ 26,500,000	$ 24,695,000
Total				$ 26,500,000	$ 24,695,000

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

Year Ending June 30	Principal	Interest	Total
2012	750,000	1,137,656	1,887,656
2013	850,000	1,111,406	1,961,406
2014	1,075,000	1,081,656	2,156,656
2015	1,070,000	1,041,344	2,111,344
2016	1,100,000	1,001,219	2,101,219
2017-2021	6,800,000	4,199,344	10,999,344
2022-2026	9,425,000	2,295,438	11,720,438
2027-2028	3,625,000	242,531	3,867,531
Total	$ 24,695,000	$ 12,110,594	$ 36,805,594

This debt will be retired from the $26.5 Million Construction Fund.

(6) Long-term Liabilities (Continued)

A. General obligation bonds payable

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2010.

B. Qualified school construction bond payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Oustanding
1. Limited-Tax Note, Series 2010-A	4.33%	8/1/2010	8/1/2025	$ 1,500,000	$ 1,500,000
2. Limited-Tax Note, Series 2010-B	4.33%	8/1/2010	8/1/2025	1,500,000	1,500,000
Total				$ 3,000,000	$ 3,000,000

C. Compensated absences payable

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

(7) Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for 18 copiers. Lease expenditures for the year ended June 30, 2011, amounted to $29,526.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	$ 63,156
2013	63,156
2014	38,095
	$ 164,407

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were $1,886,069, $1,946,589 and $1,927,275, respectively, which equaled the required contributions for each year.

(9) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The Laurel School District does not have control or jurisdiction over any school trust lands but rather receives pro rata distributions of funds from Sixteenth section lands administered by the Jones County School District.

(10) Qualified School Construction Bonds

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

Starting in fiscal year ending June 30, 2012, the school district will be required to make equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal	Interest	Total
2012	200,000	152,167	352,167
2013	200,000	165,000	365,000
2014	200,000	165,000	365,000
2015	200,000	165,000	365,000
2016	200,000	165,000	365,000
2017-2021	1,000,000	825,000	1,825,000
2022-2026	1,000,000	825,000	1,825,000
Total	$ 3,000,000	$ 2,462,167	$ 5,462,167

(11) 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.

(12) Insurance Loss Recoveries

The Laurel School District received $1,690,773 in insurance loss recoveries related to fire damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as Charges for Services and allocated among the expenditure functions based on how funds were expended for repairs as follows:

Insurance Loss Recoveries	Percentage	Expenditure Function
$ 1,690,773	100%	Non-instructional

(13) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Laurel School District evaluated the activity of the district through February 29, 2012, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

LAUREL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 1a

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local Sources	$ 10,077,750	$ 10,586,498	$ 10,937,846	$ 508,748	$ 351,348
State Sources	11,739,169	11,625,326	11,559,179	(113,843)	(66,147)
Federal Sources	104,000	199,612	219,600	95,612	19,988
Total Revenues	21,920,919	22,411,436	22,716,625	490,517	305,189
Expenditures:					
Instruction	10,818,402	10,125,322	10,488,761	693,080	(363,439)
Support Services	8,482,487	7,775,378	7,612,982	707,109	162,396
Noninstructional Services	-	560	557	(560)	3
Facilities Acquisition & Construction	95,000	563,715	10,490	(468,715)	553,225
Debt Service	394,000	393,305	179,452	695	213,853
Total Expenditures	19,789,889	18,858,280	18,292,242	931,609	566,038
Excess (Deficiency) of Revenues over Expenditures	2,131,030	3,553,156	4,424,383	1,422,126	871,227
Other Financing Sources (Uses):					
Insurance loss recoveries	-	315	315	315	-
Proceeds of loans	-	-	-	-	-
Operating transfers in	769,000	3,933,741	596,543	3,164,741	(3,337,198)
Operating transfers out	(1,100,000)	(1,646,939)	(1,135,955)	(546,939)	510,984
Total Other Financing Sources (Uses)	(331,000)	2,287,117	(539,097)	2,618,117	(2,826,214)
Net Change in Fund Balance	1,800,030	5,840,273	3,885,286	4,040,243	(1,954,987)
Fund Balances:					
July 1, 2010	7,208,454	6,284,758	1,068,573	(923,696)	(5,216,185)
June 30, 2011	$ 9,008,484	$ 12,125,031	$ 4,953,859	$ 3,116,547	$ (7,171,172)

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

LAUREL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 501,195
National School Lunch Program	10.555	1,326,394
Total Child Nutrition Cluster		1,827,589
Total U.S. Dept. of Agriculture		1,827,589
FEDERAL COMMUNICATIONS COMMISSION		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	219,600
Total Federal Communications Commission		219,600
U.S. DEPARTMENT OF EDUCATION		
Passed-Through Mississippi Dept. of Education:		
Career and Technical Education-Basic Grants to States	84.048	58,003
Safe and Drug Free Schools and Communities - State Grants	84.186	14,921
ARRA - Education Jobs Fund, Recovery Act	84.410A	562,612
Education Technology State Grants	84.318	15,871
Reading First State Grants	84.357	392,480
Rural Education	84.358	70,369
English Language Acquisition Grants	84.365	58,099
Improving Teacher Quality - State Grants	84.367	370,521
ARRA - Education State Grants, Recovery Act	84.394A	753,424
Subtotal		2,296,300
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	2,527,227
ARRA- Title I Grants to Local Educational Agencies , Recovery Act	84.389A	490,152
Total Title I Cluster		3,017,379
Special Education Cluster:		
Special Education - Grants to States	84.027	191,794
Special Education - Preschool Grants	84.173	19,083
ARRA - Special Education - Grants to States, Recovery Act	84.391A	690,833
ARRA - Special Education, Preschool - Grants to States, Recovery Act	84.392A	19,286
Total Special Education Cluster		920,996
Total Passed-Through MDE		6,234,675
Total U.S. Department of Education		6,234,675
Total for all Federal Awards		$ 8,281,864

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, 2011

Expenditures	Total	Instruction	General Administrative	School Administrative	Other
Salaries and fringe benefits	$ 21,316,948	$ 13,938,429	$ 876,794	$ 1,533,047	$ 4,968,678
Other	11,308,935	2,459,894	194,210	42,186	8,612,645
Total	$ 32,625,883	$ 16,398,323	$ 1,071,004	$ 1,575,233	$ 13,581,323
Total number of students *	2,852				
Cost per student	$ 11,440	$ 5,750	$ 376	$ 552	$ 4,762

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

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

General Administrative - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

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

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

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

OTHER INFORMATION

LAUREL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND

LAST FOUR YEARS

"UNAUDITED"

	2011	2010	2009	2008
REVENUES				
Local Sources	$ 10,937,846	$ 10,124,510	$ 9,778,600	$ 10,035,369
State Sources	11,559,179	10,926,453	12,202,461	12,483,284
Federal Sources	219,600	164,985	41,819	37,344
TOTAL REVENUES	22,716,625	21,215,948	22,022,880	22,555,997
EXPENDITURES				
Instruction	10,488,761	10,893,265	12,926,731	11,929,000
Support Services	7,612,982	8,651,129	10,789,172	12,235,280
Noninstructional Services	557	760	756	78
Facilities Acquisition & Construction	10,490	227,017	-	110,710
Debt Service:				
Interest	179,452	136,062	151,377	21,373
TOTAL EXPENDITURES	18,292,242	19,908,233	23,868,036	24,296,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,424,383	1,307,715	(1,845,156)	(1,740,444)
OTHER FINANCING SOURCES (USES)				
Insurance Loss Recoveries	315	206,890	-	39,770
Indirect Transfers	-	-	-	75,304
Operating Transfers In	596,543	107,198	123,123	-
Operating Transfers Out	(1,135,955)	(3,932,313)	(452,610)	(966,210)
TOTAL OTHER FINANCING SOURCES (USES)	(539,097)	(3,618,225)	(329,487)	(851,136)
NET CHANGE IN FUND BALANCES	3,885,286	(2,310,510)	(2,174,643)	(2,591,580)
FUND BALANCES:				
Beginning of period, as originally reported	1,068,573	3,196,513	5,371,156	7,962,736
Prior period adjustment	-	182,570	-	-
Beginning of period, as restated	1,068,573	3,379,083	5,371,156	7,962,736
End of Period	$ 4,953,859	$ 1,068,573	$ 3,196,513	$ 5,371,156

LAUREL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

"UNAUDITED"

	2011	2010	2009	2008
REVENUES				
Local Sources	$ 13,623,055	$ 12,299,458	$ 13,183,054	$ 11,308,153
State Sources	12,079,293	11,735,050	13,039,878	13,395,128
Federal Sources	8,281,866	7,958,528	5,685,625	6,058,969
Sixteenth Section Sources	306,201	494,662	616,732	748,914
TOTAL REVENUES	34,290,415	32,487,698	32,525,289	31,511,164
EXPENDITURES				
Instruction	16,398,323	16,481,193	16,877,178	16,060,244
Support Services	9,056,265	11,095,274	15,425,409	13,845,054
Noninstructional Services	2,100,777	2,089,638	1,677,402	1,903,639
Facilities Acquisition & Construction	3,052,535	4,673,703	21,317,036	1,996,727
Debt Service:	-			
Principal	675,000	600,000	1,045,000	332,000
Interest	1,340,733	1,320,593	1,360,956	40,331
Other	2,250.00	-	-	-
TOTAL EXPENDITURES	32,625,883	36,260,401	57,702,981	34,177,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,664,532	(3,772,703)	(25,177,692)	(2,666,831)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	3,000,000	-	-	26,509,405
Insurance Loss Recoveries	1,690,773	565,106	-	39,770
Operating Transfers In	1,791,452	4,691,994	609,674	976,248
Operating Transfers Out	(1,791,452)	(4,691,994)	(609,674)	(976,248)
Other Financing Uses	-	-	(2,302)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,690,773	565,106	(2,302)	26,549,175
NET CHANGE IN FUND BALANCES	6,355,305	(3,207,597)	(25,179,994)	23,882,344
FUND BALANCES:				
Beginning of period, as originally reported	9,685,734	12,742,542	37,923,022	14,039,562
Prior period adjustment	-	132,570	-	-
Beginning of period, as restated	9,685,734	12,875,112	37,923,022	14,039,562
Increase (Decrease) in reserve for inventory	5,723	18,219	(486)	1,116
End of Period	$ 16,046,762	$ 9,685,734	$ 12,742,542	$ 37,923,022

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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JULIE M. UHER, CPA

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FOUNDER (1915 - 1997)

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

Superintendent and School Board
Laurel School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Laurel School District as of and for the year ended June 30, 2011, which collectively comprise Laurel School District's basic financial statements and have issued our report thereon dated February 29, 2012. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (Finding 2011-2)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. (Finding 2011-1)

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Compliance and Other Matters

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

Laurel School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Laurel School District's responses and, accordingly, we express no opinion on them.

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

Holt + Associates

February 29, 2012

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

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

Internal Control Over Compliance

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 Laurel School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis

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

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

Holt + Associates

February 29, 2012

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

HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. DAVID DILL, CPA, CGFM
JULIE M. UHER, CPA

H. I. HOLT, CPA
FOUNDER (1915 - 1997)

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

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, 2011, which collectively comprise Laurel School District's basic financial statements and have issued our report thereon dated February 29,2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $33,887 of classroom supply funds carried over from previous years.

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

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

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

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

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

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

Holt + Associates

February 29, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUREL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	Unqualified.
2.	Noncompliance material to financial statements noted?	No.
3.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	Yes.
	b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes.

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No.
	b. Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported.
6.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No.
7.	Federal programs identified as major programs:	
	a. Child Nutrition Cluster	
	CFDA #10.553	
	CFDA #10.555	
	b. Reading First State Grants	
	CFDA #84.357	
	c. ARRA- Education Jobs Fund	
	CFDA #84.410A	
	d. Improving Teacher Quality – State Grants	
	CFDA# 84.367	
8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee?	Yes

Section II: Financial Statement Findings

Significant Deficiency not considered to be a Material Weakness

Finding 2011-1

Condition: During testing of expenditures, we noted one purchase that sales tax was paid and one invoice that was not paid within the 45 day time limit.

Criteria: Management is responsible for establishing proper internal controls to ensure proper financial accountability and reporting of all funds.

Effect: Inadequate internal controls related to the expenditures and disbursements cycle could result in misappropriation or loss of assets.

Recommendation: Internal controls should be implemented to ensure that sales tax is not paid and invoices are paid within 45 days of receipt of the purchased items.

Significant Deficiency considered to be a Material Weakness

Finding 2011-2

Condition: During our audit, we determined that two years of journal entries have not been made.

Criteria: Management is responsible for establishing proper internal controls to ensure proper financial accountability and reporting of all funds is accurate.

Effect: Inadequate internal controls related to financial reporting could result in over/under stating financial assets, liabilities, revenues and/or expenditures of the school district. This could lead to misreporting to granting agencies and other various reporting agencies.

Recommendation: Internal controls should be implemented to ensure that all journal entries are properly recorded.

Section III: 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
Learning for Life

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AUDITEE'S CORRECTIVE ACTION PLAN

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, 2011:

Finding:	Corrective Action Plan Details:	
2011-1:	a.	Name of Contact Person Responsible for Corrective Action: Rhonda Rowzee, Business Manager
	b.	Corrective Action Planned: We watch very carefully for these types of invoices and will continue to do so. Instances like this somehow make it through our system
	c.	Anticipated Completion Date: Immediately
2011-2:	a.	Name of Contact Person Responsible for Corrective Action: Rhonda Rowzee
	b.	Corrective Action Planned: We will comply.
	c.	Anticipated Completion Date Immediately