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LAUREL SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2014

LAUREL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Laurel School District

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Laurel School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Laurel School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laurel School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, 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* in considering Laurel School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 25, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The following discussion and analysis of Laurel School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased \$1,235,207, including a prior period adjustment of (\$2,299), which represents a 4% decrease from fiscal year 2013. Total net position for 2013 increased \$577,394, including a prior period adjustment of \$189,672, which represents a 2% increase from fiscal year 2012.
- General revenues amounted to \$26,363,143 and \$25,968,525, or 81% and 80% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,376,839, or 19% of total revenues for 2014, and \$6,462,198, or 20% of total revenues for 2013.
- The District had \$33,972,890 and \$32,043,001 in expenses for fiscal years 2014 and 2013; only \$6,376,839 for 2014 and \$6,462,198 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$26,363,143 for 2014 were not adequate to provide for these programs. General revenues of \$25,968,525 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,377,995 in revenues and \$24,857,242 in expenditures for 2014, and \$23,461,357 in revenues and \$23,706,702 in expenditures in 2013. The General Fund's fund balance decreased by \$2,279,985, including a prior period adjustment of \$19,156, from 2013 to 2014, and decreased by \$955,877, including a prior period adjustment of \$49,339, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$543,193 for 2014 and increased by \$303,482 for 2013. The increase for 2014 was due primarily to the completion of building improvements during the fiscal year and the addition of improvements other than buildings, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$1,089,500 for 2014 and increased by \$572,703 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$14,500 for 2014 and increased by \$22,703 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position 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.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 periods.

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

Fund Financial Statements

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

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

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

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$26,482,525 as of June 30, 2014.

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 position at June 30, 2014 and June 30, 2013.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 12,349,182	\$ 14,370,596	(14.07) %
Restricted	4,389,516	5,055,790	(13.18) %
Capital assets, net	38,617,059	38,073,866	1.43 %
Total assets	55,355,757	57,500,252	(3.73) %
Current liabilities	552,849	372,637	48.36 %
Long-term debt outstanding	28,320,383	29,409,883	(3.70) %
Total liabilities	28,873,232	29,782,520	(3.05) %
Net position:			
Net investment in capital assets	10,794,929	11,065,575	(2.45) %
Restricted	11,386,420	11,396,918	(0.09) %
Unrestricted	4,301,176	5,255,239	(18.15) %
Total net position	\$ 26,482,525	\$ 27,717,732	(4.46) %

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

- Increase in net capital assets in the amount of \$543,193.
- The principal retirement of \$1,075,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$32,739,982 and \$32,430,723, respectively. The total cost of all programs and services was \$33,972,890 for 2014 and \$32,043,001 for 2013.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 450,223	\$ 462,078	(2.57) %
Operating grants and contributions	5,926,616	6,000,120	(1.23) %
General revenues:			
Property taxes	12,439,118	12,396,676	0.34 %
Grants and contributions not restricted	12,217,509	12,014,205	1.69 %
Investment earnings	129,500	184,634	(29.86) %
Sixteenth section sources	952,090	423,000	125.08 %
Other	624,926	950,010	(34.22) %
Total revenues	32,739,982	32,430,723	0.95 %
Expenses:			
Instruction	18,566,271	17,854,477	3.99 %
Support services	11,648,913	10,784,755	8.01 %
Non-instructional	2,084,882	2,104,033	(0.91) %
Interest on long-term liabilities	1,672,824	1,299,736	28.70 %
Total expenses	33,972,890	32,043,001	6.02 %
Increase (Decrease) in net position	(1,232,908)	387,722	(417.99) %
Net Position, July 1, as previously reported	27,717,732	27,140,338	2.13 %
Prior Period Adjustment	(2,299)	189,672	(101.21) %
Net Position, July 1, as restated	27,715,433	27,330,010	1.41 %
Net Position, June 30	\$ 26,482,525	\$ 27,717,732	(4.46) %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. 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.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 18,566,271	\$ 17,854,477	3.99 %
Support services	11,648,913	10,784,755	8.01 %
Non-instructional	2,084,882	2,104,033	(0.91) %
Interest on long-term liabilities	1,672,824	1,299,736	28.70 %
Total expenses	\$ 33,972,890	\$ 32,043,001	6.02 %

	<u>Net (Expense) Revenue</u>		Percentage Change
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (15,531,018)	\$ (14,782,647)	5.06 %
Support services	(10,426,826)	(9,468,524)	10.12 %
Non-instructional	34,617	(29,896)	215.79 %
Interest on long-term liabilities	(1,672,824)	(1,299,736)	28.70 %
Total net (expense) revenue	\$ (27,596,051)	\$ (25,580,803)	7.88 %

- Net cost of governmental activities (\$27,596,051 for 2014 and \$25,580,803 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$12,439,118 for 2014 and \$12,396,676 for 2013) and state and federal revenues (\$12,217,509 for 2014 and \$12,014,205 for 2013). In addition, there was \$952,090 and \$423,000 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$129,500 for 2014 and \$184,634 for 2013.

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 \$16,663,137, a decrease of \$2,674,985, which includes a prior period adjustment of (\$2,299) and an increase in inventory of \$5,832. \$2,665,792, or 16% 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 \$13,997,345, or 84% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,279,985, which includes a prior period adjustment of \$19,156. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,293,019, which includes a prior period adjustment of (\$21,455) and an increase in inventory of \$5,832. The increase

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

(decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 898,019

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. Budget revisions during the year were routine in nature and were insignificant when compared to total revenues and expenditures of the 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 supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$51,037,332, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,779,436 from 2013 due primarily to the completion of building improvements during the fiscal year and the addition of improvements other than buildings, mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2014, was \$12,420,273, and total depreciation expense for the year was \$1,326,038, resulting in total net capital assets of \$38,617,059.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 895,163	\$ 895,163	0.00 %
Construction in Progress	368,682	46,976	684.83 %
Buildings	29,268,591	29,897,753	(2.10) %
Building improvements	4,936,958	3,798,137	29.98 %
Improvements other than buildings	1,913,332	1,980,213	(3.38) %
Mobile equipment	716,174	789,166	(9.25) %
Furniture and equipment	518,159	666,458	(22.25) %
Total	\$ 38,617,059	\$ 38,073,866	1.43 %

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

Debt Administration. At June 30, 2014, the District had \$28,320,383 in outstanding long-term debt, of which \$1,085,019 is due within one year. During the fiscal year, the District made principal payments in the amount of \$1,075,000 on outstanding long-term debt. The liability for compensated absences decreased \$14,500 from the prior year.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 22,020,000	\$ 23,095,000	(4.65) %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Compensated absences payable	300,383	314,883	(4.60) %
Total	<u>\$ 28,320,383</u>	<u>\$ 29,409,883</u>	(3.70) %

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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, 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 Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,821,546
Due from other governments	1,480,711
Accrued interest receivable	6,224
Inventories	40,701
Restricted assets	4,389,516
Capital assets, non-depreciable:	
Land	895,163
Construction in progress	368,682
Capital assets, net of accumulated depreciation:	
Buildings	29,268,591
Building improvements	4,936,958
Improvements other than buildings	1,913,332
Mobile equipment	716,174
Furniture and equipment	518,159
Total Assets	55,355,757
Liabilities	
Accounts payable and accrued liabilities	75,561
Interest payable on long-term liabilities	477,288
Long-term liabilities, due within one year:	
Capital related liabilities	1,070,000
Non-capital related liabilities	15,019
Long-term liabilities, due beyond one year:	
Capital related liabilities	26,950,000
Non-capital related liabilities	285,364
Total Liabilities	28,873,232
Net Position	
Net investment in capital assets	10,794,929
Restricted for:	
Expendable:	
School-based activities	2,356,764
Debt service	1,390,604
Unemployment benefits	114,412
Non-expendable:	
Sixteenth section	7,524,640
Unrestricted	4,301,176
Total Net Position	\$ 26,482,525

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, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 18,566,271	\$ 312,974	\$ 2,722,279	-	\$ (15,531,018)	
Support services	11,648,913	21,161	1,200,926	-	(10,426,826)	
Non-instructional	2,084,882	116,088	2,003,411	-	34,617	
Interest on long-term liabilities	1,672,824	-	-	-	(1,672,824)	
Total Governmental Activities	\$ 33,972,890	\$ 450,223	\$ 5,926,616	-	\$ (27,596,051)	

General Revenues:

Taxes:

General purpose levies 10,033,589

Debt purpose levies 2,405,529

Unrestricted grants and contributions:

State 12,202,311

Federal 15,198

Unrestricted investment earnings 129,500

Sixteenth section sources 952,090

Other 624,926

Total General Revenues 26,363,143

Change in Net Position (1,232,908)

Net Position - Beginning, as previously reported 27,717,732

Prior Period Adjustments (2,299)

Net Position - Beginning, as restated 27,715,433

Net Position - Ending \$ 26,482,525

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

**LAUREL SCHOOL DISTRICT
Governmental Funds**

**Balance Sheet
June 30, 2014**

Exhibit C

	Major Funds			
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,643,419	\$ 3,257,399	\$ 5,393,314	\$ 14,294,132
Cash with fiscal agents	-	-	208	208
Investments	-	-	916,722	916,722
Due from other governments	245,830	630,661	587,351	1,463,842
Accrued interest receivable	-	-	6,224	6,224
Due from other funds	718,055	-	87,814	805,869
Advance to other funds	235,062	3,636,680	-	3,871,742
Inventories	-	-	40,701	40,701
Total assets	\$ 6,842,366	\$ 7,524,740	\$ 7,032,334	\$ 21,399,440
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 57,795	\$ -	\$ 17,766	\$ 75,561
Due to other funds	43,123	100	745,777	789,000
Advances from other funds	3,636,680	-	235,062	3,871,742
Total Liabilities	3,737,598	100	998,605	4,736,303
Fund Balances:				
Nonspendable:				
Inventory	-	-	40,701	40,701
Permanent fund principal	-	3,887,960	-	3,887,960
Advances	235,062	3,636,680	-	3,871,742
Restricted:				
Debt service	-	-	1,867,892	1,867,892
Capital projects	-	-	197,870	197,870
Grant activities	-	-	516,196	516,196
Unemployment benefits	-	-	114,412	114,412
Child nutrition	-	-	1,564,805	1,564,805
Assigned:				
Activity funds	203,914	-	-	203,914
Sixteenth section interest	-	-	1,540,220	1,540,220
Other purposes	-	-	191,633	191,633
Unassigned	2,665,792	-	-	2,665,792
Total Fund Balances	3,104,768	7,524,640	6,033,729	16,663,137
Total Liabilities and Fund Balances	\$ 6,842,366	\$ 7,524,740	\$ 7,032,334	\$ 21,399,440

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

LAUREL SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Exhibit C-1

Total fund balances for governmental funds	\$	16,663,137
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Amounts reported for governmental activities in the statement of Net Position are different because:

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

Land	\$	895,163	
Construction in progress		368,682	
Buildings		36,212,851	
Building improvements		7,199,584	
Improvements other than buildings		2,415,759	
Mobile equipment		2,366,327	
Furniture and equipment		1,578,966	
Accumulated depreciation		<u>(12,420,273)</u>	38,617,059

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		(22,020,000)	
Other bonds payable		(6,000,000)	
Compensated absences		(300,383)	
Accrued interest payable		<u>(477,288)</u>	(28,797,671)

Net Position of governmental activities	\$	<u>26,482,525</u>
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The notes to the financials statements are an integral part of this statement.

**LAUREL SCHOOL DISTRICT
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 10,913,508	\$ 3,165	\$ 2,705,935	\$ 13,622,608
State sources	12,438,166	-	353,010	12,791,176
Federal sources	26,321	-	5,326,626	5,352,947
Sixteenth section sources	-	894,854	57,236	952,090
Total Revenues	23,377,995	898,019	8,442,807	32,718,821
Expenditures:				
Instruction	14,752,673	-	3,177,883	17,930,556
Support services	9,899,767	-	1,289,758	11,189,525
Noninstructional services	-	-	1,965,250	1,965,250
Facilities acquisition and construction	48,859	-	1,729,401	1,778,260
Debt service:				
Principal	-	-	1,075,000	1,075,000
Interest	152,749	-	1,319,456	1,472,205
Other	3,194	-	4,510	7,704
Total Expenditures	24,857,242	-	10,561,258	35,418,500
Excess (Deficiency) of Revenues over (under) Expenditures	(1,479,247)	898,019	(2,118,451)	(2,699,679)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	-
Insurance recovery	21,161	-	-	21,161
Payments held by escrow agent	-	-	394,739	394,739
Payment to QSCB debt escrow agent	(93,000)	-	(301,739)	(394,739)
Operating transfers in	354,509	-	1,102,564	1,457,073
Operating transfers out	(1,102,564)	-	(354,509)	(1,457,073)
Total Other Financing Sources (Uses)	(819,894)	-	841,055	21,161
Net Change in Fund Balances	(2,299,141)	898,019	(1,277,396)	(2,678,518)
Fund Balances:				
July 1, 2013, as previously reported	5,384,753	6,626,621	7,326,748	19,338,122
Prior period adjustments	19,156	-	(21,455)	(2,299)
July 1, 2013, as restated	5,403,909	6,626,621	7,305,293	19,335,823
Increase (Decrease) in inventory	-	-	5,832	5,832
June 30, 2014	\$ 3,104,768	\$ 7,524,640	\$ 6,033,729	\$ 16,663,137

The notes to the financials statements are an integral part of the financials statements.

**LAUREL SCHOOL DISTRICT
Governmental Funds**

**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, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (2,678,518)**

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

1. Governmental funds 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	\$ 1,871,723	
Depreciation expense	<u>(1,326,038)</u>	545,685

- 2 In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (2,492)

- 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 Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,075,000	
Accrued interest payable	<u>(192,915)</u>	882,085

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

Change in compensated absences	14,500	
Change in inventory	5,832	20,332

Change in Net Position of governmental activities **\$ (1,232,908)**

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

**LAUREL SCHOOL DISTRICT
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities
June 30, 2014**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,473,953
Total Assets	<u>\$ 1,473,953</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,398,916
Due to other funds	16,869
Due to student clubs	<u>58,168</u>
Total Liabilities	<u>\$ 1,473,953</u>

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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is a permanent fund that accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings of these non-expendable resources.

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 school district also reports fiduciary funds which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

In the government-wide Statement of Net Position 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.

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 is both restricted and unrestricted net position 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 2012 by

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

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 Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. 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 the Business Manager pursuant to authorization established by the District's approved fund balance policy.

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

governmental funds and fiduciary funds was \$14,294,132 and \$1,473,953, respectively. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$10,821,546 and a portion of restricted assets in the amount of \$3,472,586 (see Note 4).

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, 2014, none of the district's bank balance of \$17,322,688 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$208.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Bonds Common Trust Funds	N/A	less than 1 year	\$ 307,320
US Treasury SLGS Deposit	N/A	10 to 15 years	609,402
Total			<u>\$ 916,722</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Sixteenth Section Principal Fund	\$ 100
	Other governmental funds	701,086
	Fiduciary funds	16,869
Other governmental funds	General Fund	43,123
	Other governmental funds	44,691
Total		\$ 805,869

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 235,062
Sixteenth Section Principal Fund	General Fund	3,636,680
Total		\$ 3,871,742

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position 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.

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 189,330	\$ 145,467	\$ 334,797
2016	196,903	137,894	334,797
2017	204,779	130,018	334,797
2018	212,970	121,827	334,797
2019	221,489	113,308	334,797
2020 - 2024	1,247,642	426,343	1,673,985
2025 - 2029	1,275,128	156,037	1,431,165
2030	88,439	3,538	91,977
Total	\$ 3,636,680	\$ 1,234,432	\$ 4,871,112

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,102,564
Other governmental funds	General Fund	354,509
Total		\$ 1,457,073

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, debt service transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$3,257,399 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 with fiscal agent and investment balance, totaling \$208 and \$916,722, respectively, of the QSCB Bond Retirement Funds. The restricted assets also represent the cash balance totaling \$215,187 of the \$1.4M QSCB Construction Fund resulting from unspent proceeds of long-term debt.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Completed Construction	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 895,163				\$ 895,163
Construction-in-progress	46,976	1,699,651		(1,377,945)	368,682
Total non-depreciable capital assets	942,139	1,699,651	-	(1,377,945)	1,263,845
<u>Depreciable capital assets:</u>					
Buildings	36,212,851				36,212,851
Building improvements	5,772,780	48,859		1,377,945	7,199,584
Improvements other than buildings	2,386,009	29,750			2,415,759
Mobile equipment	2,354,378	24,288	12,339		2,366,327
Furniture and equipment	1,589,739	69,175	79,948		1,578,966
Total depreciable capital assets	48,315,757	172,072	92,287	1,377,945	49,773,487
<u>Less accumulated depreciation for:</u>					
Buildings	6,315,098	629,162			6,944,260
Building improvements	1,974,643	287,983			2,262,626
Improvements other than buildings	405,796	96,631			502,427
Mobile equipment	1,565,212	96,046	11,105		1,650,153
Furniture and equipment	923,281	216,216	78,690		1,060,807
Total accumulated depreciation	11,184,030	1,326,038	89,795	-	12,420,273
Total depreciable capital assets, net	37,131,727	(1,153,966)	2,492	1,377,945	37,353,214
Governmental activities capital assets, net	\$ 38,073,866	\$ 545,685	\$ 2,492	\$ -	\$ 38,617,059

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 645,865
Support services	510,704
Non-instructional	169,469
Total depreciation expense - Governmental activities	\$ 1,326,038

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
LHS/Maddox West window project	\$ 368,682	\$ 412,508
Total construction in progress	\$ 368,682	\$ 412,508

Construction projects included in governmental activities are funded with proceeds from the issuance of qualified school construction bonds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 23,095,000	\$	\$ 1,075,000	\$ 22,020,000	\$ 1,070,000
B. Qualified school construction bonds payable	6,000,000			6,000,000	-
C. Compensated absences payable	314,883		14,500	300,383	15,019
Total	\$ 29,409,883	\$ -	\$ 1,089,500	\$ 28,320,383	\$ 1,085,019

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2008	3.5%-5.0%	4/1/2008	4/1/2028	\$ 26,500,000	\$ 22,020,000
Total				\$ 26,500,000	\$ 22,020,000

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,070,000	\$ 1,041,344	\$ 2,111,344
2016	1,100,000	1,001,219	2,101,219
2017	1,175,000	957,219	2,132,219
2018	1,275,000	910,219	2,185,219
2019	1,350,000	846,469	2,196,469
2020 – 2024	8,300,000	3,125,250	11,425,250
2025 – 2028	7,750,000	898,156	8,648,156
Total	\$ 22,020,000	\$ 8,779,876	\$ 30,799,876

This debt will be retired from the \$26.5M Construction Fund (Debt Service Fund).

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, 2014, the amount of outstanding bonded indebtedness was equal to 11% of property assessments as of October 1, 2013.

B. Qualified school construction bonds payable

As more fully explained in Note 14, 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 Outstanding
Limited-Tax Note, Series 2010-A	4.33%	8/1/2010	8/1/2025	\$ 1,500,000	\$ 1,500,000
Limited-Tax Note, Series 2010-B	4.33%	8/1/2010	8/1/2025	1,500,000	1,500,000
Limited-Tax Note, Series 2011	3.72%	8/1/2011	8/1/2026	1,600,000	1,600,000
Limited-Tax Note, Series 2012	3.06%	9/15/2012	9/15/2027	1,400,000	1,400,000
Total				\$ 6,000,000	\$ 6,000,000

C. Compensated absences payable

As more fully explained in Note 1(E)(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.

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 7 – Other Commitments

Commitments under contracts amount to \$368,682 as described in Note 5.

Operating leases:

The school district has several operating leases for 20 copiers. Lease expenditures for the year ended June 30, 2014, amounted to \$72,455.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 70,056
2016	69,728
2017	65,876
2018	58,539
Total	<u>\$ 264,199</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,859,526, \$2,489,730 and \$2,007,611, respectively, which equaled the required contributions for each year.

Note 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.

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 10 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund, included in the General Fund for financial reporting purposes, has a deficit fund balance in the amount of \$93,000. The deficit fund balance is a result of an adjustment to correct the reporting of the payment to the QSCB debt escrow agent during the fiscal year. The deficit fund balance of the District Maintenance Fund is in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

Note 11 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
To reclassify prior period amounts from other governmental funds to the General Fund and to restate beginning fund balance for other prior period amounts at the governmental fund level	\$ (2,299)
Total	<u>\$ (2,299)</u>

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

Fund	Explanation	Amount
General Fund	To reclassify prior period amounts from other governmental funds to the General Fund and to restate beginning fund balance for other prior period amounts	\$ 19,156
Other governmental funds	To reclassify prior period amounts from other governmental funds to the General Fund and to restate beginning fund balance for other prior period amounts	(21,455)
Total		<u>\$ (2,299)</u>

Note 12 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 – 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. Except as described below, 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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 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. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$923,154, which includes accrued interest of \$6,224. 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.

LAUREL SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Year Ending June 30	Amount
2015	\$ 399,000
2016	399,000
2017	399,000
2018	400,000
2019	400,000
2020 – 2024	2,001,000
2025 – 2028	1,097,000
Total	<u>\$ 5,095,000</u>

Note 15 - Insurance loss recoveries

The Laurel School District received \$21,161 in insurance loss recoveries related to damages during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Laurel School District evaluated the activity of the district through March 25, 2015, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAUREL SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 10,216,044	\$ 10,913,525	\$ 10,913,508	\$ 697,481	\$ (17)
State sources	12,361,575	12,449,290	12,438,166	87,715	(11,124)
Federal sources	104,000	15,200	26,321	(88,800)	11,121
Total Revenues	22,681,619	23,378,015	23,377,995	696,396	(20)
Expenditures:					
Instruction	12,881,381	14,753,305	14,752,673	(1,871,924)	632
Support services	9,032,294	9,993,261	9,899,767	(960,967)	93,494
Facilities acquisition and construction	453,662	-	48,859	453,662	(48,859)
Debt service:					
Principal	182,048	-	-	182,048	-
Interest	152,749	152,750	152,749	(1)	1
Other	-	-	3,194	-	(3,194)
Total Expenditures	22,702,134	24,899,316	24,857,242	(2,197,182)	42,074
Excess (Deficiency) of Revenues over (under) Expenditures	(20,515)	(1,521,301)	(1,479,247)	(1,500,786)	42,054
Other Financing Sources (Uses):					
Insurance recovery	-	21,162	21,161	21,162	(1)
Payment to QSCB debt escrow agent			(93,000)		(93,000)
Operating transfers in	1,062,321	4,080,724	354,509	3,018,403	(3,726,215)
Operating transfers out	(1,231,000)	(4,831,976)	(1,102,564)	(3,600,976)	3,729,412
Total Other Financing Sources (Uses)	(168,679)	(730,090)	(819,894)	(561,411)	(89,804)
Net Change in Fund Balances	(189,194)	(2,251,391)	(2,299,141)	(2,062,197)	(47,750)
Fund Balances:					
July 1, 2013, as previously reported	-	6,340,630	5,384,753	6,340,630	(955,877)
Prior period adjustments	-	-	19,156	-	19,156
July 1, 2013, as restated	-	6,340,630	5,403,909	6,340,630	(936,721)
June 30, 2014	\$ (189,194)	\$ 4,089,239	\$ 3,104,768	\$ 4,278,433	\$ (984,471)

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

LAUREL SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

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.

SUPPLEMENTARY INFORMATION

LAUREL SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 628,317
National school lunch program	10.555	1,344,181
		<hr/>
Total child nutrition cluster		1,972,498
Total passed-through Mississippi Department of Education		1,972,498
Total U.S. Department of Agriculture		<hr/> 1,972,498 <hr/>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	15,198
Total Federal Communications Commission		<hr/> 15,198 <hr/>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,192,624
Career and technical education - basic grants to states	84.048	47,635
Rural education	84.358	59,065
English Language Acquisition state grants	84.365	20,807
Improving teacher quality state grants	84.367	229,855
Subtotal		<hr/> 2,549,986 <hr/>
Special education cluster:		
Special education - grants to states	84.027	663,111
Special education - preschool grants	84.173	15,950
Total special education cluster		<hr/> 679,061 <hr/>
Total passed-through Mississippi Department of Education		<hr/> 3,229,047 <hr/>
Total U.S. Department of Education		<hr/> 3,229,047 <hr/>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	11,123
Total passed-through Mississippi Department of Education		<hr/> 11,123 <hr/>
Total U.S. Department of Health and Human Services		<hr/> 11,123 <hr/>
Total for All Federal Awards		<hr/> \$ 5,227,866 <hr/>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

LAUREL SCHOOL DISTRICT
Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 25,129,358	18,501,141	1,166,730	2,334,518	3,126,969
Other	10,289,142	2,251,336	217,357	122,655	7,697,794
Total	<u>\$ 35,418,500</u>	<u>20,752,477</u>	<u>1,384,087</u>	<u>2,457,173</u>	<u>10,824,763</u>
Total number of students *	<u>3,106</u>				
Cost per student	<u>\$ 11,403</u>	<u>6,681</u>	<u>446</u>	<u>791</u>	<u>3,485</u>

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

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

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

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

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

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

OTHER INFORMATION

LAUREL SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 10,913,508	\$ 11,273,591	\$ 11,132,735	\$ 10,937,846
State sources	12,438,166	12,052,918	11,954,266	11,559,179
Federal sources	26,321	134,848	247,217	219,600
Total Revenues	23,377,995	23,461,357	23,334,218	22,716,625
Expenditures:				
Instruction	14,752,673	14,010,849	12,606,666	10,488,761
Support services	9,899,767	9,030,096	8,487,148	7,612,982
Noninstructional			676	557
Facilities Acquisition & Construction	48,859	503,756	331,121	10,490
Debt Service				
Interest	152,749	162,001	170,897	179,452
Other	3,194		2,767	
Total Expenditures	24,857,242	23,706,702	21,599,275	18,292,242
Excess (Deficiency) of Revenues over (under) Expenditures	(1,479,247)	(245,345)	1,734,943	4,424,383
Other Financing Sources (Uses):				
Insurance loss recoveries	21,161	87,385	110,885	315
Payments held by escrow agent				
Payment to QSCB debt escrow agent	(93,000)			
Operating transfers in	354,509	111,611	64,780	596,543
Operating transfers out	(1,102,564)	(958,867)	(495,155)	(1,135,955)
Total Other Financing Sources (Uses)	(819,894)	(759,871)	(319,490)	(539,097)
Net Change in Fund Balances	(2,299,141)	(1,005,216)	1,415,453	3,885,286
Fund Balances:				
Beginning of period, as previously reported	5,384,753	6,340,630	4,953,859	1,068,573
Prior period adjustment	19,156	49,339	(28,682)	
Beginning of period, as restated:	5,403,909	6,389,969	4,925,177	1,068,573
End of Period	\$ 3,104,768	\$ 5,384,753	\$ 6,340,630	\$ 4,953,859

*SOURCE - PRIOR YEAR AUDIT REPORTS

LAUREL SCHOOL DISTRICT
Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 13,622,608	\$ 13,744,014	\$ 14,042,190	\$ 13,623,055
State sources	12,791,176	12,411,928	12,538,640	12,079,293
Federal sources	5,352,947	5,602,396	5,816,568	8,281,866
Sixteenth section sources	952,090	585,000	427,085	306,201
Total Revenues	32,718,821	32,343,338	32,824,483	34,290,415
Expenditures:				
Instruction	17,930,556	17,226,190	15,801,644	16,398,323
Support services	11,189,525	10,769,713	9,815,302	9,056,265
Noninstructional services	1,965,250	1,966,736	1,800,714	2,100,777
Facilities acquisition and construction	1,778,260	889,453	2,507,020	3,052,535
Debt service:				
Principal	1,075,000	850,000	750,000	675,000
Interest	1,472,205	1,288,707	1,460,720	1,340,733
Other	7,704	4,508	7,032	2,250
Total Expenditures	35,418,500	32,995,307	32,142,432	32,625,883
Excess (Deficiency) of Revenues over (under) Expenditures	(2,699,679)	(651,969)	682,051	1,664,532
Other Financing Sources (Uses):				
Bond Proceeds	-	1,400,000	1,600,000	3,000,000
Insurance loss recoveries	21,161	87,385	110,885	1,690,773
Payments Held by Escrow Agent	394,739	306,000	200,000	
Payments to QSCB Debt Escrow Agent	(394,739)	(306,000)	(200,000)	
Operating transfers in	1,457,073	1,234,436	560,777	1,791,452
Operating transfers out	(1,457,073)	(1,234,436)	(560,777)	(1,791,452)
Total Other Financing Sources (Uses)	21,161	1,487,385	1,710,885	4,690,773
Net Change in Fund Balances	(2,678,518)	835,416	2,392,936	6,355,305
Fund Balances:				
Beginning of period, as previously reported	19,338,122	18,396,589	16,046,762	9,685,734
Prior period adjustment	(2,299)	119,649	(28,682)	
Beginning of period, as restated	19,335,823	18,516,238	16,018,080	9,685,734
Increase (Decrease) in reserve for inventory	5,832	(13,532)	(14,427)	5,723
End of Period	\$ 16,663,137	\$ 19,338,122	\$ 18,396,589	\$ 16,046,762

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD AND STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

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 Perry C. Rackley, CPA

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

Superintendent and School Board
 Laurel School District

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Laurel School District's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laurel School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Laurel School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Laurel School District's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurel School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 25, 2015

Watkins Ward and Stafford, PLLC



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**Independent Auditor's Report
 on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance
 Required by OMB Circular A-133**

Superintendent and School Board
 Laurel School District

Report on Compliance for Each Major Federal Program

We have audited Laurel School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Laurel School District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Laurel School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Laurel 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Laurel School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Laurel School District complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of Laurel School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Laurel School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major

federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Laurel School District's internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 25, 2015

Watkins Ward and Stafford, PLLC

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



WATKINS, WARD AND STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

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**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, 2014, which collectively comprise Laurel School District's basic financial statements and have issued our report thereon dated March 25, 2015. 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 a zero balance of classroom supply funds carried over from previous years.

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

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

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

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

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

Watkins, Ward, and Stafford, PLLC
 Jackson, Mississippi
 March 25, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUREL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | None Reported |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
10.553; 10.555	Child Nutrition Cluster

- | | | |
|-----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __, 315(b) of OMB Circular A-133. | No |

LAUREL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II: Financial Statement Findings

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

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.

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Laurel School District
P. O. Box 288
Laurel, MS 39441
Dr. Chuck Benigno, Superintendent
Rhonda Rowzee, Business Manager

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Laurel School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2014:

<u>Findings</u>	<u>Status</u>
2013-1	Corrected