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LAUREL SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2015

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

LAUREL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITORS' 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, 2015, and the related notes to financial statements, which collectively comprise the Laurel School District's basic financial statements as listed in the 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.

Auditors' 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 auditors' 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, 2015, 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

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 42-44, respectively, 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 31, 2016, 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 31, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis

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, 2015. 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$37,255,057, including a prior period adjustment of (\$36,756,257) due primarily to the recording of the net pension liability, which represents a 141% decrease from fiscal year 2014. 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.
- General revenues amounted to \$26,593,896 and \$26,363,143, or 79% and 81% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,098,073, or 21% of total revenues for 2015, and \$6,376,839, or 19% of total revenues for 2014.
- The District had \$34,190,769 and \$33,972,890 in expenses for fiscal years 2015 and 2014; only \$7,098,073 for 2015 and \$6,376,839 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$26,593,896 for 2015 and \$26,363,143 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$24,004,534 in revenues and \$24,865,900 in expenditures for 2015, and \$23,377,995 in revenues and \$24,857,242 in expenditures in 2014. The General Fund's fund balance decreased by \$2,210 from 2014 to 2015, including a fund reclassification of \$1,540,220 and a prior period adjustment of (\$149), and decreased by \$2,279,985 from 2013 to 2014, including a prior period adjustment of \$19,156.
- Capital assets, net of accumulated depreciation, decreased by \$889,810 for 2015 and increased by \$543,193 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$248,129 for 2015 and decreased by \$1,089,500 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$53,129 for 2015 and decreased by \$14,500 for 2014.

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 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.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis

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, pension expense 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 statements (accrual basis of accounting). The following summarizes the major differences between the

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis

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 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 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 major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,772,532 as of June 30, 2015.

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.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 10,631,241	\$ 12,349,182	(13.91) %
Restricted assets	5,400,788	4,389,516	23.04 %
Capital assets, net	37,727,249	38,617,059	(2.30) %
Total assets	53,759,278	55,355,757	(2.88) %
Deferred outflows of resources	6,519,525	-	N/A %
Current liabilities	425,778	552,849	(22.98) %
Long-term debt outstanding	29,356,657	28,320,383	3.66 %
Net pension liability	36,044,050	-	N/A %
Total liabilities	65,826,485	28,873,232	127.98 %
Deferred inflows of resources	5,224,850	-	N/A %
Net position:			
Net investment in capital assets	10,498,606	10,794,929	(2.75) %
Restricted	12,810,201	11,386,420	12.50 %
Unrestricted	(34,081,339)	4,301,176	(892.37) %
Total net position (deficit)	\$ (10,772,532)	\$ 26,482,525	(140.68) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (34,081,339)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	36,630,135
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,548,796</u>

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

- Decrease in net capital assets in the amount of \$889,810.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The issuance of long-term debt in the amount of \$16,925,000, in which the proceeds were used to refund \$16,050,000 of outstanding long-term debt.
- The principal retirement of \$1,070,000 of long-term debt.
- The net pension liability in the amount of \$36,044,050.

**LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$33,691,969 and \$32,739,982, respectively. The total cost of all programs and services was \$34,190,769 for 2015 and \$33,972,890 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 419,681	\$ 450,223	(6.78) %
Operating grants and contributions	6,678,392	5,926,616	12.68 %
General revenues:			
Property taxes	12,286,949	12,439,118	(1.22) %
Grants and contributions not restricted	13,045,745	12,217,509	6.78 %
Investment earnings	191,329	129,500	47.74 %
Sixteenth section sources	651,000	952,090	(31.62) %
Other	418,873	624,926	(32.97) %
Total revenues	<u>33,691,969</u>	<u>32,739,982</u>	2.91 %
Expenses:			
Instruction	16,645,199	18,566,271	(10.35) %
Support services	11,055,089	11,648,913	(5.10) %
Non-instructional	2,089,383	2,084,882	0.22 %
Pension expense	2,849,420	-	N/A %
Interest on long-term liabilities	1,551,678	1,672,824	(7.24) %
Total expenses	<u>34,190,769</u>	<u>33,972,890</u>	0.64 %
Increase (Decrease) in net position	<u>(498,800)</u>	<u>(1,232,908)</u>	59.54 %
Net Position, July 1, as previously reported	<u>26,482,525</u>	<u>27,717,732</u>	(4.46) %
Prior Period Adjustment	<u>(36,756,257)</u>	<u>(2,299)</u>	(1,598,693.26) %
Net Position, July 1, as restated	<u>(10,273,732)</u>	<u>27,715,433</u>	(137.07) %
Net Position (deficit), June 30	<u>\$ (10,772,532)</u>	<u>\$ 26,482,525</u>	(140.68) %

Governmental activities

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 16,645,199	\$ 18,566,271	(10.35) %
Support services	11,055,089	11,648,913	(5.10) %
Non-instructional	2,089,383	2,084,882	0.22 %
Pension Expense	2,849,420	-	N/A %
Interest on long-term liabilities	1,551,678	1,672,824	(7.24) %
Total expenses	\$ 34,190,769	\$ 33,972,890	0.64 %

	<u>Net (Expense) Revenue</u>		Percentage Change
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (13,375,954)	\$ (15,531,018)	(13.88) %
Support services	(9,557,654)	(10,426,826)	(8.34) %
Non-instructional	242,010	34,617	599.11 %
Pension Expense	(2,849,420)	-	N/A %
Interest on long-term liabilities	(1,551,678)	(1,672,824)	(7.24) %
Total net (expense) revenue	\$ (27,092,696)	\$ (27,596,051)	(1.82) %

- Net cost of governmental activities (\$27,092,696 for 2015 and \$27,596,051 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$12,286,949 for 2015 and \$12,439,118 for 2014) and state and federal revenues (\$13,045,745 for 2015 and \$12,217,509 for 2014). In addition, there was \$651,000 and \$952,090 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$191,329 for 2015 and \$129,500 for 2014.

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 \$16,007,539, a decrease of \$655,598, which includes a prior period adjustment of (\$7,800) and an increase in inventory of \$19,029. \$2,442,100, or 15% 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 \$13,565,439, or 85% 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 \$2,210, which includes a fund reclassification of \$1,540,220 and a

**LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis**

prior period adjustment of (\$149). The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,290,061, which includes a fund reclassification of (\$1,540,220), a prior period adjustment of (\$7,651), and an increase in inventory of \$19,029. The increase (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	\$ 636,673

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 and each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$51,507,305, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$469,973 from 2014, due primarily to the completion of building improvements during the fiscal year. Total accumulated depreciation as of June 30, 2015, was \$13,780,056, and total depreciation expense for the year was \$1,355,436, resulting in total net capital assets of \$37,727,249.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 895,163	\$ 895,163	0.00 %
Construction in Progress	-	368,682	(100.00) %
Buildings	28,586,787	29,268,591	(2.33) %
Building improvements	5,427,983	4,936,958	9.95 %
Improvements other than buildings	1,851,643	1,913,332	(3.22) %
Mobile equipment	626,837	716,174	(12.47) %
Furniture and equipment	338,836	518,159	(34.61) %
Total	\$ 37,727,249	\$ 38,617,059	(2.30) %

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

Debt Administration. At June 30, 2015, the District had \$28,072,254 in outstanding long-term debt, of which \$1,222,363 is due within one year. During the fiscal year, the District issued general obligation refunding bonds in the amount of \$16,925,000 to refund a portion of outstanding general obligation bonds totaling \$16,050,000. The District made principal payments totaling \$1,070,000 on outstanding long-term debt. The liability for compensated absences decreased \$53,129 from the prior year.

**LAUREL SCHOOL DISTRICT
Management's Discussion and Analysis**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 4,900,000	\$ 22,020,000	(77.75) %
General obligation refunding bonds payable	16,925,000	-	N/A %
Qualified school construction bonds payable	6,000,000	6,000,000	0.00 %
Compensated absences payable	247,254	300,383	(17.69) %
Total	\$ 28,072,254	\$ 28,320,383	(0.88) %
Bond premium	1,284,403	-	N/A %
Total	\$ 29,356,657	\$ 28,320,383	3.66 %

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, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,098,116
Due from other governments	1,465,171
Accrued interest receivable	8,224
Inventories	59,730
Restricted assets	5,400,788
Capital assets, non-depreciable:	
Land	895,163
Capital assets, net of accumulated depreciation:	
Buildings	28,586,787
Building improvements	5,427,983
Improvements other than buildings	1,851,643
Mobile equipment	626,837
Furniture and equipment	338,836
Total Assets	53,759,278
 Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	1,880,760
Deferred outflow related to pensions	4,638,765
Total Deferred Outflows of Resources	6,519,525
 Liabilities	
Accounts payable and accrued liabilities	24,490
Interest payable on long-term liabilities	401,288
Long-term liabilities, due within one year:	
Capital related liabilities	1,210,000
Non-capital related liabilities	12,363
Long-term liabilities, due beyond one year:	
Capital related liabilities	26,615,000
Capital related bond premiums	1,284,403
Non-capital related liabilities	234,891
Net pension liability	36,044,050
Total Liabilities	65,826,485
 Deferred Inflows of Resources	
Deferred inflow related to pensions	5,224,850
Total Deferred Inflows of Resources	5,224,850
 Net Position	
Net investment in capital assets	10,498,606
Restricted for:	
Expendable:	
School-based activities	2,779,102
Debt service	1,755,229
Unemployment benefits	114,557
Non-expendable:	
Sixteenth section	8,161,313
Unrestricted	(34,081,339)
Total Net Position (deficit)	\$ (10,772,532)

The accompanying notes to financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 16,645,199	\$ 356,348	\$ 2,912,897	\$ -	\$ (13,375,954)
Support services	11,055,089	-	1,497,435	-	(9,557,654)
Non-instructional	2,089,383	63,333	2,268,060	-	242,010
Pension expense	2,849,420	-	-	-	(2,849,420)
Interest on long-term liabilities	1,551,678	-	-	-	(1,551,678)
Total Governmental Activities	\$ 34,190,769	\$ 419,681	\$ 6,678,392	\$ -	\$ (27,092,696)

General Revenues:

Taxes:

General purpose levies	9,950,907
Debt purpose levies	2,336,042

Unrestricted grants and contributions:

State	12,593,818
Federal	451,927
Unrestricted investment earnings	191,329
Sixteenth section sources	651,000
Other	418,873

Total General Revenues 26,593,896

Change in Net Position (498,800)

Net Position - Beginning, as previously reported 26,482,525
 Prior Period Adjustments (36,756,257)

Net Position (deficit) - Beginning, as restated (10,273,732)

Net Position (deficit) - Ending \$ (10,772,532)

The accompanying notes to financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds			
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,283,359	\$ 4,083,962	\$ 3,814,757	\$ 13,182,078
Cash with fiscal agents	-	-	9,254	9,254
Investments	-	-	1,307,572	1,307,572
Due from other governments	304,234	630,000	513,873	1,448,107
Accrued interest receivable	-	-	8,224	8,224
Due from other funds	582,860	-	83,299	666,159
Advance to other funds	430,161	3,447,351	-	3,877,512
Inventories	-	-	59,730	59,730
Total assets	\$ 6,600,614	\$ 8,161,313	\$ 5,796,709	\$ 20,558,636
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 12,097	\$ -	\$ 12,393	\$ 24,490
Due to other funds	38,608	-	610,487	649,095
Advances from other funds	3,447,351	-	430,161	3,877,512
Total Liabilities	3,498,056	-	1,053,041	4,551,097
Fund Balances:				
Nonspendable:				
Inventory	-	-	59,730	59,730
Permanent fund principal	-	4,713,962	-	4,713,962
Advances	430,161	3,447,351	-	3,877,512
Restricted:				
Debt service	-	-	2,156,517	2,156,517
Grant activities	-	-	704,604	704,604
Unemployment benefits	-	-	114,557	114,557
Child nutrition	-	-	1,584,607	1,584,607
Assigned:				
Activity funds	230,297	-	-	230,297
Improvements and renovations to facilities	-	-	123,653	123,653
Unassigned	2,442,100	-	-	2,442,100
Total Fund Balances	3,102,558	8,161,313	4,743,668	16,007,539
Total Liabilities and Fund Balances	\$ 6,600,614	\$ 8,161,313	\$ 5,796,709	\$ 20,558,636

The accompanying notes to financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 16,007,539

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	
Buildings	36,212,851	
Building improvements	8,011,051	
Improvements other than buildings	2,452,157	
Mobile equipment	2,374,026	
Furniture and equipment	1,562,057	
Accumulated depreciation	<u>(13,780,056)</u>	37,727,249

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (36,044,050)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,638,765	
Deferred inflows of resources related to pensions	<u>(5,224,850)</u>	(586,085)

3. 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	(4,900,000)	
General obligation refunding bonds	(16,925,000)	
Other bonds payable	(6,000,000)	
Compensated absences	(247,254)	
Unamortized charges	1,880,760	
Unamortized premiums	(1,284,403)	
Accrued interest payable	<u>(401,288)</u>	(27,877,185)

Net Position of governmental activities (deficit) \$ (10,772,532)

The accompanying notes to financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

	Major Funds			
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 10,735,509	\$ 6,673	\$ 2,429,183	\$ 13,171,365
State sources	12,807,517	-	438,089	13,245,606
Federal sources	295,041	-	6,183,490	6,478,531
Sixteenth section sources	166,467	630,000	-	796,467
Total Revenues	24,004,534	636,673	9,050,762	33,691,969
Expenditures:				
Instruction	14,600,475	-	3,287,424	17,887,899
Support services	9,964,236	-	1,530,303	11,494,539
Noninstructional services	-	-	2,078,140	2,078,140
Facilities acquisition and construction	155,722	-	323,461	479,183
Debt service:				
Principal	-	-	1,070,000	1,070,000
Interest	145,467	-	1,197,194	1,342,661
Other	-	-	226,374	226,374
Total Expenditures	24,865,900	-	9,712,896	34,578,796
Excess (Deficiency) of Revenues over (under) Expenditures	(861,366)	636,673	(662,134)	(886,827)
Other Financing Sources (Uses):				
Refunding bonds issued	-	-	16,925,000	16,925,000
Payments held by escrow agent	-	-	377,729	377,729
Premiums on refunding bonds issued	-	-	1,401,364	1,401,364
Payment to refunded bond escrow agent	-	-	(18,106,364)	(18,106,364)
Payment to QSCB debt escrow agent	-	-	(377,729)	(377,729)
Operating transfers in	313,943	-	994,858	1,308,801
Operating transfers out	(994,858)	-	(313,943)	(1,308,801)
Total Other Financing Sources (Uses)	(680,915)	-	900,915	220,000
Net Change in Fund Balances	(1,542,281)	636,673	238,781	(666,827)
Fund Balances:				
July 1, 2014, as previously reported	3,104,768	7,524,640	6,033,729	16,663,137
Fund reclassification	1,540,220	-	(1,540,220)	-
Prior period adjustments	(149)	-	(7,651)	(7,800)
July 1, 2014, as restated	4,644,839	7,524,640	4,485,858	16,655,337
Increase in inventory	-	-	19,029	19,029
June 30, 2015	\$ 3,102,558	\$ 8,161,313	\$ 4,743,668	\$ 16,007,539

The accompanying notes to financial statements are an integral part of these financial 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, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (666,827)

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	\$ 492,168	
Depreciation expense	<u>(1,355,436)</u>	(863,268)

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. (222)

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 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:

Refunding bonds issued	(16,925,000)	
Premiums on bonds and refunding bonds issued	(1,401,364)	
Payments of debt principal	1,070,000	
Payments to refunded bond escrow agent	18,106,364	
Accrued interest payable	<u>76,000</u>	926,000

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(2,849,420)	
Recording of contributions made subsequent to the measurement date	<u>2,941,422</u>	92,002

5. 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	53,129	
Change in inventory	19,029	
Amortization of deferred charges, premiums and discounts	<u>(58,643)</u>	13,515

Change in Net Position of governmental activities \$ (498,800)

The accompanying notes to financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2015

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,502,582
Total Assets	<u>\$ 1,502,582</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,403,539
Due to other funds	17,064
Due to student clubs	81,979
Total Liabilities	<u>\$ 1,502,582</u>

The accompanying notes to the financial statements are an integral part of these financial statements.

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 Financial Statements

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 Financial Statements

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 Financial Statements

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, deferred outflows/inflows, 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 Financial Statements

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.

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

See Note 5 for details.

7. **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 15 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 for further details.

8. **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.

9. **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.

10. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. **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

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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.

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.

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

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:

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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 governmental funds and fiduciary funds was \$13,182,078 and \$1,502,582, respectively. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$9,098,116 and a portion of restricted assets in the amount of \$4,083,962 (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, 2015, none of the district's bank balance of \$16,005,315 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 \$9,254.

Investments

As of June 30, 2015, 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	\$ 512,170
US Treasury SLGS Deposit	N/A	10 to 15 years	795,402
Total			<u>\$ 1,307,572</u>

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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, 2015, 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.

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	Other governmental funds	\$ 565,796
	Fiduciary funds	17,064
Other governmental funds	General Fund	38,608
	Other governmental funds	44,691
Total		<u>\$ 666,159</u>

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	\$ 430,161
Sixteenth Section Principal Fund	General Fund	3,447,351
Total		<u>\$ 3,877,512</u>

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.

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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

Year Ending June 30	Principal	Interest	Total
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	230,349	104,448	334,797
2021 - 2025	1,297,548	376,437	1,673,985
2026 - 2030	1,083,313	105,032	1,188,345
Total	\$ 3,447,351	\$ 1,088,964	\$ 4,536,315

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 994,858
Other governmental funds	General Fund	313,943
Total		\$ 1,308,801

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$4,083,962 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 \$9,254 and \$1,307,572, respectively, of the QSCB Bond Retirement Funds.

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Completed Constructio n	Adjustment s	Balance 6/30/2015
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 895,163					\$ 895,163
Construction-in-progress	368,682	442,785		(811,467)		-
Total non-depreciable capital assets	1,263,845	442,785	-	(811,467)	-	895,163
<u>Depreciable capital assets:</u>						
Buildings	36,212,851					36,212,851
Building improvements	7,199,584			811,467		8,011,051
Improvements other than buildings	2,415,759	36,398				2,452,157
Mobile equipment	2,366,327	7,699				2,374,026
Furniture and equipment	1,578,966	5,286	22,195			1,562,057
Total depreciable capital assets	49,773,487	49,383	22,195	811,467	-	50,612,142
<u>Less accumulated depreciation for:</u>						
Buildings	6,944,260	655,484			26,320	7,626,064
Building improvements	2,262,626	320,442				2,583,068
Improvements other than buildings	502,427	98,087				600,514
Mobile equipment	1,650,153	97,036				1,747,189
Furniture and equipment	1,060,807	184,387	21,973			1,223,221
Total accumulated depreciation	12,420,273	1,355,436	21,973	-	26,320	13,780,056
Total depreciable capital assets, net	37,353,214	(1,306,053)	222	811,467	(26,320)	36,832,086
Total governmental activities capital assets, net	\$ 38,617,059	\$ (863,268)	\$ 222	\$ -	(26,320)	\$ 37,727,249

An adjustment was needed to correct prior year accumulated depreciation for a building in which depreciation expense was not recorded in prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 672,187
Support services	543,299
Non-instructional	139,950
Total depreciation expense - Governmental activities	\$ 1,355,436

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Adjustments	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 22,020,000		\$ 1,070,000	\$ (16,050,000)	\$ 4,900,000	\$ 1,100,000
General obligation refunding bonds payable	-	16,925,000			16,925,000	110,000
Subtotal	\$ 22,020,000	\$ 16,925,000	\$ 1,070,000	\$ (16,050,000)	\$ 21,825,000	\$ 1,210,000
B. Qualified school construction bonds payable	6,000,000				6,000,000	-
C. Compensated absences payable	300,383		53,129		247,254	12,363
Total	\$ 28,320,383	\$ 16,925,000	\$ 1,123,129	\$ (16,050,000)	\$ 28,072,254	\$ 1,222,363
Add: Bond premiums	-	1,401,364	116,961	-	1,284,403	
Total	\$ 28,320,383	\$ 18,326,364	\$ 1,240,090	\$ (16,050,000)	\$ 29,356,657	

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
1. General obligation bonds, Series 2008	3.5%-5.0%	4/1/2008	4/1/2019	\$ 26,500,000	\$ 4,900,000
2. General obligation refunding bonds, Series 2014	3.5%-4.0%	11/19/2014	4/1/2028	8,100,000	8,100,000
3. General obligation refunding bonds, Series 2015	2.0%-4.0%	5/7/2015	4/1/2024	8,825,000	8,825,000
Total				\$ 43,425,000	\$ 21,825,000

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

1. General obligation bonds issued on April 1, 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,100,000	\$ 222,250	\$ 1,322,250
2017	1,175,000	178,250	1,353,250
2018	1,275,000	131,250	1,406,250
2019	1,350,000	67,500	1,417,500
Total	\$ 4,900,000	\$ 599,250	\$ 5,499,250

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

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

2. General obligation refunding bonds issued on November 19, 2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ -	\$ 304,475	\$ 304,475
2017	-	304,475	304,475
2018	-	304,475	304,475
2019	-	304,475	304,475
2020	-	304,475	304,475
2021 – 2025	1,920,000	1,522,375	3,442,375
2026 – 2028	6,180,000	490,675	6,670,675
Total	\$ 8,100,000	\$ 3,535,425	\$ 11,635,425

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

3. General obligation refunding bonds issued on May 7, 2015:

Year Ending June 30	Principal	Interest	Total
2016	\$ 110,000	\$ 236,948	\$ 346,948
2017	100,000	261,075	361,075
2018	100,000	259,075	359,075
2019	100,000	257,075	357,075
2020	1,540,000	255,075	1,795,075
2021 – 2024	6,875,000	592,775	7,467,775
Total	\$ 8,825,000	\$ 1,862,023	\$ 10,687,023

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

Total limited obligation bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,210,000	\$ 763,673	\$ 1,973,673
2017	1,275,000	743,800	2,018,800
2018	1,375,000	694,800	2,069,800
2019	1,450,000	629,050	2,079,050
2020	1,540,000	559,550	2,099,550
2021 – 2025	8,795,000	2,115,150	10,910,150
2026 – 2028	6,180,000	490,675	6,670,675
Total	\$ 21,825,000	\$ 5,996,698	\$ 27,821,698

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, 2015, the amount of outstanding bonded indebtedness was equal to 11% of property

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

assessments as of October 1, 2014.

Advance Refunding

On November 19, 2014, the district issued \$8,100,000 in general obligation refunding bonds (Series 2014) with an average interest rate of 3.75% to advance refund \$7,750,000 of outstanding general obligation bonds (Series 2008) with an average interest rate of 4.84%. The net proceeds of \$8,801,121, including premium on bonds of \$811,121 and after payments of \$110,000 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for the future debt payment requirements on the April 1, 2025 through April 1, 2028 maturities of the general obligation bonds (Series 2008).

On May 7, 2015, the district issued \$8,825,000 in general obligation refunding bonds (Series 2015) with an average interest rate of 2.56% to advance refund \$8,300,000 of outstanding general obligation bonds (Series 2008) with an average interest rate of 4.88%. The net proceeds of \$9,305,243, including premium on bonds of \$590,243 and after payments of \$110,000 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for the future debt payment requirements on the April 1, 2020 through April 1, 2024 maturities of the general obligation bonds (Series 2008).

As a result, a portion of the general obligation bonds (Series 2008) are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded a portion of the general obligation bonds (Series 2008) to reduce its total debt service payments over the remaining 13 years of the debt by approximately \$944,438.

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				<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

C. Compensated absences payable

As more fully explained in Note 1(E)(8), 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 Financial Statements

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for 20 copiers. Lease expenditures for the year ended June 30, 2015, amounted to \$65,449.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 71,696
2017	64,544
2018	42,115
2019	328
Total	<u>\$ 178,683</u>

Note 8 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**LAUREL SCHOOL DISTRICT
Notes to Financial Statements**

Contributions. 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, 2015 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, 2015, 2014 and 2013 were \$2,941,422, \$2,859,148 and \$2,489,731, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$36,044,050 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district's proportion was 0.296948 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,849,420. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 562,277	\$
Net difference between projected and actual earnings on pension plan investments		5,224,850
Difference between net impact of entries and calculated balance of net pension liability	1,135,066	
District contributions subsequent to the measurement date	2,941,422	
Total	\$ 4,638,765	\$ 5,224,850

\$2,941,422 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (695,658)
2017	(695,658)
2018	(829,979)
2019	(1,306,212)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 49,138,789	\$ 36,044,050	\$ 25,121,091

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

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 Financial Statements

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (39,581,285)
Deferred outflows - contributions made during fiscal year 2014	<u>2,859,148</u>
Total prior period adjustment related to GASB 68 and 71	\$ (36,722,137)
2. To correct prior year accumulated depreciation for a building in which depreciation expense was not recorded in prior year	(26,320)
3. To restate fund balance for prior year corrections in governmental funds	(7,800)
Total	<u>\$ (36,756,257)</u>

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

Fund	Explanation	Amount
General Fund	To restate fund balance for prior year correction	\$ (149)
Other governmental funds	To restate fund balance for prior year correction	(7,651)
Total		<u>\$ (7,800)</u>

Note 11 – Fund Reclassification

A fund reclassification in the amount of \$1,540,220 was made to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

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 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.

LAUREL SCHOOL DISTRICT
Notes to Financial Statements

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 77 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. For the year ended June 30, 2015, the subsidy payments amounted to \$203,890.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$1,325,050, which includes accrued interest of \$8,224. 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 Financial Statements

Year Ending June 30	Amount
2016	\$ 399,000
2017	399,000
2018	400,000
2019	400,000
2020	400,000
2021 – 2025	2,002,000
2026 – 2028	696,000
Total	<u>\$ 4,696,000</u>

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$10,498,606 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and unamortized bond premiums. The \$1,880,760 balance of the deferred outflow from advance refunding of debt at June 30, 2015, will be recognized as an expense and decrease the net investment in capital assets net position over the next 13 years.

The unrestricted net position amount of (\$34,081,339) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,941,422 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$1,697,343 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$5,224,850 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

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 31, 2016, (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 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAUREL SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 10,432,654	\$ 10,735,526	\$ 10,735,509	\$ 302,872	\$ (17)
State sources	12,786,866	12,854,524	12,807,517	67,658	(47,007)
Federal sources	113,958	248,039	295,041	134,081	47,002
Sixteenth section sources	-	166,468	166,467	166,468	(1)
Total Revenues	23,333,478	24,004,557	24,004,534	671,079	(23)
Expenditures:					
Instruction	13,640,908	14,574,786	14,600,475	(933,878)	(25,689)
Support services	10,059,853	10,026,340	9,964,236	33,513	62,104
Facilities acquisition and construction	-	93,911	155,722	(93,911)	(61,811)
Debt service:					
Principal	189,330	-	-	189,330	-
Interest	145,468	145,468	145,467	-	1
Total Expenditures	24,035,559	24,840,505	24,865,900	(804,946)	(25,395)
Excess (Deficiency) of Revenues over (under) Expenditures	(702,081)	(835,948)	(861,366)	(133,867)	(25,418)
Other Financing Sources (Uses):					
Operating transfers in	1,062,321	6,383,982	313,943	5,321,661	(6,070,039)
Operating transfers out	(1,231,000)	(7,090,811)	(994,858)	(5,859,811)	6,095,953
Total Other Financing Sources (Uses)	(168,679)	(706,829)	(680,915)	(538,150)	25,914
Net Change in Fund Balances	(870,760)	(1,542,777)	(1,542,281)	(672,017)	496
Fund Balances:					
July 1, 2014, as previously reported	3,172,225	3,172,225	3,104,768	-	(67,457)
Fund reclassification	-	-	1,540,220	-	1,540,220
Prior period adjustments	-	-	(149)	-	(149)
July 1, 2014, as restated	3,172,225	3,172,225	4,644,839	-	1,472,614
June 30, 2015	\$ 2,301,465	\$ 1,629,448	\$ 3,102,558	(672,017)	\$ 1,473,110

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

Laurel School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 36,044,050
District's proportionate share of the net pension liability (asset)	0.296948%
District's covered - employee payroll	18,153,321
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.553481%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Laurel School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

Contractually required contribution	\$ <u>2015</u> 2,941,422
Contributions in relation to the contractually required contribution	2,941,422
Contribution deficiency (excess)	\$ <u> -</u>
District's covered - employee payroll	18,675,695
Contributions as a percentage of covered - employee payroll	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

LAUREL SCHOOL DISTRICT
Notes to Required Supplementary Information

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, 2015**

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	\$ 681,338
National school lunch program	10.555	1,691,913
Total child nutrition cluster		2,373,251
Total passed-through Mississippi Department of Education		2,373,251
Total U.S. Department of Agriculture		2,373,251
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	248,038
Total Federal Communications Commission		248,038
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,249,727
Career and technical education - basic grants to states	84.048	51,548
Rural education	84.358	52,193
English Language Acquisition state grants	84.365	28,152
Improving teacher quality state grants	84.367	267,741
Subtotal		2,649,361
Special education cluster:		
Special education - grants to states	84.027	921,535
Special education - preschool grants	84.173	16,225
Total special education cluster		937,760
Total passed-through Mississippi Department of Education		3,587,121
Total U.S. Department of Education		3,587,121
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	47,003
Total passed-through Mississippi Department of Education		47,003
Total U.S. Department of Health and Human Services		47,003
Total for All Federal Awards		\$ 6,255,413

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, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 20,877,352	14,183,170	1,198,246	2,350,762	3,145,174
Other	<u>13,701,444</u>	<u>6,765,857</u>	<u>212,247</u>	<u>85,273</u>	<u>6,638,067</u>
Total	\$ 34,578,796	20,949,027	1,410,493	2,436,035	9,783,241
 Total number of students *	 <u>3,255</u>				
 Cost per student	 <u>\$ 10,623</u>	 <u>6,436</u>	 <u>433</u>	 <u>748</u>	 <u>3,006</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**

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 10,735,509	\$ 10,913,508	\$ 11,273,591	\$ 11,132,735
State sources	12,807,517	12,438,166	12,052,918	11,954,266
Federal sources	295,041	26,321	134,848	247,217
Sixteenth section sources	166,467	-	-	-
Total Revenues	24,004,534	23,377,995	23,461,357	23,334,218
Expenditures:				
Instruction	14,600,475	14,752,673	14,010,849	12,606,666
Support services	9,964,236	9,899,767	9,030,096	8,487,148
Noninstructional services	-	-	-	676
Facilities acquisition and construction	155,722	48,859	503,756	331,121
Debt Service:				
Interest	145,467	152,749	162,001	170,897
Other	-	3,194	-	2,767
Total Expenditures	24,865,900	24,857,242	23,706,702	21,599,275
Excess (Deficiency) of Revenues over (under) Expenditures	(861,366)	(1,479,247)	(245,345)	1,734,943
Other Financing Sources (Uses):				
Insurance loss recoveries	-	21,161	87,385	110,885
Payments held by escrow agent	-	-	-	
Payment to QSCB debt escrow agent	-	(93,000)	-	
Operating transfers in	313,943	354,509	111,611	64,780
Operating transfers out	(994,858)	(1,102,564)	(958,867)	(495,155)
Total Other Financing Sources (Uses)	(680,915)	(819,894)	(759,871)	(319,490)
Net Change in Fund Balances	(1,542,281)	(2,299,141)	(1,005,216)	1,415,453
Fund Balances:				
Beginning of period, as previously reported	3,104,768	5,384,753	6,340,630	4,953,859
Fund reclassification	1,540,220			
Prior Period adjustments	(149)	19,156	49,339	(28,682)
Beginning of period, as restated	4,644,839	5,403,909	6,389,969	4,925,177
End of Period	\$ 3,102,558	\$ 3,104,768	\$ 5,384,753	\$ 6,340,630

*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

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 13,171,365	\$ 13,622,608	\$ 13,744,014	\$ 14,042,190
State sources	13,245,606	12,791,176	12,411,928	12,538,640
Federal sources	6,478,531	5,352,947	5,602,396	5,816,568
Sixteenth section sources	796,467	952,090	585,000	427,085
Total Revenues	33,691,969	32,718,821	32,343,338	32,824,483
Expenditures:				
Instruction	17,887,899	17,930,556	17,226,190	15,801,644
Support services	11,494,539	11,189,525	10,769,713	9,815,302
Noninstructional services	2,078,140	1,965,250	1,966,736	1,800,714
Facilities acquisition and construction	479,183	1,778,260	889,453	2,507,020
Debt service:				
Principal	1,070,000	1,075,000	850,000	750,000
Interest	1,342,661	1,472,205	1,288,707	1,460,720
Other	226,374	7,704	4,508	7,032
Total Expenditures	34,578,796	35,418,500	32,995,307	32,142,432
Excess (Deficiency) of Revenues over (under) Expenditures	(886,827)	(2,699,679)	(651,969)	682,051
Other Financing Sources (Uses):				
Bond Proceeds	-	-	1,400,000	1,600,000
Refunding bonds issued	16,925,000	-	-	-
Insurance loss recoveries	-	21,161	87,385	110,885
Payment held by escrow agent	377,729	394,739	306,000	200,000
Premiums on refunding bonds issued	1,401,364	-	-	-
Payments to refunded bond escrow agent	(18,106,364)	-	-	-
Payments QSCB debt escrow agent	(377,729)	(394,739)	(306,000)	(200,000)
Operating transfers in	1,308,801	1,457,073	1,234,436	560,777
Operating transfers out	(1,308,801)	(1,457,073)	(1,234,436)	(560,777)
Total Other Financing Sources (Uses)	220,000	21,161	1,487,385	1,710,885
Net Change in Fund Balances	(666,827)	(2,678,518)	835,416	2,392,936
Fund Balances:				
Beginning of period, as originally reported	16,663,137	19,338,122	18,396,589	16,046,762
Prior period adjustments	(7,800)	(2,299)	119,649	(28,682)
Beginning of period, as restated	16,655,337	19,335,823	18,516,238	16,018,080
Increase (Decrease) in reserve for inventory	19,029	5,832	(13,532)	(14,427)
End of Period	\$ 16,007,539	16,663,137	19,338,122	\$ 18,396,589

*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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INDEPENDENT AUDITORS' 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, 2015, and the related notes to financial statements, which collectively comprise Laurel School District's basic financial statements, and have issued our report thereon dated March 31, 2016.

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 31, 2016

Watkins Ward and Stafford, Pllc



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

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**Independent Auditors' Report
 on Compliance For Each Major Federal Program and 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, 2015. Laurel School District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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, 2015.

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 31, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD
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 Certified Public Accountants

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**INDEPENDENT AUDITORS' 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, 2015, which collectively comprise Laurel School District's basic financial statements and have issued our report thereon dated March 31, 2016. 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 31, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' 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 auditors' 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>
84.027; 84.173	Special Education 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

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.