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Louisville Municipal School District

**Audited Financial Statements
For the Year Ended June 30, 2011**

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
 Louisville Municipal School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2011, which collectively comprise the Louisville Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Louisville Municipal School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the Louisville Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

March 28, 2012

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

The Louisville Municipal School District consists of the following schools: Fair Elementary School (K-2), Louisville Elementary Schools (4-5), Eiland Middle Schools (6-8), Louisville High School (9-12), Nanih Wiaya Attendance Center (K-12), Noxapater Attendance Center (k-12), and the Winston-Louisville Career & Technical Center. At the end of the 2011 school year the district's enrollment was 2,691 up by 2 students from 2,689 at the end of the 2010 school year.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$620,079, which includes a prior period adjustment of (\$15,406), which represents a 4.2% increase from fiscal year 2010. Total assets for 2010 increased \$439,036, which represented a 3.0% from the fiscal year 2009. The district maintains very controlled spending practices and carefully reviews all resources in a cost effective manner.
- General revenues amounted to \$18,411,670 and \$17,235,354, or 72.3% and 70.4% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,056,430 or 27.7% of total revenues for 2011, and \$7,252,491 or 29.6% of total revenues for 2010.
- The District had \$24,832,615 and \$24,048,809 in expenses for fiscal years 2011 and 2010; only \$7,056,430 for 2011 and \$7,252,491 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,411,670 for 2011 and \$17,235,354 for 2010 were adequate to provide for these programs.
- Among major funds, the General Funds had \$17,296,916 in revenues and \$16,473,855 in expenditures for 2011, and \$16,551,446 in revenues and \$16,167,154 in expenditures in 2010. The General Fund's fund balance increased by \$484,673 from 2010 to 2011, and decreased by \$99,440 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$83,448 for 2011 and increased by \$1,719,912 for 2010. The decrease for 2011 was due to the disposal of transportation equipment.
- Long-term debt decreased by \$303,855 and decreased by \$296,463 for 2010. In addition, the liability for compensated absences decreased by \$32,961 for 2011 and increased by \$31,772 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's 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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$15,484,002 as of June 30, 2011.

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

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

Table 1			
Condensed Statement of Net Assets			
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 10,258,472	\$ 10,093,548	1.63 %
Restricted assets	227,105	226,359	0.33 %
Capital assets, net	9,331,747	9,415,195	-0.89 %
Total assets	<u>19,817,324</u>	<u>19,735,102</u>	0.42 %
Current liabilities	1,688,482	1,890,756	-10.70 %
Long-term debt outstanding	2,644,840	2,980,423	-11.26 %
Total liabilities	<u>4,333,322</u>	<u>4,871,179</u>	-11.04 %
Net assets:			
Invested in capital assets, net of related debt	6,590,747	6,389,195	3.15 %
Restricted	4,603,144	4,721,106	-2.50 %
Unrestricted	4,290,111	3,753,622	14.29 %
Total net assets	<u>\$ 15,484,002</u>	<u>\$ 14,863,923</u>	4.17 %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$25,468,100 and \$24,487,845, respectively. The total cost of all programs and services was \$24,832,615 for 2011 and \$24,048,809 for 2010. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 917,580	\$ 1,003,260	(8.54) %
Operating grants and contributions	5,953,682	6,180,749	(3.67) %
Capital Grants and Contributions	185,168	68,482	170.39 %
General revenues:			
Property taxes	5,416,660	5,080,057	6.63 %
Grants and contributions not restricted	12,572,936	11,238,661	11.87 %
Investment earnings	30,825	451,636	(93.17) %
Sixteenth section sources	302,289	438,987	(31.14) %
Other	88,960	26,013	241.98 %
Total revenues	<u>25,468,100</u>	<u>24,487,845</u>	4.00 %
Expenses:			
Instruction	14,166,921	14,178,100	(0.08) %
Support services	8,656,008	7,924,569	9.23 %
Non-instructional	1,733,434	1,701,272	1.89 %
Sixteenth section	173,680	131,756	31.82 %
Interest and other expenses on long-term liabilities	102,572	113,112	(9.32) %
Total expenses	<u>24,832,615</u>	<u>24,048,809</u>	3.26 %
Increase (Decrease) in net assets	<u>635,485</u>	<u>439,036</u>	44.75 %
Net Assets, July 1, as originally reported *	<u>14,863,923</u>	<u>14,424,887</u>	3.04 %
Prior Period Adjustment	<u>(15,406)</u>		N/A %
Net Assets, July 1, as restated *	<u>14,848,517</u>	<u>14,424,887</u>	2.94 %
Net Assets, June 30	<u>\$ 15,484,002</u>	<u>\$ 14,863,923</u>	4.17 %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 14,166,921	\$ 14,178,100	(0.08) %
Support services	8,656,008	7,924,569	9.23 %
Non-instructional	1,733,434	1,701,272	1.89 %
Sixteenth section	173,680	131,756	31.82 %
Interest on long-term liabilities	102,572	113,112	(9.32) %
Total expenses	\$ 24,832,615	\$ 24,048,809	3.26 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (10,924,912)	\$ (10,434,027)	4.70 %
Support services	(6,863,796)	(6,377,008)	7.63 %
Non-instructional	247,627	130,399	89.90 %
Sixteenth section	(132,532)	(2,570)	5,056.89 %
Interest on long-term liabilities	(102,572)	(113,112)	(9.32) %
Total net (expense) revenue	\$ (17,776,185)	\$ (16,796,318)	5.83 %

- Net cost of governmental activities \$17,776,185 for 2011 and \$16,796,318 for 2010 was financed by general revenue, which is primarily made up of property taxes \$5,416,660 for 2011 and \$5,080,057 for 2010 and state and federal revenues \$12,572,936 for 2011 and \$11,238,661 for 2010. In addition, there was \$302,289 and \$438,987 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$30,825 for 2011 and \$451,636 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$9,192,933 an increase of \$357,018 which includes an increase in inventory of \$11,164. The primary reason for this increase is due to the additional American Reinvestment Recovery Act dollars received from the federal government during the fiscal year.

\$3,234,962 or 35.2% of the fund balance represents unassigned fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,957,971 or 64.8% is nonspendable, restricted, or assigned to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$484,673. The fund balance of Other Governmental Funds showed an increase in the amount of \$169,803, which includes an increase in reserve for inventory of \$11,164. The increase (decrease) in the fund balances for the other major funds were as follows:

16th Section Interest Fund \$ (297,458)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$17,704,121, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$273,899 from 2010. Total accumulated depreciation as of June 30, 2011, was \$8,372,374, and total depreciation expense for the year was \$620,955, resulting in total net capital assets of \$9,331,747.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 259,320	\$ 259,320	0.00 %
Buildings	4,505,708	4,658,101	(3.27) %
Building improvements	2,121,090	2,213,715	(4.18) %
Improvements other than buildings	735,616	769,495	(4.40) %
Mobile equipment	1,432,126	1,296,222	10.48 %
Furniture and equipment	277,887	218,342	27.27 %
Total	\$ 9,331,747	\$ 9,415,195	(0.89) %

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Debt Administration. At June 30, 2011, the District had \$2,947,461 in outstanding long-term debt, of which \$302,621 is due within one year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,741,000	\$ 3,026,000	(9.42) %
Other loans payable	7,621	26,476	(71.22) %
Compensated absences payable	198,840	231,801	(14.22) %
Total	\$ <u>2,947,461</u>	\$ <u>3,284,277</u>	(10.26) %

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

CURRENT ISSUES

The Louisville Municipal School District is financially stable. As a consolidated school district, LMSD tries to maintain good working relationships with the City of Louisville and the Winston County governments. The district realizes the importance of all facets of the local governments working together for the growth and improvements of the community.

The District has committed itself to financial excellence for many years. The millage has remained consistent through the years. For the fiscal year 1991-1992 the millage rate was 46 mills compared to the millage rate of 58.16 mills for the 2010-2011 school year, which includes 3 mills for the debt service issued in the 2008-2009 school year. The district is also charged collection fees (5% of taxes collected by the City of Louisville and 5% of taxes collected by Winston County) by the levying authorities which is included in the millage rate (The millage rate assessed to cover fees was 2.66 mills for the 2010-2011 school year and is included in the 58.16 mills quoted above). The District is aware of Winston County's high unemployment rate and the difficult economic trials for the citizens of the city and the county and considers these factors in keeping the millage rate as low as possible while still maintaining excellence in the public schools.

Over the past decade the district had seen a trend of declining enrollment and ADA but it seems to be stabilizing. There was a very slight increase in enrollment for 2011. However, because of the previous declining trend, budget cuts in both federal and state funding, and the continuing unstable economy, the district has been very Conservative in staffing and in incurring additional expenditures. The district has completed various construction projects that were financed with a \$3,000,000 three mill notes payable acquired in 2008-2009. These improvements and renovations were considered very necessary and much needed to maintain the schools buildings in an appropriate manner.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Louisville Municipal School District, P.O. Box 909, 112 South Columbus Avenue, Louisville, MS 39339.

FINANCIAL STATEMENTS

Louisville Municipal School District
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,258,144
Due from other governments	938,917
Other receivables, net	14,553
Inventories	46,858
Restricted assets	227,105
Capital assets, non-depreciable:	
Land	259,320
Capital assets, net of accumulated depreciation:	
Buildings	4,505,708
Building improvements	2,121,090
Improvements other than buildings	735,616
Mobile equipment	1,432,126
Furniture and equipment	277,887
Total Assets	<u>19,817,324</u>
Liabilities	
Accounts payable and accrued liabilities	1,259,008
Unearned revenue	33,636
Interest payable on long-term liabilities	93,217
Long-term liabilities, due within one year:	
Capital related liabilities	295,000
Non-capital related liabilities	7,621
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,446,000
Non-capital related liabilities	198,840
Total Liabilities	<u>4,333,322</u>
Net Assets	
Invested in capital assets, net of related debt	6,590,747
Restricted for:	
Expendable:	
School-based activities	3,831,873
Debt service	194,416
Forestry improvements	278,951
Unemployment benefits	70,800
Non-expendable:	
Sixteenth section	227,104
Unrestricted	4,290,111
Total Net Assets	<u>\$ 15,484,002</u>

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

Louisville Municipal School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 14,166,921	\$ 546,801	\$ 2,632,389	\$ 62,839	\$ (10,924,912)
Support services	8,656,008		1,704,864	87,348	(6,863,796)
Non-Instructional	1,733,434	329,631	1,616,449	34,981	247,627
Sixteenth section	173,680	41,148			(132,532)
Interest on long-term liabilities	102,572				(102,572)
Total Governmental Activities	\$ 24,832,615	\$ 917,580	\$ 5,953,682	\$ 185,168	\$ (17,776,185)

General Revenues:

Taxes:

General purpose levies 5,114,257

Debt purpose levies 302,403

Unrestricted grants and contributions:

State 11,200,356

Federal 1,372,580

Unrestricted investment earnings 30,825

Sixteenth section sources 302,289

Other 88,960

Total General Revenues 18,411,670

Change In Net Assets 635,485

Net Assets - Beginning, as originally reported 14,863,923

Prior Period Adjustments (15,406)

Net Assets - Beginning, as restated 14,848,517

Net Assets - Ending \$ 15,484,002

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

**Louisville Municipal School District
Governmental Funds
Balance Sheet
June 30, 2011**

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 4,796,866	\$ 3,316,676	\$ 1,371,707	\$ 9,485,249
Due from other governments	294,194		644,723	938,917
Other receivables, net		14,553		14,553
Due from other funds	452,510		38,570	491,080
Inventories			46,858	46,858
Total assets	\$ 5,543,570	\$ 3,331,229	\$ 2,101,858	\$ 10,976,657
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,008,428	\$ 21,350	\$ 229,230	\$ 1,259,008
Due to other funds	38,570		452,510	491,080
Unearned revenue		5,834	27,802	33,636
Total Liabilities	1,046,998	27,184	709,542	1,783,724
Fund Balances:				
Nonspendable:				
Inventory			46,858	46,858
Permanent fund principal			227,105	227,105
Ad valorem escrow	211,594			211,594
Restricted:				
Debt service			287,633	287,633
Forestry improvement purposes			278,951	278,951
Grant activities			129,739	129,739
Unemployment benefits			70,800	70,800
Other purposes		3,304,045	351,230	3,655,275
Assigned:				
Capital improvements	882,189			882,189
Other purposes	167,827			167,827
Unassigned	3,234,962			3,234,962
Total Fund Balances	4,496,572	3,304,045	1,392,316	9,192,933
Total Liabilities and Fund Balances	\$ 5,543,570	\$ 3,331,229	\$ 2,101,858	\$ 10,976,657

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

**Louisville Municipal School District
 Governmental Funds
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2011**

Exhibit C-1

Total fund balances for governmental funds	\$ 9,192,933	
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$ 259,320	
Buildings	8,995,881	
Building improvements	2,315,621	
Improvements other than buildings	846,981	
Mobile equipment	4,321,036	
Furniture and equipment	965,281	
Accumulated depreciation	<u>(8,372,373)</u>	9,331,747
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Three mill notes payable	(2,741,000)	
Other loans payable	(7,621)	
Compensated absences	(198,840)	
Accrued interest payable	<u>(93,217)</u>	(3,040,678)
 Net assets of governmental activities		 <u><u>\$ 15,484,002</u></u>

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

Louisville Municipal School District
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended June 30, 2011

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 5,762,616	\$	\$ 636,521	\$ 6,399,137
State sources	11,340,768		590,768	11,931,536
Federal sources	193,532		6,586,727	6,780,259
Sixteenth section sources		314,384	42,784	357,168
Total Revenues	17,296,916	314,384	7,856,800	25,468,100
Expenditures:				
Instruction	9,510,324		4,435,542	13,945,866
Support services	6,921,033		1,894,764	8,815,797
Noninstructional services	550		1,780,213	1,780,763
Sixteenth section	23,093	111,842	38,745	173,680
Debt service:				
Principal	18,855		285,000	303,855
Interest			112,265	112,265
Total Expenditures	16,473,855	111,842	8,546,529	25,132,226
Excess (Deficiency) of Revenues over (under) Expenditures	823,061	202,542	(689,729)	335,874
Other Financing Sources (Uses):				
Sale of transportation equipment	9,980			9,980
Operating transfers in	573,976		922,344	1,496,320
Operating transfers out	(922,344)	(500,000)	(73,976)	(1,496,320)
Total Other Financing Sources (Uses)	(338,388)	(500,000)	848,368	9,980
Net Change in Fund Balances	484,673	(297,458)	158,639	345,854
Fund Balances:				
July 1, 2010	4,011,899	3,601,503	1,222,513	8,835,915
Increase (Decrease) in reserve for inventory			11,164	11,164
June 30, 2011	\$ 4,496,572	\$ 3,304,045	\$ 1,392,316	\$ 9,192,933

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

Louisville Municipal 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, 2011

Exhibit D-1

Net change in fund balances - total governmental funds \$ 345,854

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	\$ 578,745	
Depreciation expense	<u>(620,955)</u>	(42,210)

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 assets differs from the change in fund balance by the cost of the assets sold.

(25,832)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	303,855	
Accrued interest payable	9,693	
	<u>313,548</u>	313,548

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

Change in compensated absences	32,961	
Change in inventory reserve	11,164	
	<u>44,125</u>	44,125

Change in net assets of governmental activities \$ 635,485

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

**Louisville Municipal School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011**

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 45,091	\$ 92,188
Investments	20,375	
Total Assets	<u>\$ 65,466</u>	<u>\$ 92,188</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 200	\$
Due to student clubs		92,188
Total Liabilities	<u>\$ 200</u>	<u>\$ 92,188</u>
Net Assets		
Reserved for endowments	65,266	
Total Net Assets	<u>\$ 65,266</u>	

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

**Louisville Municipal School District
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets
 For the Year Ended June 30, 2011**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 336
Contributions and donations from private sources	<u>1,000</u>
Total Additions	<u>1,336</u>
Deductions	
Scholarships awarded	<u>2,010</u>
Total Deductions	<u>2,010</u>
Change in Net Assets	<u>(674)</u>
Net Assets	
July 1, 2010	<u>65,940</u>
June 30, 2011	<u><u>\$ 65,266</u></u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

C. Government-wide and Fund Financial Statements

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

16th Section Interest Fund- This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands.

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 net assets and changes in net assets.

The District's fiduciary funds include the following:

The payroll clearing and accounts payable clearing funds are agency funds used to process payroll and accounts payable functions. The student activity funds account for assets held on behalf of student clubs.

Various scholarship trust funds are held by the district and used to fund scholarships for award winners.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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

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 are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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.

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2011**

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:

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

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

7. Compensated Absences

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

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

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

9. Fund Balances

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

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

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

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

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

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 Director of Finance pursuant to authorization established by the District's 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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 9,485,249 and \$157,654, (which includes \$ 20,375 of certificates of deposit with original maturities beyond three months and reported on Exhibit E as investments) respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$10,513,434 was exposed to custodial credit risk.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Investments

As of June 30, 2011, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit		Less than 1 year	\$ 20,375
Total			\$ 20,375

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.

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. As of June 30, 2011, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit- Citizens Bank	\$ 15,200	75%
Certificates of Deposit- Regions Bank	5,175	25%

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	\$ 452,510
Other governmental funds	General Fund	38,570
Total		\$ 491,080

The inter-fund payables consist of the General Fund loaning operating cash to other governmental funds to cover deficit fund balances.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 922,344
Sixteenth Section Interest	General Fund	500,000
Other governmental funds	General Fund	<u>73,976</u>
Total		<u>\$ 1,496,320</u>

The inter-fund transfers constitute general operating transfers and transfers of operating costs. The general operating transfers move resources between funds, while transfers of indirect costs provide resources for the General Fund in return for financing the indirect costs associated with certain federal award programs.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$ 227,105 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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	*Adjustments	Balance 6/30/2011
Governmental Activities:					
Non-depreciable capital assets:					
Land	\$ 259,320	\$	\$	\$	\$ 259,320
Total non-depreciable capital assets	259,320	-	-	-	259,320
Depreciable capital assets:					
Buildings	8,995,881				8,995,881
Building improvements	2,315,621				2,315,621
Improvements other than buildings	846,982				846,982
Mobile equipment	4,202,287	405,233	(286,484)		4,321,036
Furniture and equipment	810,131	173,512	(18,362)		965,281
Total depreciable capital assets	17,170,902	578,745	(304,846)	-	17,444,801
Less accumulated depreciation for:					
Buildings	4,337,780	152,393		-	4,490,173
Building improvements	101,906	92,625		-	194,531
Improvements other than buildings	77,487	33,879			111,366
Mobile equipment	2,906,065	243,681	(260,836)		2,888,910
Furniture and equipment	591,789	98,377	(18,178)	15,406	687,394
Total accumulated depreciation	8,015,027	620,955	(279,014)	15,406	8,372,374
Total depreciable capital assets, net	9,155,875	(42,210)	(25,832)	(15,406)	9,072,427
Governmental activities capital assets, net	\$ 9,415,195	\$ (42,210)	\$ (25,832)	\$ (15,406)	\$ 9,331,747

* The amount reported as adjustments represents a prior period adjustment for prior changes in calculated of depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 318,757
Support services	259,824
Non-instructional	42,374
Total depreciation expense - Governmental activities	\$ 620,955

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2011**

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Three mill notes payable	3,026,000		(285,000)	2,741,000	295,000
B. Other loans payable	26,476		(18,855)	7,621	7,621
C. Compensated absences payable	231,801		(32,961)	198,840	-
Total	\$ 3,284,277	\$ -	(336,816)	\$ 2,947,461	\$ 302,621

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note- Series 2008	3.71%	8/1/2008	8/1/2022	\$ 3,300,000	\$ 2,741,000
Total				\$ 3,300,000	\$ 2,741,000

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

1. Three mill notes payable issue of 8/1/2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 295,000	\$ 101,691	\$ 396,691
2013	305,000	90,747	395,747
2014	318,000	79,431	397,431
2015	330,000	67,633	397,633
2016	288,000	55,390	343,390
2017 – 2021	870,000	156,377	1,026,377
2022 – 2026	335,000	18,550	353,550
Total	\$ 2,741,000	\$ 569,819	\$ 3,310,819

This debt will be retired from the Debt Service- Series 2008 Fund.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2011**

B. Other loans payable

The school district has issued debt instruments granted under the authority of Section 37-7-302, Miss. Code Ann. (1972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. EPA Asbestos Loan	0%	4/17/1992	11/30/2011	\$ 274,425	\$ 7,621
Total				<u>\$ 274,425</u>	<u>\$ 7,621</u>

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

1. Other loan issue of 4/17/1992:

Year Ending June 30	Principal	Interest	Total
2012	\$ 7,621	\$ -	\$ 7,621
Total	<u>\$ 7,621</u>	<u>\$ -</u>	<u>\$ 7,621</u>

This debt will be retired from the District Maintenance Fund.

C. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,763,465, \$1,568,907 and \$1,533,462, respectively, which equaled the required contributions for each year.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 8 – 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 school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 68,402
2013	68,182
2014	64,341
2015	60,490
2016	60,171
2017 – 2021	198,633
2022 – 2026	127,871
2027 – 2031	110,068
2032 – 2036	76,488
2037 -- 2041	2,676
Total	<u>\$ 837,322</u>

Note 9 – Prior Period Adjustments

A summary of significant net assets adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct depreciation error in prior year	(\$ 15,406)

Note 10 – 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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

Note 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 72 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 12 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Louisville Municipal School District evaluated the activity of the district through March 28, 2012, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- The board approved the lowest and best bid with Phillips Construction for a paving project in the amount of \$471,000. The board also approved 6% architect fee on the project. As of the date of this report \$486,529 has been expended on this project.

REQUIRED SUPPLEMENTAL INFORMATION

Louisville Municipal School District
 Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,953,032	\$ 5,773,848	\$ 5,762,616	\$ (179,184)	\$ (11,232)
State sources	10,785,446	11,340,768	11,340,768	555,322	0
Federal sources	280,000	193,532	193,532	(86,468)	0
Total Revenues	17,018,478	17,308,148	17,296,916	289,670	(11,232)
Expenditures:					
Instruction	10,058,730	9,510,324	9,510,324	548,406	0
Support services	7,710,707	8,921,034	6,921,033	789,673	1
Noninstructional services		550	550	(550)	0
Sixteenth section	25,940	23,093	23,093	2,847	0
Debt service:					
Principal	18,856	18,854	18,855	2	(1)
Total Expenditures	17,814,233	16,473,855	16,473,855	1,340,378	0
Excess (Deficiency) of Revenues over (under) Expenditures	(795,755)	834,293	823,061	1,630,048	(11,232)
Other Financing Sources (Uses):					
Sale of transportation equipment		9,980	9,980	9,980	0
Operating transfers In	2,993,629	2,376,422	573,976	(618,207)	(1,801,446)
Operating transfers out	(3,215,689)	(2,723,790)	(922,344)	491,899	1,801,446
Total Other Financing Sources (Uses)	(222,060)	(338,368)	(338,368)	(116,328)	0
Net Change in Fund Balances	(1,017,815)	495,905	484,673	1,513,720	(11,232)
Fund Balances:					
July 1, 2010	2,391,928	4,011,898	4,011,899	1,619,970	1
June 30, 2011	\$ 1,374,113	\$ 4,507,803	\$ 4,496,572	\$ 3,133,690	\$ (11,231)

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

**Louisville Municipal School District
Required Supplemental Information
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 699,050	\$ 314,384	\$ 314,384	\$ (384,666)	\$ 0
Total Revenues	699,050	314,384	314,384	(384,666)	0
Expenditures:					
Sixteenth section	88,800	111,842	111,842	(23,042)	0
Total Expenditures	88,800	111,842	111,842	(23,042)	0
Excess (Deficiency) of Revenues over (under) Expenditures	610,250	202,542	202,542	(407,708)	0
Other Financing Sources (Uses):					
Operating transfers out	(750,000)	(500,000)	(500,000)	250,000	0
Total Other Financing Sources (Uses)	(750,000)	(500,000)	(500,000)	250,000	0
Net Change in Fund Balances	(139,750)	(297,458)	(297,458)	(157,708)	0
Fund Balances:					
July 1, 2010	3,736,676	3,601,503	3,601,503	(135,173)	0
June 30, 2011	\$ 3,596,926	\$ 3,304,045	\$ 3,304,045	\$ (292,881)	\$ 0

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Required Supplemental Information
For the Year Ended June 30, 2011**

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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Louisville Municipal School District
 Supplemental Information
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

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	\$ 388,476
National school lunch program	10.555	1,009,420
Summer food service program for children	10.559	44,359
Total child nutrition cluster		<u>1,422,255</u>
ARRA - Child nutrition discretionary grant- recovery act	10.579	34,981
Total passed-through Mississippi Department of Education		<u>1,457,236</u>
Passed-through Winston County		
National forest -dependent rural communities	10.870	403
Total passed-Winston County		<u>403</u>
Total U.S. Department of Agriculture		<u>1,457,639</u>
<u>U.S. Department of Interior</u>		
Direct Program:		
Payments in lieu of taxes	15.226	91,544
Total U.S. Department of Interior		<u>91,544</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	53,941
Total Federal Communications Commission		<u>53,941</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact Aid - facilities maintenance	84.040	47,644
Total		<u>47,644</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	48,084
Safe and drug-free schools and communities- state grants	84.186	1,680
Twenty-first century community learning centers	84.287	464,224
Education technology state grants	84.318	699
Reading first state grants	84.357	96,470
Rural education	84.358	102,385
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	705,880
Improving teacher quality state grants	84.367	302,009
Education jobs fund	84.410	527,109
Subtotal		<u>2,248,540</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,303,659
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	259,533
Total Title I cluster		<u>1,563,192</u>
Special education cluster:		
Special education - grants to states	84.027	742,238
Special education - preschool grants	84.173	23,947
ARRA - Special education grants to states, Recovery Act	84.391	384,249
ARRA - Special education - preschool grants, Recovery Act	84.392	19,067
Total special education cluster		<u>1,169,501</u>
Total passed-through Mississippi Department of Education		<u>4,981,233</u>
Total U.S. Department of Education		<u>6,028,877</u>
Total for All Federal Awards		<u>\$ 6,832,001</u>

**Louisville Municipal School District
Supplemental Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

NOTES TO SCHEDULE

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

**Louisville Municipal School District
Supplemental Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011**

<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	\$ 18,310,778	13,479,964	897,525	1,414,517	2,518,772
Other	6,821,448	2,744,142	330,950	88,547	3,659,809
Total	<u>\$ 25,132,226</u>	<u>16,224,106</u>	<u>1,228,475</u>	<u>1,501,064</u>	<u>6,178,581</u>
Total number of students *	2,691				
Cost per student	\$ 9,340	6,029	457	558	2,296

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

Louisville Municipal School District
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 5,762,616	\$ 5,548,978	\$ 5,139,310	\$ 5,182,543
State sources	11,340,768	10,681,195	12,477,475	13,269,855
Federal sources	193,532	321,273	278,980	316,766
Total Revenues	17,296,916	16,551,446	17,895,765	18,769,164
Expenditures:				
Instruction	9,510,324	10,071,209	10,700,842	11,172,056
Support services	6,921,033	6,039,199	6,803,242	6,633,207
Noninstructional services	550	10,906	543	16,671
Sixteenth section	23,093	23,377	24,026	16,860
Debt service:				
Principal	18,855	22,463	22,463	22,462
Total Expenditures	16,473,855	16,167,154	17,551,116	17,861,256
Excess (Deficiency) of Revenues over (under) Expenditures	823,061	384,292	344,649	907,908
Other Financing Sources (Uses):				
Insurance recovery			29,773	85,440
Sale of transportation equipment	9,980			6,164
Operating transfers in	573,976	550,090	22,639	270,103
Operating transfers out	(922,344)	(1,033,822)	(606,778)	(657,928)
Total Other Financing Sources (Uses)	(338,368)	(483,732)	(554,366)	(296,221)
Net Change in Fund Balances	484,673	(99,440)	(209,717)	611,687
Fund Balances:				
Beginning of period	4,011,899	4,111,339	4,321,056	3,709,369
End of Period	\$ 4,496,572	\$ 4,011,899	\$ 4,111,339	\$ 4,321,056

*SOURCE - PRIOR YEAR AUDIT REPORTS

Louisville Municipal School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 6,399,137	\$ 6,246,226	\$ 5,915,694	\$ 5,578,217
State sources	11,931,538	11,881,972	14,050,876	14,354,962
Federal sources	8,780,259	5,605,920	3,779,694	3,878,771
Sixteenth section sources	357,168	753,727	792,656	692,197
Total Revenues	25,468,100	24,487,845	24,538,920	24,504,147
Expenditures:				
Instruction	13,945,866	13,922,207	13,720,680	13,714,527
Support services	8,815,797	7,764,763	8,187,785	8,156,822
Noninstructional services	1,780,763	1,643,377	1,680,966	1,630,513
Sixteenth section	173,680	131,655	92,510	107,138
Facilities acquisition and construction		2,146,365	1,474,183	
Debt service:				
Principal	303,855	296,463	22,463	22,462
Interest	112,265	122,430	16,814	
Total Expenditures	25,132,226	26,027,260	25,195,401	23,631,462
Excess (Deficiency) of Revenues over (under) Expenditures	335,874	(1,539,415)	(656,481)	872,685
Other Financing Sources (Uses):				
Bonds and notes issued			3,300,000	
Insurance recovery			29,773	85,440
Sale of transportation equipment	9,980			6,164
Operating transfers in	1,496,320	1,583,912	629,417	928,031
Operating transfers out	(1,496,320)	(1,583,912)	(629,417)	(928,031)
Total Other Financing Sources (Uses)	9,980	0	3,329,773	91,604
Net Change In Fund Balances	345,854	(1,539,415)	2,673,292	964,289
Fund Balances:				
Beginning of period, as restated **	8,835,915	10,390,800	7,706,971	6,755,747
Increase (Decrease) in reserve for inventory	11,164	(15,470)	10,537	(13,065)
End of Period	\$ 9,192,933	\$ 8,835,915	\$ 10,390,800	\$ 7,706,971

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



Watkins, Ward and Stafford
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA

Wanda S. Holley, CPA
 Robin Y. McComick, CPA/PFS
 J. Randy Scribner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Superintendent and School Board
 Louisville Municipal School District

We have audited the financial statements of Louisville Municipal School District as of and for the year ended June 30, 2011, and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Louisville Municipal School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisville Municipal School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisville Municipal School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisville Municipal School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified a certain deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as Finding 2011-1 that we consider to be a significant deficiency. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Louisville Municipal School District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated March 28, 2012.

Louisville Municipal School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Louisville Municipal School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the school's board, 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
Louisville, Mississippi

March 28, 2012

Watkins, Ward and Stafford, PLLC



Watkins, Ward and Stafford
 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA
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 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA

**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
 And Material Effect on Each Major Program and on Internal Control
 Over Compliance in Accordance with OMB Circular A-133**

Independent Auditor's Report

Superintendent and School Board
 Louisville Municipal School District

Compliance

We have audited Louisville Municipal 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 Louisville Municipal School District's major federal programs for the year ended June 30, 2011. Louisville Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Louisville Municipal School District's management. Our responsibility is to express an opinion on Louisville Municipal School District's compliance based on our audit.

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

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

Internal Control Over Compliance

Management of Louisville Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Louisville Municipal School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisville Municipal 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3. 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.

Louisville Municipal School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Louisville Municipal School District's responses and, accordingly, we express no opinion on the responses.

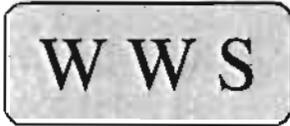
This report is intended solely for the information and use of management, the school board, entities with accreditation oversight, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

March 28, 2012

Watkins, Ward and Stafford, PLLC

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



Watkins, Ward and Stafford
 Professional Limited Liability Company
 Certified Public Accountants

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

Superintendent and School Board
 Louisville Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2011, which collectively comprise Louisville Municipal School District's basic financial statements and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$1,605 of classroom supply funds carried over from previous years.

Education Enhance Funds for Classroom Supplies Should Not Be Allocated to Federally Funded Teachers

Finding 1

Section 37-61-33(3)(a)(iii), Miss Code Ann.(1972), requires that Mississippi Public School Districts allocate Education Enhancement Funds(EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33(3)(a)(iii), Miss Code Ann.(1972), further defines "teacher" for this statute and specifically excluded all federally funded teachers from being included in the allocation process. The State Board Policy also states that "At a minimum, each school principal shall maintain a listing of all teachers, the amount allocated to each teacher, the carry forward amount for each teacher, a copy of each spending plan and a copy of all requisitions or purchase requests submitted by the teachers"

During our test work on Education Enhancement Funds, we noted that the district allocated part of the EEF classroom supplies allocation to 1 federally funded teacher at Noxapater.

Recommendation

We recommend that the district comply with Section 37-61-33(3)(a)(iii), Miss Code Ann.(1972) which requires the district to allocate EEF classroom supply fund equally among all classroom teachers but to exclude federally funded teachers from the allocation.

School District Response

The district will follow the guidelines set forth in Section 37-61-33(3)(a)(iii), Miss Code Ann.(1972). Federally funded teachers will be excluded from the allocation of EEF classroom supply funds.

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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

PERS Retirees Should Complete PERS Form 4B Within 5 Days of Re-Employment

Finding 2

The Mississippi Public Employee's Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann (1972), districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of retirees working for the district we noted that PERS Form 4B was not filed for fifteen of nineteen retirees hired by the district for the fiscal year ended June 30, 2011.

This finding occurred due to the former payroll clerk not notifying retirees of the need to complete PERS Form 4B.

The retiree's retirement income could be affected by the district not filing PERS Form 4B with PERS upon re-employment of PERS service retirees each year. In addition, Mississippi Public Employees' Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend the district implement procedures to ensure that the district files Form 4B, "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the district within five days of employment.

School District Response

The payroll procedures have been strengthened since this incident and feel confident that said procedures are being followed. The payroll clerk from which this finding generated has resigned and is no longer an employee of the Louisville Municipal School District.

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

The Louisville Municipal School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

March 28, 2012

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|-------------------------------------------------------------------|-------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.287	Twenty First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Fund
84.027/84.173/84.391/84.392	Special Education Cluster
84.394	ARRA – State Fiscal Stabilization Fund-Education State Grants, Recovery Act

- | | |
|-----------------------------------------------------------------------------|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | No |

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant Deficiencies Not Considered To Be A Material Weakness

Controls Over Payroll Expenditures Should Be Strengthened

2011-1 Finding

Management is responsible for establishing a proper internal control system to ensure financial accountability and accurate reporting of expenditures.

During our testing of payroll expenditures we noted the following deficiencies:

- We noted the school board approved all employees by position, however the board only approved a salary scale for the superintendent of education, the director of finance, certified teachers, teachers assistants and food service workers. There was no board approval of salaries of other administrative and classified staff, teacher or coaching supplements, or transportation or janitorial staff.
- We noted the former payroll clerk was not reconciling insurance billings to amounts actually withheld from employees or making corrections to employee withholdings after changes to applicable insurance coverage.
- The former payroll clerk cashed in accumulated leave time when he left his position. This option is only allowed for retirees. It was determined the clerk overpaid himself by \$2,736.
- There were six instances noted where a state withholding form could not be located or was not signed by the applicable employee.
- It was noted that time keeping records were not maintained for food service personnel at the individual cafeterias that reconciled hours actually worked to the amounts actually paid those employees. This condition occurred during the later portion of the fiscal year. This condition occurred due the fact that the district completed a software change at the beginning of the fiscal year and the previous time keeping software became obsolete before the current software was operational. Time keeping records for food service personnel are being maintained now.

Recommendation

We recommend the school board approved all employees by position and approve a salary scale for all employees that would include all supplements and additional pay for after school positions and additional duties. After board approval this salary scale should be placed in the minutes of the school board meetings. The payroll clerk should reconcile all insurance premium notices to the actual employee withholding on a monthly basis and any changes should be updated immediately and placed in the applicable employee personnel file. All employees should complete and sign a W-4 and state withholding form. Payment of accumulated leave paid to employees should be reviewed by someone other than the payroll clerk to determine if that person qualified for the payment and the payment was accurately calculated.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered To Be A Material Weakness

Reimbursement of Expenditures Associated with a Federal Program Should Not Include Any Cost That Has Been Reimbursed Through Federal Funds

2011-2 Finding

Program: Twenty First Century Community Learning Centers (84.287)

Compliance Requirement: Allowable Cost

During our testing of general expenditures of the Twenty First Century Community Learning Center grant we noted the district requested reimbursement of \$11,232 for salaries and fringe benefits of the program director and secretary. These salaries and fringe benefits were incurred in the month of July 2011. However these expenditures were reimbursed by the granting agency in November 2011 and the district should not have requested reimbursed by the program since the expenditures were reimbursed by the granting agency. This error was discovered in the subsequent year and the reimbursement requested from the granting agency was reduced by \$11,232.

This condition was caused by some confusion by school district personnel over the actual date the district started administering this grant.

Recommendation:

We recommend the district review all future requests for reimbursement of this program and ensure the applicable expenditures for the request has been made were not actually reimbursed by the granting agency.

Time Keeping Records For Cafeteria Personnel Should Be Maintained to Document Time and Effort Requirements

2011-3 Finding

Program: Child Nutrition Cluster (10.553,10.555 and 10.559)

Compliance Requirement: Allowable Cost

As noted in Finding 2011-1 we noted that time keeping records were not maintained for food service personnel at the individual cafeterias that reconciled hours actually worked to the amounts actually paid those employees. This condition occurred during the later portion of the fiscal year. This condition occurred due to the fact that the district completed a software change at the beginning of the fiscal year and the previous time keeping software became obsolete before the current software was operational. Time keeping records for food service personnel are being maintained now.

Recommendation:

We recommend that time keeping records be maintained for food service personnel at the individual cafeterias that reconcile hours actually worked to the amounts actually paid those employees.

AUDITEE'S CORRECTIVE ACTION PLAN

Louisville Municipal School District

William C. Wade, Ed.D., Superintendent
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NORMA JACKSON
ASSISTANT SUPERINTENDENT

DR. NOLA BRYANT
DIRECTOR OF CURRICULUM

TRACY LUKE
DIRECTOR OF FINANCE

KEN McMULLAN
ASSISTANT SUPERINTENDENT

LAQUITA MOORE
DIRECTOR OF SPECIAL EDUCATION

JEFFREY WOODWARD
TECHNOLOGY COORDINATOR

FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Louisville Municipal School District has prepared and hereby submits the following correcting action plan for the findings included in the schedule of findings and questioned costs for the year ended June 30, 2011.

CORRECTIVE ACTION PLAN DETAILS

Finding
2011-1

A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke

B. We will implement pay scales including supplements after school board approval and place copies of those pay scales and supplements in the school board minutes. The payroll clerk that was reconciling the insurance billings during this time period, resigned in December of 2010, the current payroll clerk has reconciled all past billings to date and all variances have been negotiated or account for. The new payroll clerk has strengthened payroll procedures to ensure W-4 and state withholdings are being completed by every incoming employee in the district. Procedures surrounding payments of accumulated leave have been adjusted to insure that payment of accumulated leave are highly scrutinized before the actual payment is made. The cafeteria timekeeping system has been purchased and implemented so time records are being maintained weekly. We feel that all payroll procedures have been strengthened with the hiring of our current payroll clerk.

Finding
2011-2

A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke
Grant Adm. – Leigh Ann Hailey

B. The \$11,232 was re-paid to the Twenty-First Century Community Learning Center grant as soon as the error was discovered. As a result of this finding there is better communication between the school district and the administrator of this grant.

Finding
2011-3

A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke
School Food Service Adm. – Sheila Reed

B. During the 2011 school year the timekeeping system we had in place became faulty and costly to repair. There was a period of time where a manual system was in place and all administrators were responsible for keeping accurate time records. In the same 2011 school year the school district purchased a new timekeeping system from Central Access called Active Time. To date, the timekeeping issue has been corrected.