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LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2014**

**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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Louisville Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-13 and 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisville Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015, 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* in considering Louisville Municipal School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC.

Watkins Ward and Stafford, PLLC

Louisville, Mississippi
February 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

The Louisville Municipal School District Consist of the following schools: Fair Elementary School (K4-2), Louisville Elementary Schools (5-5), Eiland Middle Schools (6-8), Louisville High School (9-12), Nanih Waiya Attendance (K-12), Noxapater Attendance Center (K-12), and the Winston-Louisville Career & Technical Center. At the end of the 2014 school year the district's enrollment was 2,880 up by 58 students from 2,822 at the end of the 2013 school year.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased \$528,582 which represents a 3.4% decrease from fiscal year 2013. Total net position for 2013 decreased \$741,707, which represents a 5% decrease from fiscal year 2012.
- General revenues amounted to \$19,294,126 and \$18,539,441, or 76.9% and 75.2% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,813,521, or 23.1% of total revenues for 2014, and \$6,124,333, or 24.8 % of total revenues for 2013.
- The District had \$25,636,229 and \$25,405,481 in expenses for fiscal years 2014 and 2013; only \$5,813,521 for 2014 and \$6,124,333 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,294,126 for 2014 and \$18,539,441 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,311,604 in revenues and \$19,734,686 in expenditures for 2014, and \$18,782,992 in revenues and \$19,015,095 in expenditures in 2013. The General Fund's fund balance decreased by \$611,888 from 2013 to 2014, and decreased by \$894,650 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$2,907 for 2014 and decreased by \$175,825 for 2013. The increase for 2014 was due to construction incurred during the year plus the addition of school buses that were greater than the depreciation incurred for the fiscal year.
- Long-term debt decreased by \$310,128 for 2014 and decreased by \$320,425 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,872 for 2014 and decreased by \$15,425 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, 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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$14,854,024 as of June 30, 2014.

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	Percentage Change
Current assets	\$ 8,874,851	\$ 9,493,338	-6.51 %
Restricted assets	231,509	230,568	0.41 %
Capital assets, net	9,459,541	9,456,634	0.03 %
Total assets	<u>18,565,901</u>	<u>19,180,540</u>	-3.20 %
Current liabilities	1,686,515	1,462,444	15.32 %
Long-term debt outstanding	2,025,362	2,335,490	-13.28 %
Total liabilities	<u>3,711,877</u>	<u>3,797,934</u>	-2.27 %
Net position:			
Net investment in capital assets	7,636,541	7,315,634	4.39 %
Restricted	1,645,558	1,504,903	9.35 %
Unrestricted	5,571,925	6,562,069	-15.09 %
Total net position	<u>\$ 14,854,024</u>	<u>\$ 15,382,606</u>	-3.44 %

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

- Increase in net capital assets in the amount of \$2,907.
- The principal retirement of \$318,000 of long-term debt.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$25,107,647 and \$24,663,774, respectively. The total cost of all programs and services was \$25,636,229 for 2014 and \$25,405,481 for 2013.

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

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 863,390	\$ 944,135	(8.55) %
Operating grants and contributions	4,950,131	5,034,130	(1.67) %
Capital Grants and Contributions	-	146,068	(100.00) %
General revenues:			
Property taxes	5,827,641	5,683,232	2.54 %
Grants and contributions not restricted	13,030,245	12,586,198	3.53 %
Investment earnings	20,894	31,167	(32.96) %
Sixteenth section sources	270,624	217,712	24.30 %
Other	144,722	21,132	584.85 %
Total revenues	<u>25,107,647</u>	<u>24,663,774</u>	1.80 %
Expenses:			
Instruction	14,735,528	14,608,582	0.87 %
Support services	8,736,620	8,618,546	1.37 %
Non-instructional	2,024,843	1,974,481	2.55 %
Sixteenth section	70,622	123,498	(42.82) %
Interest on long-term liabilities	68,616	80,374	(14.63) %
Total expenses	<u>25,636,229</u>	<u>25,405,481</u>	0.91 %
Increase (Decrease) in net position	<u>(528,582)</u>	<u>(741,707)</u>	(28.73) %
Net Position, July 1, as previously reported	<u>15,382,606</u>	<u>16,124,313</u>	(4.60) %
Net Position, June 30	<u>\$ 14,854,024</u>	<u>\$ 15,382,606</u>	(3.44) %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 14,735,528	\$ 14,608,582	0.87 %
Support services	8,736,620	8,618,546	1.37 %
Non-instructional	2,024,843	1,974,481	2.55 %
Sixteenth section	70,622	123,498	(42.82) %
Interest on long-term liabilities	68,616	80,374	(14.63) %
Total expenses	<u>\$ 25,636,229</u>	<u>\$ 25,405,481</u>	0.91 %
	<u>Net (Expense) Revenue</u>		
	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Instruction	\$ (12,297,576)	\$ (11,898,897)	3.35 %
Support services	(7,582,850)	(7,416,507)	2.24 %
Non-instructional	167,505	133,478	25.49 %
Sixteenth section	(41,171)	(104,465)	(60.59) %
Interest on long-term liabilities	(68,616)	5,243	(1,408.72) %
Total net (expense) revenue	<u>\$ (19,822,708)</u>	<u>\$ (19,281,148)</u>	2.81 %

- Net cost of governmental activities (\$19,822,708 for 2014 and \$19,281,148 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$5,827,641 for 2014 and \$5,683,232 for 2013) and state and federal revenues (\$13,030,245 for 2014 and \$12,586,198 for 2013). In addition, there was \$270,624 and \$217,712 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$20,894 for 2014 and \$31,167 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$7,481,842, a decrease of \$852,432, which includes a decrease in inventory of \$2,700. \$5,155,633 or 69% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,326,209 or 31% is non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$611,888. The fund balance of Other Governmental Funds showed an increase in the amount of \$129,840, which includes a decrease in reserve for inventory of \$2,700. The (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Interest Fund	\$ (370,384)

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 fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$19,423,998, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$552,851 from 2013. Total accumulated depreciation as of June 30, 2014, was \$9,964,457, and total depreciation expense for the year was \$606,684, resulting in total net capital assets of \$9,459,541.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 279,607	\$ 279,607	0.00 %
Construction in Progress	261,711	-	N/A %
Buildings	4,089,239	4,226,628	(3.25) %
Building improvements	1,843,216	1,935,840	(4.78) %
Improvements other than buildings	1,097,434	1,117,878	(1.83) %
Mobile equipment	1,422,271	1,462,474	(2.75) %
Furniture and equipment	466,063	434,207	7.34 %
Total	\$ 9,459,541	\$ 9,456,634	0.03 %

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, 2014**

Debt Administration. At June 30, 2014, the District had \$2,025,362 in outstanding long-term debt, of which \$330,000 is due within one year. The liability for compensated absences increased \$7,872 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,823,000	\$ 2,141,000	(14.85) %
Compensated absences payable	202,362	194,490	4.05 %
Total	<u>\$ 2,025,362</u>	<u>\$ 2,335,490</u>	(13.28) %

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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**Louisville Municipal School District
Statement of Net Position
June 30, 2014**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,166,969
Due from other governments	632,600
Other receivables, net	7,866
Inventories	67,416
Restricted assets	231,509
Capital assets, non-depreciable:	
Land	279,607
Construction in progress	261,711
Capital assets, net of accumulated depreciation:	
Buildings	4,089,239
Building improvements	1,843,216
Improvements other than buildings	1,097,434
Mobile equipment	1,422,271
Furniture and equipment	466,063
Total Assets	<u>18,565,901</u>
Liabilities	
Accounts payable and accrued liabilities	1,624,518
Interest payable on long-term liabilities	61,997
Long-term liabilities, due within one year:	
Capital related liabilities	330,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,493,000
Non-capital related liabilities	202,362
Total Liabilities	<u>3,711,877</u>
Net Position	
Net investment in capital assets	7,636,541
Restricted for:	
Expendable:	
School-based activities	762,272
Debt service	243,837
Forestry improvements	343,288
Unemployment benefits	64,652
Non-expendable:	
Sixteenth section	231,509
Unrestricted	5,571,925
Total Net Position	<u>\$ 14,854,024</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, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 14,735,528	\$ 517,712	\$ 1,920,240	\$		\$ (12,297,576)
Support services	8,736,620	2,278	1,151,492			(7,582,850)
Non-instructional	2,024,843	313,949	1,878,399			167,505
Sixteenth section	70,622	29,451				(41,171)
Interest on long-term liabilities	68,616					(68,616)
Total Governmental Activities	\$ 25,636,229	\$ 863,390	\$ 4,950,131	\$ 0		\$ (19,822,708)

General Revenues:

Taxes:

General purpose levies 5,507,581

Debt purpose levies 320,060

Unrestricted grants and contributions:

State 12,811,593

Federal 218,652

Unrestricted investment earnings 20,894

Sixteenth section sources 270,624

Other 144,722

Total General Revenues 19,294,126

Change in Net Position (528,582)

Net Position - Beginning 15,382,606

Net Position - Ending \$ 14,854,024

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

Louisville Municipal School District
 Governmental Funds
 Balance Sheet
 June 30, 2014

Exhibit C

	Major Funds			
	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,594,649	\$ 3,079,732	\$ 1,723,984	\$ 8,398,365
Due from other governments	289,106	-	343,494	632,600
Other receivables, net	-	7,029	950	7,979
Due from other funds	240,680	-	47,208	287,888
Inventories	-	-	67,416	67,416
Total assets	\$ 4,124,435	\$ 3,086,761	\$ 2,183,052	\$ 9,394,248
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,381,255	\$ 8,446	\$ 234,817	\$ 1,624,518
Due to other funds	46,984	224	240,680	287,888
Total Liabilities	\$ 1,428,239	\$ 8,670	\$ 475,497	\$ 1,912,406
Fund Balances:				
Nonspendable:				
Inventory	-	-	67,416	67,416
Permanent fund principal	-	-	231,509	231,509
Restricted:				
Debt service	-	-	305,834	305,834
Forestry improvement purposes	-	-	343,288	343,288
Grant activities	-	-	694,856	694,856
Unemployment benefits	-	-	64,652	64,652
Assigned:				
Student activity	108,708	-	-	108,708
Capital improvements	509,946	-	-	509,946
Unassigned	2,077,542	3,078,091	-	5,155,633
Total Fund Balances	2,696,196	3,078,091	1,707,555	7,481,842
Total Liabilities and Fund Balances	\$ 4,124,435	\$ 3,086,761	\$ 2,183,052	\$ 9,394,248

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

**Louisville Municipal School District
Governmental Funds**

Exhibit C-1

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

Total fund balances for governmental funds **\$ 7,481,842**

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

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

Land	\$ 279,607	
Construction in progress	261,711	
Buildings	8,995,881	
Building improvements	2,315,621	
Improvements other than buildings	1,370,511	
Mobile equipment	4,794,989	
Furniture and equipment	1,405,678	
Accumulated depreciation	<u>(9,964,457)</u>	9,459,541

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	\$ (1,823,000)	
Compensated absences	(202,362)	
Accrued interest payable	<u>(61,997)</u>	(2,087,359)

Net position of governmental activities **\$ 14,854,024**

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

Louisville Municipal School District
Governmental Funds

Exhibit D

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

	Major Funds			Total Governmental Funds
	General Fund	16th Section Interest Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 6,087,602	\$ -	\$ 645,719	\$ 6,733,321
State sources	12,951,401	-	613,348	13,564,749
Federal sources	272,601	-	4,143,025	4,415,626
Sixteenth section sources	-	279,286	31,255	310,541
Total Revenues	19,311,604	279,286	5,433,347	25,024,237
Expenditures:				
Instruction	11,993,358	-	2,478,240	14,471,598
Support services	7,451,228	-	1,267,938	8,719,166
Noninstructional services	1,944	-	2,022,836	2,024,780
Sixteenth section	26,445	38,828	17,420	82,693
Facilities acquisition and construction	261,711	-	-	261,711
Debt service:				
Principal	-	-	318,000	318,000
Interest	-	-	79,431	79,431
Total Expenditures	19,734,686	38,828	6,183,865	25,957,379
Excess (Deficiency) of Revenues over (under) Expenditures	(423,082)	240,458	(750,518)	(933,142)
Other Financing Sources (Uses):				
Sale of other property	83,410	-	-	83,410
Operating transfers in	729,033	-	1,001,249	1,730,282
Operating transfers out	(1,001,249)	(610,842)	(118,191)	(1,730,282)
Total Other Financing Sources (Uses)	(188,806)	(610,842)	883,058	83,410
Net Change in Fund Balances	(611,888)	(370,384)	132,540	(849,732)
Fund Balances:				
July 1, 2013	3,308,084	3,448,475	1,577,715	8,334,274
Increase (Decrease) in reserve for inventory	-	-	(2,700)	(2,700)
June 30, 2014	\$ 2,696,196	\$ 3,078,091	1,707,555	\$ 7,481,842

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, 2014

Exhibit D-1

Net change in fund balances - total governmental funds \$ (849,732)

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	\$ 619,307	
Depreciation expense	(606,684)	12,623

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (9,716)

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

Payments of debt principal	318,000	
Accrued interest payable	10,815	328,815

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	(7,872)	
Change in inventory reserve	(2,700)	(10,572)

Change in net position of governmental activities \$ (528,582)

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

**Louisville Municipal School District
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2014**

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 45,217	\$ 103,316
Investments	20,376	-
Total Assets	<u>65,593</u>	<u>\$ 103,316</u>
Liabilities		
Accounts payable and accrued liabilities	625	\$ 825
Due to student clubs	-	102,491
Total Liabilities	<u>625</u>	<u>\$ 103,316</u>
Net Position		
Reserved for endowments	64,968	
Total Net Position	<u>\$ 64,968</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 Position
 For the Year Ended June 30, 2014**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 344
Total Additions	<u>344</u>
Deductions	
Scholarships awarded	<u>875</u>
Total Deductions	<u>875</u>
Change in Net Position	<u>(531)</u>
Net Position	
July 1, 2013	<u>65,499</u>
June 30, 2014	<u>\$ 64,968</u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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.

B. Government-wide and Fund Financial Statements

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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 is a special revenue fund that accounts for the expendable resources derived from the district's 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 position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

Student Club Funds - These are fiduciary funds that account for the assets and liabilities associated with student club activities.

Various Scholarship Trust Funds are held by the district and used to fund scholarships for award winners.

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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.

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

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

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

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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 Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

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

The following schedule details the capitalization thresholds:

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

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

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

9. Fund Balances

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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.

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 business manager and the superintendent pursuant to authorization established by board 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.

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

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 was \$8,398,365 and carrying amount of the school district's deposits with financial institutions reported in fiduciary funds was \$168,909, which includes \$20,376 of certificates of deposit with original maturities beyond three months.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$9,354,255 was exposed to custodial credit risk.

Investments

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

Investment Type	Maturities (in years)	Fair Value
Certificates of deposit	Less than 1	20,376
Total		<u>\$ 20,376</u>

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

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, 2014, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit - Regions Bank	\$ 5,176	25%
Certificates of Deposit - Citizen's Bank	15,200	75%

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	\$ 240,680
Other governmental funds	General Fund	46,984
Other governmental funds	16th section interest fund	224
Total		\$ 287,888

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,001,249
16th section interest fund	General Fund	610,842
Other governmental funds	General Fund	118,191
Total		\$ 1,730,282

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$ 231,509 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 the Year Ended June 30, 2014

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 279,607	\$ -	\$ -	279,607
Construction-in-progress	-	261,711	-	261,711
Total non-depreciable capital assets	279,607	261,711	-	541,318
<u>Depreciable capital assets:</u>				
Buildings	8,995,881	-	-	8,995,881
Building improvements	2,315,621	-	-	2,315,621
Improvements other than buildings	1,336,134	34,377	-	1,370,511
Mobile equipment	4,671,029	176,834	52,874	4,794,989
Furniture and equipment	1,272,875	146,385	13,582	1,405,678
Total depreciable capital assets	18,591,540	357,596	66,456	18,882,680
<u>Less accumulated depreciation for:</u>				
Buildings	4,769,253	137,389	-	4,906,642
Building improvements	379,781	92,624	-	472,405
Improvements other than buildings	218,256	54,821	-	273,077
Mobile equipment	3,208,555	207,457	43,294	3,372,718
Furniture and equipment	838,668	114,393	13,446	939,615
Total accumulated depreciation	9,414,513	606,684	56,740	9,964,457
Total depreciable capital assets, net	9,177,027	(249,088)	9,716	8,918,223
Governmental activities capital assets, net	\$ 9,456,634	\$ 12,623	\$ 9,716	\$ 9,459,541

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 277,629
Support services	239,126
Non-instructional	89,929
Total depreciation expense - Governmental activities	\$ 606,684

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Gate and Fencing (Fair Elementary)	\$ 1,013	\$ 36,760
EMS Gym Renovations	213,101	191,410
Noxapater FB Field Lighting	21,565	14,724
Nanih Waiya Air Conditioning Project	26,032	10,000
Total governmental activities	\$ 261,711	\$ 252,894

Construction projects included in governmental activities are funded with local district funds.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2014**

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Other Adjustments	Balance 6/30/2014	Amounts due within one year
A. Three mill notes payable	\$ 2,141,000	\$ -	\$ 318,000	\$ -	\$ 1,823,000	\$ 330,000
B. Compensated absences payable	194,490	-	14,397	22,269	202,362	-
Total	\$ 2,335,490	\$ -	\$ 332,397	\$ 22,269	\$ 2,025,362	\$ 330,000

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2008	3.71%	8/1/2008	8/1/2022	\$ 3,300,000	\$ 1,823,000

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

- Three mill notes payable issue of August 1, 2008:

Year Ending June 30	Principal	Interest	Total
2015	\$ 330,000	\$ 67,633	\$ 397,633
2016	288,000	55,390	343,390
2017	190,000	44,706	234,706
2018	190,000	37,657	227,657
2019	160,000	30,608	190,608
2020 – 2024	665,000	61,957	726,957
Total	\$ 1,823,000	\$ 297,951	\$ 2,120,951

The school district has pledged future state educational enhancements revenues for buildings and buses to help repay the \$3,500,000 three mill notes payable issued August 1, 2008. The bonds were issued to make improvements to the district's buildings. The debt will be paid in full and the pledge satisfied on August 1, 2022. The annual pledge is approximately \$85,617, which is approximately 100% of such state revenues. Total state educational enhancement revenues for buildings and busses was \$85,617 for the year ended June 30, 2014, while principal and interest requirements for the debt totaled \$397,431.

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

B. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,173,345, \$1,945,962 and \$1,669,791, respectively, which equaled the required contributions for each year.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The 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</u> <u>June 30</u>		<u>Amount</u>
2015	\$	109,412
2016		104,571
2017		82,126
2018		74,066
2019		73,621
2020 – 2024		266,188
2025 – 2029		226,014
2030 – 2034		203,114
2035 – 2039		94,043
Total	\$	<u>1,233,155</u>

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.

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

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

Participation in Public Entity Risk Pool

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

Note 12 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Louisville Municipal School District evaluated the activity of the district through February 17, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- On October 14, 2014, the school board committed to expend from the general fund of the district between \$1,450,000 and \$1,500,000 for upgrades to Louisville High School.

REQUIRED SUPPLEMENTARY INFORMATION

Louisville Municipal School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,130,580	\$ 6,087,602	\$ 6,087,602	\$ (42,978)	\$ -
State sources	12,929,832	12,951,401	12,951,401	21,569	-
Federal sources	289,000	272,601	272,601	(16,399)	-
Total Revenues	19,349,412	19,311,604	19,311,604	(37,808)	-
Expenditures:					
Instruction	12,416,474	11,993,903	11,993,358	422,571	545
Support services	7,802,910	7,497,337	7,451,228	305,573	46,109
Noninstructional services	2,000	1,944	1,944	56	-
Sixteenth section	27,780	26,445	26,445	1,335	-
Facilities acquisition and construction		388,643	261,711	(388,643)	126,932
Total Expenditures	20,249,164	19,908,272	19,734,686	340,892	173,586
Excess (Deficiency) of Revenues over (under) Expenditures	(899,752)	(596,668)	(423,082)	303,084	173,586
Other Financing Sources (Uses):					
Sale of transportation equipment	10,000			(10,000)	-
Sale of other property	-	83,410	83,410	83,410	-
Operating transfers in	3,262,871	2,897,302	729,033	(365,569)	(2,168,269)
Operating transfers out	(3,592,999)	(3,169,519)	(1,001,249)	423,480	2,168,270
Total Other Financing Sources (Uses)	(320,128)	(188,807)	(188,806)	131,321	1
Net Change in Fund Balances	(1,219,880)	(785,475)	(611,888)	434,405	173,587
Fund Balances:					
July 1, 2013,	4,238,000	3,308,085	3,308,084	(929,915)	(1)
June 30, 2014	\$ 3,018,120	\$ 2,522,610	\$ 2,696,196	\$ (495,510)	\$ 173,586

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

**Louisville Municipal School District
 Required Supplementary Information
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 430,000	\$ 397,127	\$ 279,286	\$ (32,873)	\$ (117,841)
Total Revenues	430,000	397,127	279,286	(32,873)	(117,841)
Expenditures:					
Sixteenth section	65,800	38,828	38,828	26,972	-
Total Expenditures	65,800	38,828	38,828	26,972	-
Excess (Deficiency) of Revenues over (under) Expenditures	364,200	358,299	240,458	(5,901)	(117,841)
Other Financing Sources (Uses):					
Operating transfers out	(690,000)	(610,842)	(610,842)	79,158	-
Total Other Financing Sources (Uses)	(690,000)	(610,842)	(610,842)	79,158	-
Net Change in Fund Balances	(325,800)	(252,543)	(370,384)	73,257	(117,841)
Fund Balances:					
July 1, 2013,	3,200,000	3,448,475	3,448,475	248,475	-
June 30, 2014	\$ 2,874,200	\$ 3,195,932	\$ 3,078,091	\$ 321,732	\$ (117,841)

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2014**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**Louisville Municipal School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 436,214
National school lunch program	10.555	1,258,875
Summer food service program for children	10.559	70,359
Total child nutrition cluster		<u>1,765,448</u>
Total passed-through Mississippi Department of Education		<u>1,765,448</u>
Passed-through Winston County:		
National forest-dependent rural communities		54,103
Total U.S. Department of Agriculture		<u>1,819,551</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	53,949
Total U.S. Department of Defense		<u>53,949</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	79,099
Total Federal Communications Commission		<u>79,099</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,039,524
Impact aid - facilities maintenance	84.040	22,171
Career and technical education - basic grants to states	84.048	40,796
Twenty-first century community learning centers	84.287	169,108
Rural education	84.358	64,648
Improving teacher quality-State Grants	84.367	221,750
Subtotal		<u>1,557,997</u>
Special education cluster:		
Special education - grants to states	84.027	750,111
Special education - preschool grants	84.173	18,374
Total special education cluster		<u>768,485</u>
Total passed-through Mississippi Department of Education		<u>2,326,482</u>
Total U.S. Department of Education		<u>2,326,482</u>
Total for All Federal Awards		<u>\$ 4,279,081</u>

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

<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	\$ 19,242,606	14,423,803	595,556	1,374,784	2,848,463
Other	6,714,773	2,306,237	299,142	155,116	3,954,278
Total	\$ 25,957,379	16,730,040	894,698	1,529,900	6,802,741
Total number of students *	2,880				
Cost per student	\$ 9,013	5,809	311	531	2,362

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 6,087,602	\$ 5,993,871	\$ 6,080,840	\$ 5,762,616
State sources	12,951,401	12,506,707	11,808,133	11,340,768
Federal sources	272,601	282,414	350,076	193,532
Total Revenues	19,311,604	18,782,992	18,239,049	17,296,916
Expenditures:				
Instruction	11,993,358	11,724,176	10,615,882	9,510,324
Support services	7,451,228	7,263,299	6,842,407	6,921,033
Noninstructional services	1,944	400	1,917	550
Sixteenth section	26,445	27,220	25,692	23,093
Facilities acquisition and construction	261,711		509,439	
Debt service:				
Principal			7,621	18,855
Total Expenditures	19,734,686	19,015,095	18,002,958	16,473,855
Excess (Deficiency) of Revenues over (under) Expenditures	(423,082)	(232,103)	236,091	823,061
Other Financing Sources (Uses):				
Insurance recovery			25,914	
Sale of transportation equipment				9,980
Sale of other property	83,410			
Operating transfers in	729,033	355,241	410,849	573,976
Operating transfers out	(1,001,249)	(1,017,788)	(966,692)	(922,344)
Total Other Financing Sources (Uses)	(188,806)	(662,547)	(529,929)	(338,388)
Net Change in Fund Balances	(611,888)	(894,650)	(293,838)	484,673
Fund Balances:				
Beginning of period,	3,308,084	4,202,734	4,496,572	4,011,899
End of Period	\$ 2,696,196	\$ 3,308,084	\$ 4,202,734	\$ 4,496,572

*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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 6,733,321	\$ 6,646,209	\$ 6,724,537	\$ 6,399,137
State sources	13,564,749	13,030,931	12,365,294	11,931,536
Federal sources	4,415,626	4,735,464	5,070,863	6,780,259
Sixteenth section sources	310,541	251,170	689,610	357,168
Total Revenues	25,024,237	24,663,774	24,850,304	25,468,100
Expenditures:				
Instruction	14,471,598	14,428,838	13,519,491	13,945,866
Support services	8,719,166	8,652,510	8,425,725	8,815,797
Noninstructional services	2,024,780	1,973,959	1,865,612	1,780,763
Sixteenth section	82,693	123,493	120,862	173,680
Facilities acquisition and construction	261,711		509,439	
Debt service:				
Principal	318,000	305,000	302,621	303,855
Interest	79,431	90,746	101,691	112,265
Total Expenditures	25,957,379	25,574,546	24,845,441	25,132,226
Excess (Deficiency) of Revenues over (under) Expenditures	(933,142)	(910,772)	4,863	335,874
Other Financing Sources (Uses):				
Insurance recovery			25,914	
Sale of transportation equipment				9,980
Sale of other property	83,410			
Operating transfers in	1,730,282	1,373,029	1,377,541	1,496,320
Operating transfers out	(1,730,282)	(1,373,029)	(1,377,541)	(1,496,320)
Total Other Financing Sources (Uses)	83,410	0	25,914	9,980
Net Change in Fund Balances	(849,732)	(910,772)	30,777	345,854
Fund Balances:				
Beginning of period, as previously reported **	8,334,274	9,230,953	9,192,933	8,835,915
Prior period adjustments			(1,922)	
Beginning of period, as restated **	8,334,274	9,230,953	9,191,011	8,835,915
Increase (Decrease) in reserve for inventory	(2,700)	14,093	9,165	11,164
End of Period	\$ 7,481,842	\$ 8,334,274	\$ 9,230,953	\$ 9,192,933

*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	J. Randy Scrivner, CPA
Harry W. Stevens, CPA	Kimberly S. Caskey, CPA
S. Keith Winfield, CPA	Susan M. Lummus, CPA
William B. Staggers, CPA	Thomas J. Browder, CPA
Aubrey R. Holder, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Michael L. Pierce, CPA	Ricky D. Allen, CPA
Marsha L. McDonald, CPA	Jason D. Brooks, CPA
Wanda S. Holley, CPA	Robert E. Cordle, Jr., CPA
Robin Y. McCormick, CPA/PFS	Perry C. Rackley, Jr., 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

To the Superintendent and School Board
 Louisville Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Louisville Municipal School District's basic financial statements and have issued our report thereon dated February 17, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (**Finding 2014-1**).

Compliance and Other Matters

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

Louisville Municipal School District's Response to Findings

Louisville Municipal School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Louisville Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

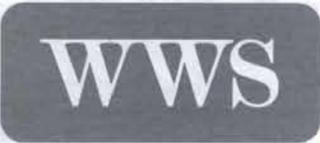
Purpose of this Report

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
February 17, 2015

Watkins Ward and Stafford, P.C.



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

James L. Stafford, CPA	J. Randy Scrivner, CPA
Harry W. Stevens, CPA	Kimberly S. Caskey, CPA
S. Keith Winfield, CPA	Susan M. Lummus, CPA
William B. Stagers, CPA	Thomas J. Browder, CPA
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Marsha L. McDonald, CPA	Jason D. Brooks, CPA
Wanda S. Holley, CPA	Robert E. Cordle, Jr., CPA
Robin Y. McCormick, CPA/PFS	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Superintendent and School Board
 Louisville Municipal School District

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Louisville Municipal School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Louisville Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Louisville Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questions Costs as Finding 2014-2, that we consider to be a significant deficiency.

Louisville Municipal School District's Response to Finding

Louisville Municipal School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Louisville Municipal School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
February 17, 2015

Watkins Ward and Stafford, PLLC

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



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

James L. Stafford, CPA	J. Randy Scrivner, CPA
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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, 2014, which collectively comprise Louisville Municipal School District’s basic financial statements and have issued our report thereon dated February 17, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 17, 2015

Watkins Ward and Stafford, P/C

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material 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: | Unmodified |
| 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
84.027/84.173	Special Education Cluster

- | | | |
|----|--|-----------|
| 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, 2014

Section II: Financial Statement Findings

Significant Deficiencies Not Considered To Be A Material Weakness

Finding 2014-1. Controls surrounding student activity funds expenditures should be strengthened:

School district management is responsible for establishing and maintaining a system of internal accounting control over student activity fund expenditures.

During our testing student activity fund expenditures, we noted the following deficiencies:

- We noted 6 instances where receiving documentation to support the evidence of goods and/or services being received prior to claim payment was missing from claims paid and included in monthly transmittal forms.
- We noted 1 instance where a purchase order was prepared after the actual purchase occurred.
- We noted 1 instance where a portion of an expenditure contained no supporting invoice or other documentation.

Recommendation:

We recommend that proper receiving documentation and documents supporting expenditures should be available for independent review of student activity fund expenditures included on monthly claim transmittals. Without a proper independent review of such expenditures, unallowable or unsubstantiated claims could be paid. Also the actual purchase of goods or services should not occur until the purchase has been properly authorized.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered To Be A Material Weakness

Finding 2014-2. Controls over completion of semi-annual certifications for personnel considered to be employed under a single cost objective should be strengthened.

Program: Special Education Cluster, Passed-through the Mississippi Department of Education-
CFDA 84.027, 84.173

Compliance requirement: Allowable Costs / Cost Principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiency:

- We noted that semi-annual certifications were not prepared in two instances for staff that are employed under one single federal cost objective.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Recommendation:

We recommend that semi-annual certifications be prepared and properly approved by all personnel employed under one single federal cost objective. The semi-annual certifications should be completed and properly approved to comply with federal guidelines regarding time-and-effort documentation for personnel that are employed under one single federal cost objective.

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**

Louisville Municipal School District

KEN McMULLAN, Superintendent
P.O. BOX 909 - 112 S. COLUMBUS AVE.
LOUISVILLE, MISSISSIPPI 39339
PHONE (662) 773-3411 FAX (662) 773-4013

Auditee's Corrective Action Plan
For the Year Ended June 30, 2014

Finding 2014-01: Controls surrounding student activity funds expenditures should be strengthened.

Direct Response:

- A. What corrective action will be taken? A meeting will be held with the secretaries /bookkeepers of the schools to stress the importance of the internal controls over the activity fund documentation and procedures.
 - B. Who is responsible? Tracy Luke, Business Manager and Ken McMullan, Superintendent
 - C. When will the plan be implemented? As soon as possible.
-

Finding 2014-02: Controls over completion of semi-annual certifications for personnel considered to be employed under a single cost objective should be strengthened.

District Response:

- A. What corrective action will be taken? Action has already been taken to correct the absence of semi-annual certifications preparation on employees under one single federal cost objective.
Who is responsible? Steve Eiland, Special Education Director, Ken McMullan, Superintendent and Tracy Luke, Business Manager
 - B. When will the plan be implemented? This has been corrected.
-

Louisville Municipal School District

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SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____.315(b) of OMB Circular A-133, Louisville Municipal School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2013:

<u>Finding</u>	<u>Status</u>
2013-01	Repeat Finding
2013-02	Corrected
2013-03	Corrected

Sincerely,

Ken McMullan, Superintendent