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LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2012**

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Louisville Municipal School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2012, which collectively comprise the Louisville Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Louisville Municipal School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, on our consideration of the Louisville Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 28, 2013

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Louisville School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The Louisville Municipal School District consists of the following schools: Fair Elementary School (K4-3), Louisville Elementary Schools (4-6), Eiland Middle Schools (7-8), Louisville High School (9-12), Nanih Wiaya Attendance Center (K-12), Noxapater Attendance Center (K-12), and the Winston-Louisville Career & Technical Center. At the end of the 2012 school year the district's enrollment was 2,734 up by 43 students from 2,691 at the end of the 2011 school year.

FINANCIAL HIGHLIGHTS

- Total net assets for 2012 increased \$640,311, which includes a prior period adjustment of \$22,264, which represents a 4.0% increase from fiscal year 2011. Total assets for 2011 increased \$620,079, including the effect of a prior period adjustment of (\$15,406), which represented a 4.2% from the fiscal year 2010. The district maintains very controlled spending practices and carefully reviews all resources in a cost effective manner.
- General revenues amounted to \$18,251,124 and \$18,411,670, or 73.4% and 72.3% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,599,180 or 26.6% of total revenues for 2012, and \$7,056,430 or 27.7% of total revenues for 2011.
- The District had \$24,232,257 and \$24,832,615 in expenses for fiscal years 2012 and 2011; only \$6,599,180 for 2012 and \$7,056,430 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,251,124 for 2012 and \$18,411,670 for 2011 were adequate to provide for these programs.
- Among major funds, the General Funds had \$18,239,049 in revenues and \$18,002,958 in expenditures for 2012, and \$17,296,916 in revenues and \$16,473,855 in expenditures in 2011. The General Fund's fund balance decreased by \$293,838 from 2011 to 2012, and increased by \$484,673 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, increased by \$300,712 for 2012 and decreased by \$83,448 for 2011.
- Long-term debt decreased by \$302,621 for 2012 and decreased by \$303,855 for 2011. In addition, the liability for compensated absences increased by \$11,075 for 2012 and decreased by \$32,961 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed 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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$16,124,313 as of June 30, 2012.

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

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Current assets	\$ 10,193,435	\$ 10,258,472	-0.63 %
Restricted assets	227,666	227,105	0.25 %
Capital assets, net	9,632,459	9,331,747	3.22 %
Total assets	<u>20,053,560</u>	<u>19,817,324</u>	1.19 %
Current liabilities	1,578,332	1,688,482	-6.52 %
Long-term debt outstanding	2,350,915	2,644,840	-11.11 %
Total liabilities	<u>3,929,247</u>	<u>4,333,322</u>	-9.32 %
Net assets:			
Invested in capital assets, net of related debt	7,186,459	6,590,747	9.04 %
Restricted	4,945,035	4,603,144	7.43 %
Unrestricted	3,992,819	4,290,111	-6.93 %
Total net assets	<u>\$ 16,124,313</u>	<u>\$ 15,484,002</u>	4.14 %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

- Increase in net capital assets in the amount of \$300,712.
- The principal retirement of \$302,621 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$24,850,304 and \$25,468,100, respectively. The total cost of all programs and services was \$24,232,257 for 2012 and \$24,832,615 for 2011. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,101,002	\$ 917,580	19.99 %
Operating grants and contributions	5,498,178	5,953,682	(7.65) %
Capital Grants and Contributions	-	185,168	(100.00) %
General revenues:			
Property taxes	5,702,991	5,416,660	5.29 %
Grants and contributions not restricted	11,937,980	12,572,936	(5.05) %
Investment earnings	19,284	30,825	(37.44) %
Sixteenth section sources	590,869	302,289	95.46 %
Other	-	88,960	(100.00) %
Total revenues	<u>24,850,304</u>	<u>25,468,100</u>	(2.43) %
Expenses:			
Instruction	13,801,744	14,166,921	(2.58) %
Support services	8,433,047	8,656,008	(2.58) %
Non-instructional	1,784,735	1,733,434	2.96 %
Sixteenth section	121,073	173,680	(30.29) %
Interest and other expenses on long-term liabilities	91,658	102,572	(10.64) %
Total expenses	<u>24,232,257</u>	<u>24,832,615</u>	(2.42) %
Increase (Decrease) in net assets	<u>618,047</u>	<u>635,485</u>	(2.74) %
Net Assets, July 1, as originally reported	<u>15,484,002</u>	<u>14,863,923</u>	4.17 %
Prior Period Adjustment	<u>22,264</u>	<u>(15,406)</u>	244.52 %
Net Assets, July 1, as restated	<u>15,506,266</u>	<u>14,848,517</u>	4.43 %
Net Assets, June 30	<u>\$ 16,124,313</u>	<u>\$ 15,484,002</u>	4.14 %

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2012</u>	
Instruction	\$ 13,801,744	\$ 14,166,921	(2.58) %
Support services	8,433,047	8,656,008	(2.58) %
Non-instructional	1,784,735	1,733,434	2.96 %
Sixteenth section	121,073	173,680	(30.29) %
Interest on long-term liabilities	91,658	102,572	(10.64) %
Total expenses	\$ 24,232,257	\$ 24,832,615	(2.42) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (10,765,413)	\$ (10,924,912)	(1.46) %
Support services	(6,938,761)	(6,863,796)	1.09 %
Non-instructional	193,617	247,627	(21.81) %
Sixteenth section	(30,862)	(132,532)	(76.71) %
Interest on long-term liabilities	(91,658)	(102,572)	(10.64) %
Total net (expense) revenue	\$ (17,633,077)	\$ (17,776,185)	(0.81) %

- Net cost of governmental activities \$17,633,077 for 2012 and \$17,776,185 for 2011 was financed by general revenue, which is primarily made up of property taxes \$5,702,991 for 2012 and \$5,416,660 for 2011 and state and federal revenues \$11,937,980 for 2012 and \$12,572,936 for 2011. In addition, there was \$590,869 and \$302,289 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$19,284 for 2012 and \$30,825 for 2011.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,230,953, an increase of \$38,020 which includes an increase in inventory of \$9,165 and a prior period adjustment of \$(1,922). The primary reason for this increase the district maintains very controlled spending practices and carefully reviews all resources in a cost effective manner.

\$3,498,956 or 37.9% of the fund balance represents unassigned fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,731,997 or 62.1% is nonspendable, restricted, committed or assigned to indicate that it is not available for spending because it has already been committed.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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 \$293,838. The fund balance of Other Governmental Funds showed an increase in the amount of \$99,339, which includes an increase in reserve for inventory of \$9,165 and a prior period adjustment of \$(1,922). The increase (decrease) in the fund balances for the other major funds were as follows:

16th Section Interest Fund \$ 232,519

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were \$18,444,356 including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$740,235 from 2011. Total accumulated depreciation as of June 30, 2012, was \$8,811,897, and total depreciation expense for the year was \$619,576, resulting in total net capital assets of \$9,632,459.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 279,607	\$ 259,320	7.82 %
Buildings	4,366,168	4,505,708	(3.10) %
Building improvements	2,028,465	2,121,090	(4.37) %
Improvements other than buildings	1,171,323	735,616	59.23 %
Mobile equipment	1,447,683	1,432,126	1.09 %
Furniture and equipment	339,213	277,887	22.07 %
Total	\$ <u>9,632,459</u>	\$ <u>9,331,747</u>	3.22 %

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, 2012**

Debt Administration. At June 30, 2012, the District had \$2,655,915 in outstanding long-term debt, of which \$305,000 is due within one year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,446,000	\$ 2,741,000	(10.76) %
Other loans payable	-	7,621	(100.00) %
Compensated absences payable	209,915	198,840	5.57 %
Total	\$ <u>2,655,915</u>	\$ <u>2,947,461</u>	(9.89) %

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage has remained consistent through the years. For the fiscal year 1991-1992 the millage rate was 46 mills compared to the millage rate of 59.45 mills for the 2011-2012 school year, which includes 3 mills for the debt service issued in the 2008-2009 school year. The district is also charged collection fees (5% of taxes collected by the City of Louisville and 5% of taxes collected by Winston County) by the levying authorities which is included in the millage rate (The millage rate assessed to cover fees was 2.70 mills for the 2011-2012 school year and is included in the 59.45 mills quoted above). The District is aware of Winston County's high unemployment rate and the difficult economic trials for the citizens of the city and the county and considers these factors in keeping the millage rate as low as possible while still maintaining excellence in the public schools.

Over the past decade the district had seen a trend of declining enrollment and ADA but it seems to be stabilizing. There was a very slight increase in enrollment for 2012. However, because of the previous declining trend, budget cuts in both federal and state funding, and the continuing unstable economy, the district has been very conservative in staffing and in incurring additional expenditures. The district has completed various construction projects that were financed with a \$3,300,000 three mill notes payable acquired in 2008-2009. These improvements and renovations were considered very necessary and much needed to maintain the schools buildings in an appropriate manner.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents	\$ 9,258,270
Due from other governments	861,114
Other receivables, net	18,028
Inventories	56,023
Restricted assets	227,666
Capital assets, non-depreciable:	
Land	279,607
Capital assets, net of accumulated depreciation:	
Buildings	4,366,168
Building improvements	2,028,465
Improvements other than buildings	1,171,323
Mobile equipment	1,447,683
Furniture and equipment	339,213
Total Assets	<u>20,053,560</u>
Liabilities	
Accounts payable and accrued liabilities	1,179,381
Unearned revenue	10,767
Interest payable on long-term liabilities	83,184
Long-term liabilities, due within one year:	
Capital related liabilities	305,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,141,000
Non-capital related liabilities	209,915
Total Liabilities	<u>3,929,247</u>
Net Assets	
Invested in capital assets, net of related debt	7,186,459
Restricted for:	
Expendable:	
School-based activities	4,098,826
Debt service	211,664
Forestry improvements	340,310
Unemployment benefits	66,569
Non-expendable:	
Sixteenth section	227,666
Unrestricted	3,992,819
Total Net Assets	<u>\$ 16,124,313</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, 2012

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 13,801,744	\$ 694,241	\$ 2,342,090	\$	\$	(10,765,413)
Support services	8,433,047		1,494,286			(6,938,761)
Non-instructional	1,784,735	316,550	1,661,802			193,617
Sixteenth section	121,073	90,211				(30,862)
Interest on long-term liabilities	91,658					(91,658)
Total Governmental Activities	\$ 24,232,257	\$ 1,101,002	\$ 5,498,178	\$ 0	\$	(17,633,077)

General Revenues:

Taxes:

General purpose levies 5,385,136

Debt purpose levies 317,855

Unrestricted grants and contributions:

State 11,671,292

Federal 266,688

Unrestricted investment earnings 19,284

Sixteenth section sources 590,869

Total General Revenues 18,251,124

Change in Net Assets 618,047

Net Assets - Beginning, as previously reported 15,484,002

Prior Period Adjustments 22,264

Net Assets - Beginning, as restated 15,506,266

Net Assets - Ending \$ 16,124,313

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2012

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 Fund	16th Section Interest Fund		
Assets					
Cash and cash equivalents	\$ 4,450,838	\$ -	\$ 3,526,662	\$ 1,508,436	\$ 9,485,936
Due from other governments	305,531	174,345	13,354	367,884	861,114
Other receivables, net			18,028		18,028
Due from other funds	442,576			41,566	484,142
Inventories				56,023	56,023
Total assets	<u>\$ 5,198,945</u>	<u>\$ 174,345</u>	<u>\$ 3,558,044</u>	<u>\$ 1,973,909</u>	<u>\$ 10,905,243</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 954,645	\$ 55,199	\$ 10,713	\$ 158,824	\$ 1,179,381
Due to other funds	41,566	119,146		323,430	484,142
Unearned revenue			10,767		10,767
Total Liabilities	<u>996,211</u>	<u>174,345</u>	<u>21,480</u>	<u>482,254</u>	<u>1,674,290</u>
Fund Balances:					
Nonspendable:					
Inventory				56,023	56,023
Permanent fund principal				227,666	227,666
Advalorem escrow	205,397				205,397
Restricted:					
Debt service				294,848	294,848
Forestry improvement purposes				340,310	340,310
Grant activities				126,516	126,516
Unemployment benefits				66,569	66,569
Other purposes			3,536,564	379,723	3,916,287
Assigned:					
Capital improvements	313,011				313,011
Other purposes	185,370				185,370
Unassigned	3,498,956				3,498,956
Total Fund Balances	<u>4,202,734</u>	<u>-</u>	<u>3,536,564</u>	<u>1,491,655</u>	<u>9,230,953</u>
Total Liabilities and Fund Balances	<u>\$ 5,198,945</u>	<u>\$ 174,345</u>	<u>\$ 3,558,044</u>	<u>\$ 1,973,909</u>	<u>\$ 10,905,243</u>

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2012**

Exhibit C-1

Total fund balances for governmental funds **\$ 9,230,953**

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

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

Land	\$	279,607	
Buildings		8,995,881	
Building improvements		2,315,621	
Improvements other than buildings		1,336,134	
Mobile equipment		4,434,073	
Furniture and equipment		1,083,040	
Accumulated depreciation		<u>(8,811,897)</u>	9,632,459

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Three Mill Notes payable		(2,446,000)	
Compensated Absences		(209,915)	
Accrued interest payable		<u>(83,184)</u>	(2,739,099)

Net assets of governmental activities **\$ 16,124,313**

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 Fund	16th Section Interest Fund		
Revenues:					
Local sources	\$ 6,080,840	\$ -		\$ 643,697	\$ 6,724,537
State sources	11,808,133			557,161	12,365,294
Federal sources	350,076	1,296,316		3,424,471	5,070,863
Sixteenth section sources			603,188	86,422	689,610
Total Revenues	18,239,049	1,296,316	603,188	4,711,751	24,850,304
Expenditures:					
Instruction	10,615,882	713,996		2,189,613	13,519,491
Support services	6,842,407	469,047		1,114,271	8,425,725
Noninstructional services	1,917	97,082		1,766,613	1,865,612
Sixteenth section	25,692		70,669	24,501	120,862
Facilities acquisition and construction	509,439				509,439
Debt service:					
Principal	7,621			295,000	302,621
Interest				101,691	101,691
Total Expenditures	18,002,958	1,280,125	70,669	5,491,689	24,845,441
Excess (Deficiency) of Revenues over (under) Expenditures	236,091	16,191	532,519	(779,938)	4,863
Other Financing Sources (Uses):					
Insurance recovery	25,914				25,914
Operating transfers in	410,849			966,692	1,377,541
Operating transfers out	(966,692)	(16,191)	(300,000)	(94,658)	(1,377,541)
Total Other Financing Sources (Uses)	(529,929)	(16,191)	(300,000)	872,034	25,914
Net Change in Fund Balances	(293,838)	-	232,519	92,096	30,777
Fund Balances:					
July 1, 2011, as previously reported	4,496,572	-	3,304,045	1,392,316	9,192,933
Prior period adjustments				(1,922)	(1,922)
July 1, 2011, as restated	4,496,572	-	3,304,045	1,390,394	9,191,011
Increase (Decrease) in reserve for inventory				9,165	9,165
June 30, 2012	\$ 4,202,734	\$ -	3,536,564	\$ 1,491,655	\$ 9,230,953

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, 2012

Exhibit D-1

Net change in fund balances - total governmental funds \$ 30,777

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	\$ 909,015	
Depreciation expense	(619,576)	289,439

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

(12,913)

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

Payments of debt principal	302,621	
Accrued interest payable	10,033	312,654

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	(11,075)	
Change in inventory reserve	9,165	(1,910)

Change in net assets of governmental activities \$ 618,047

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2012

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 46,308	\$ 76,231
Investments	20,376	
Total Assets	<u>66,684</u>	<u>\$ 76,231</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 900	\$ -
Due to student clubs		76,231
Total Liabilities	<u>900</u>	<u>\$ 76,231</u>
Net Assets		
Reserved for endowments	<u>65,784</u>	
Total Net Assets	<u>\$ 65,784</u>	

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 218
Contributions and donations from private sources	<u>1,200</u>
Total Additions	<u>1,418</u>
Deductions	
Scholarships awarded	<u>900</u>
Total Deductions	<u>900</u>
Change in Net Assets	<u>518</u>
Net Assets	
July 1, 2011	<u>65,266</u>
June 30, 2012	<u>\$ 65,784</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, 2012

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

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

The school district reports the following major governmental funds:

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

Title 1 Fund- This is a special revenue fund used to account for revenues and expenditures of the federal program which is used to improve the teaching and learning of children most at-risk of failing in order to meet the challenging state academic standards. The program allows the district to upgrade the overall instructional program of the schools.

Sixteenth Section Interest Fund- This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands. Expendable revenues from this fund are transferred to the district's General Fund per specific statutory board order.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

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

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

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

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

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

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

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

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

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

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

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

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

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2012**

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. There are currently no committed fund balances reported by the district.

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2012

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 9,485,936 and \$ 142,915 (which includes \$ 20,376 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments), respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2012, none of the district's bank balance of \$ 10,592,530 was exposed to custodial credit risk.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2012**

Investments

As of June 30, 2012, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
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. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2012, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificate 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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1 Fund	\$ 119,146
General Fund	Other governmental funds	323,430
Other governmental funds	General Fund	41,566
Total		<u>\$ 484,142</u>

The inter-fund payables consist of the General Fund loaning operating cash to the Title 1 fund and other governmental funds to cover deficit fund balances and for indirect costs.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 966,692
Title 1 Fund	General Fund	16,191
16th Section Interest Fund	General Fund	300,000
Other governmental funds	General Fund	94,658
Total		<u>\$ 1,377,541</u>

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$ 227,666 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, 2012

Note 5 – Capital Assets

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

	Balance 7/1/11	Increases	Decreases	Adjustments & Reclasses	Balance 6/30/12
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,320	\$ 20,287	\$	\$	\$ 279,607
Construction in progress	-	489,152		(489,152)	-
Total non-depreciable capital assets	259,320	509,439	-	(489,152)	279,607
<u>Depreciable capital assets:</u>					
Buildings	8,995,881				8,995,881
Building improvements	2,315,621				2,315,621
Improvements other than buildings	846,982			489,152	1,336,134
Mobile equipment	4,321,036	227,273	(124,722)	10,486	4,434,073
Furniture and equipment	965,281	172,303	(44,058)	(10,486)	1,083,040
Total depreciable capital assets	17,444,801	399,576	(168,780)	489,152	18,164,749
Less accumulated depreciation for:					
Buildings	4,490,173	139,540			4,629,713
Building improvements	194,531	92,625			287,156
Improvements other than buildings	111,366	53,445			164,811
Mobile equipment	2,888,910	224,479	(112,250)	(14,749)	2,986,390
Furniture and equipment	687,394	109,487	(43,617)	(9,437)	743,827
Total accumulated depreciation	8,372,374	619,576	(155,867)	(24,186)	8,811,897
Total depreciable capital assets, net	9,072,427	(220,000)	(12,913)	513,338	9,352,852
Governmental Activities- capital assets, net	\$ 9,331,747	\$ 289,439	\$ (12,913)	\$ 24,186	\$ 9,632,459

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 306,087
Support services	246,824
Non-instructional	66,665
Total depreciation expense - Governmental activities	\$ 619,576

The adjustments/reclasses column contains completed construction projects that were reclassified from construction in progress to improvements other than buildings and corrections to prior year accumulated depreciation amounts reported for error in depreciation recorded in previous years.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended June 30, 2012**

Note 6 – Long-term Liabilities

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

	Balance 7/1/11	Additions	Reductions	Balance 6/30/12	Amounts due within one year
A. Three Mill Notes Payable	\$ 2,741,000		(295,000)	2,446,000	305,000
B. Other Loans Payable	7,621		(7,621)	-	
C. Compensated Absences Payable	198,840	25,785	(14,710)	209,915	
Total	\$ 2,947,461	25,785	(317,331)	2,655,915	305,000

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note-Series 2008	3.71%	8/1/2008	8/1/2022	\$ 3,300,000	\$ 2,446,000
Total				\$ 3,300,000	\$ 2,446,000

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

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 305,000	\$ 90,747	\$ 395,747
2014	318,000	79,431	397,431
2015	330,000	67,633	397,633
2016	288,000	55,390	343,390
2017	190,000	44,706	234,706
2018 – 2022	850,000	124,100	974,100
2023 – 2027	165,000	6,121	171,121
Total	\$ 2,446,000	\$ 468,128	\$ 2,914,128

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, 2012

B. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% 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, 2012, 2011 and 2010 were \$1,669,791, \$ 1,763,465 and \$ 1,568,907, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2013	\$ 88,893
2014	86,518
2015	83,214
2016	82,992
2017	60,388
2018 – 2022	264,627
2023 – 2027	199,707
2028 – 2032	187,636
2033 – 2037	131,868
Total	<u>\$ 1,185,843</u>

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
1. To correct depreciation error in prior period	\$	24,186
2. To correct error in recording prior year intergovernmental receivable		(1,922)
Total	\$	<u>22,264</u>

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

Fund	Explanation	Amount
Other governmental funds	To correct error in recording prior year intergovernmental receivable	\$ (1,922)
Total		<u>\$ (1,922)</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, 2012

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 84 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 - Insurance loss recoveries

The Louisville Municipal School District received \$ 25,914 in insurance loss recoveries related to damage from a school bus accident during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as miscellaneous revenue and allocated among the expense functions based on the following percentages:

Insurance Loss			
	Recoveries	Percentage	Expense Function
\$	25,914	100%	Support services

Note 13 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Louisville Municipal School District evaluated the activity of the district through January 28, 2013 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
 Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,796,873	\$ 6,080,840	\$ 6,080,840	\$ 283,967	\$ 0
State sources	11,378,117	11,808,133	11,808,133	430,016	0
Federal sources	269,000	350,076	350,076	81,076	0
Total Revenues	17,443,990	18,239,049	18,239,049	795,059	0
Expenditures:					
Instruction	11,075,867	10,615,880	10,615,882	459,987	(2)
Support services	7,288,085	6,844,530	6,842,407	443,555	2,123
Noninstructional services	3,000	1,917	1,917	1,083	0
Sixteenth section	29,682	25,692	25,692	3,990	0
Facilities acquisition and construction		507,316	509,439	(507,316)	(2,123)
Debt service:					
Principal	7,624	7,623	7,621	1	2
Total Expenditures	18,404,258	18,002,958	18,002,958	401,300	0
Excess (Deficiency) of Revenues over (under) Expenditures	(960,268)	236,091	236,091	1,196,359	0
Other Financing Sources (Uses):					
Insurance recovery		25,914	25,914	25,914	0
Operating transfers in	3,664,384	2,582,167	410,849	(1,082,217)	(2,171,318)
Operating transfers out	(4,056,334)	(3,138,010)	(966,692)	918,324	2,171,318
Total Other Financing Sources (Uses)	(391,950)	(529,929)	(529,929)	(137,979)	0
Net Change in Fund Balances	(1,352,218)	(293,838)	(293,838)	1,058,380	0
Fund Balances:					
July 1, 2011	3,012,961	4,496,572	4,496,572	1,483,611	0
June 30, 2012	\$ 1,660,743	\$ 4,202,734	\$ 4,202,734	\$ 2,541,991	\$ 0

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
 Required Supplemental Information
 Budgetary Comparison Schedule
 Title 1 Fund
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,009,060	\$ 1,296,316	\$ 1,296,316	\$ 287,256	\$ -
Total Revenues	1,009,060	1,296,316	1,296,316	287,256	-
Expenditures:					
Instruction	501,725	803,198	713,996	(301,473)	89,202
Support services	358,434	563,267	469,047	(204,833)	94,220
Noninstructional services	72,872	112,999	97,082	(40,127)	15,917
Total Expenditures	933,031	1,479,464	1,280,125	(546,433)	199,339
Excess (Deficiency) of Revenues over (under) Expenditures	76,029	(183,148)	16,191	(259,177)	199,339
Other Financing Sources (Uses):					
Operating transfers out	(6,670)	(16,191)	(16,191)	(9,521)	-
Total Other Financing Sources (Uses)	(6,670)	(16,191)	(16,191)	(9,521)	-
Net Change in Fund Balances	69,359	(199,339)	-	(268,698)	199,339
Fund Balances:					
July 1, 2011, as restated *	(379,828)	-	-	379,828	-
June 30, 2012	\$ (310,469)	\$ (199,339)	\$ -	\$ 111,130	\$ 199,339

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplemental Information
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 326,200	\$ 603,188	\$ 603,188	\$ 276,988	\$ -
Total Revenues	326,200	603,188	603,188	276,988	-
Expenditures:					
Sixteenth section	142,600	70,669	70,669	71,931	-
Total Expenditures	142,600	70,669	70,669	71,931	-
Excess (Deficiency) of Revenues over (under) Expenditures	183,600	532,519	532,519	348,919	-
Other Financing Sources (Uses):					
Operating transfers out	(500,000)	(300,000)	(300,000)	200,000	-
Total Other Financing Sources (Uses)	(500,000)	(300,000)	(300,000)	200,000	-
Net Change in Fund Balances	(316,400)	232,519	232,519	548,919	-
Fund Balances:					
July 1, 2011	3,431,764	3,304,045	3,304,045	(127,719)	-
June 30, 2012	\$ 3,115,364	\$ 3,536,564	\$ 3,536,564	\$ 421,200	\$ -

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Notes to the Required Supplemental Information
For the Year Ended June 30, 2012**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Supplemental Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

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	\$ 428,690
National school lunch program	10.555	1,138,755
Summer food service program for children	10.559	43,184
Total child nutrition cluster		<u>1,610,629</u>
Total passed-through Mississippi Department of Education		<u>1,610,629</u>
Total U.S. Department of Agriculture		<u>1,610,629</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	64,335
Total U.S. Department of Defense		<u>64,335</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	55,441
Total Federal Communications Commission		<u>55,441</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact aid - facilities maintenance	84.040	19,050
Subtotal		<u>19,050</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,296,316
Career and technical education - basic grants to states	84.048	55,297
Twenty-first century community learning centers	84.287	392,690
Rural education	84.358	76,446
Improving teacher quality - state grants	84.367	398,466
Education jobs fund	84.410	16,227
Subtotal		<u>2,235,442</u>
Special education cluster:		
Special education - grants to states	84.027	723,966
Special education - preschool grants	84.173	23,523
ARRA - Special education grants to states, Recovery Act	84.391	70,781
ARRA - Special education - preschool grants, Recovery Act	84.392	6,389
Total special education cluster		<u>824,659</u>
Educational technology state grants cluster		
Educational technology state grants	84.318	26,856
ARRA -Educational technology state grants, Recovery Act	84.386	23,201
Total educational technology state grants cluster		<u>50,057</u>
Total U.S. Department of Education		<u>3,129,208</u>
Total for All Federal Awards		<u>\$ 4,859,613</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
Supplemental Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2012

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,169,996	13,481,706	912,508	1,198,741	2,577,041
Other	6,675,445	2,261,396	319,139	103,330	3,991,580
Total	\$ 24,845,441	15,743,102	1,231,647	1,302,071	6,568,621
 Total number of students *	 2,734				
 Cost per student	 \$ 9,088	 5,758	 450	 476	 2,403

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

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 6,080,840	\$ 5,762,616	\$ 5,548,978	\$ 5,139,310
State sources	11,808,133	11,340,768	10,681,195	12,477,475
Federal sources	350,076	193,532	321,273	278,980
Total Revenues	18,239,049	17,296,916	16,551,446	17,895,765
Expenditures:				
Instruction	10,615,882	9,510,324	10,071,209	10,700,842
Support services	6,842,407	6,921,033	6,039,199	6,803,242
Noninstructional services	1,917	550	10,906	543
Sixteenth section	25,692	23,093	23,377	24,026
Facilities acquisition and construction	509,439			
Debt service:				
Principal	7,621	18,855	22,463	22,463
Total Expenditures	18,002,958	16,473,855	16,167,154	17,551,116
Excess (Deficiency) of Revenues over (under) Expenditures	236,091	823,061	384,292	344,649
Other Financing Sources (Uses):				
Insurance recovery	25,914			29,773
Sale of transportation equipment		9,980		
Operating transfers in	410,849	573,976	550,090	22,639
Operating transfers out	(966,692)	(922,344)	(1,033,822)	(606,778)
Total Other Financing Sources (Uses)	(529,929)	(338,388)	(483,732)	(554,366)
Net Change in Fund Balances	(293,838)	484,673	(99,440)	(209,717)
Fund Balances:				
Beginning of period	4,496,572	4,011,899	4,111,339	4,321,056
End of Period	\$ 4,202,734	\$ 4,496,572	\$ 4,011,899	\$ 4,111,339

*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

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 6,724,537	\$ 6,399,137	\$ 6,246,226	\$ 5,915,694
State sources	12,365,294	11,931,536	11,881,972	14,050,876
Federal sources	5,070,863	6,780,259	5,605,920	3,779,694
Sixteenth section sources	689,610	357,168	753,727	792,656
Total Revenues	24,850,304	25,468,100	24,487,845	24,538,920
Expenditures:				
Instruction	13,519,491	13,945,866	13,922,207	13,720,680
Support services	8,425,725	8,815,797	7,764,763	8,187,785
Noninstructional services	1,865,612	1,780,763	1,643,377	1,680,966
Sixteenth section	120,862	173,680	131,655	92,510
Facilities acquisition and construction	509,439		2,146,365	1,474,183
Debt service:				
Principal	302,621	303,855	296,463	22,463
Interest	101,691	112,265	122,430	16,814
Total Expenditures	24,845,441	25,132,226	26,027,260	25,195,401
Excess (Deficiency) of Revenues over (under) Expenditures	4,863	335,874	(1,539,415)	(656,481)
Other Financing Sources (Uses):				
Bonds and notes issued				3,300,000
Insurance recovery	25,914			29,773
Sale of transportation equipment		9,980		
Operating transfers in	1,377,541	1,496,320	1,583,912	629,417
Operating transfers out	(1,377,541)	(1,496,320)	(1,583,912)	(629,417)
Total Other Financing Sources (Uses)	25,914	9,980	0	3,329,773
Net Change in Fund Balances	30,777	345,854	(1,539,415)	2,673,292
Fund Balances:				
Beginning of period	9,192,933	8,835,915	10,390,800	7,706,971
Prior period adjustments	(1,922)			
Beginning of period, as restated	9,191,011	8,835,915	10,390,800	7,706,971
Increase (Decrease) in reserve for inventory	9,165	11,164	(15,470)	10,537
End of Period	\$ 9,230,953	\$ 9,192,933	\$ 8,835,915	\$ 10,390,800

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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 Professional Limited Liability Company
 Certified Public Accountants

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
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 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA

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

Superintendent and School Board
 Louisville Municipal School District

We have audited the financial statements of Louisville Municipal School District as of and for the year ended June 30, 2012, and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as Findings 2012-1, 2012-2 and 2012-3 that we consider to be a significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Louisville Municipal School District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated January 28, 2013.

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 28, 2013

Watkins, Ward and Stafford, PLLC



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

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

Independent Auditor's Report

Superintendent and School Board
 Louisville Municipal School District

Compliance

We have audited Louisville Municipal School District's compliance with the types of compliance requirements described in the OMB Circular A-133, Compliance Supplement, that could have a direct and material effect on each of Louisville Municipal School District's major federal programs for the year ended June 30, 2012. Louisville Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Louisville Municipal School District's management. Our responsibility is to express an opinion on Louisville Municipal School District's compliance based on our audit.

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

In our opinion, Louisville Municipal School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-4 and 2012-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

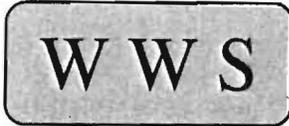
This report is intended solely for the information and use of management, the school board, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 28, 2013

Watkins, Ward and Stafford, PLLC

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



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

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

Superintendent and School Board
Louisville Municipal School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2012, which collectively comprise Louisville Municipal School District's basic financial statements and have issued our report thereon dated January 28, 2013. 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 \$3,923 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1

Section 31-7-13, Miss Code Ann.(1972), requires that Mississippi Public School Districts advertise for competitive sealed bids for purchases exceeding \$50,000 and the lowest and/or best bid be selected. During the year the district advertised and received sealed bids on a parking lot improvement project. The district properly went through the competitive bid process and the lowest bid was selected in accordance with Section 31-7-13, Miss Code Ann.(1972). However upon further review it was noted in the minutes of the Board of Education meetings that the board approved the bid on July 8, 2011 while the contract date listed on the contract was July 1, 2011. Per comparison of these dates it appears the bid selected was selected by management prior to consideration by the Board of Education of all the bids received.

Recommendation

We recommend that the district comply with Section 31-7-13, Miss Code Ann.(1972) which requires the district to advertise for competitive sealed bids for purchases exceeding \$50,000 and the lowest/best bid be selected. The decision for selecting the lowest and best bid should be determined by the Board of Education with their decision properly documented in the minutes of the board meeting prior to the actual acceptance of the bid.

School District Response

The District will comply with Section 31-7-13, Miss Code Ann.(1972). The acceptance of the bid will take place only after the Board of Education has documented the lowest and best bid in the school board minutes.

Finding 2

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

During our testing of retirees working for the district we noted that PERS Form 4B was not filed for one retiree hired by the district for the fiscal year ended June 30, 2012.

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

Recommendation

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

School District Response

The district has strengthened its procedures in regard to the filing of Form 4B, "Certification/Acknowledgment Re-employment of Retiree" with the Mississippi Public Employee's Retirement System (PERS).

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 28, 2013

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 84.287 | Twenty First Century Community Learning Centers |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | Yes |

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

Controls Over Payroll Expenditures Should Be Strengthened

2012-1 Finding

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

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

- We noted the school board approved all employees by position, however the board only approved a salary scale for the superintendent of education, the director of finance, certified teachers, teachers assistants and food service workers. There was no board approval of salaries of other administrative and classified staff, teacher or coaching supplements, or transportation or janitorial staff.
- All of the coaching supplements were added to the individual contracts of the applicable coach that was signed by the superintendent but none of the supplements were approved individually by the board. This resulted in a supplement of \$7,300 being paid to the daughter of the Superintendent that was not approved by the Board of Education.
- There were five instances noted for food service personnel where there were no time keeping records or time keeping records did not contain the appropriate supervisory signature.

Payment of wages without adequate board approval could result in employees being improperly compensated. In addition, without proper supervisory review of time keeping records, payments to nonexempt personnel could be improperly calculated.

Recommendation

We recommend the school board approved all employees by position and approve a salary scale for all employees that would include all supplements and additional pay for after school positions and additional duties. After board approval, this salary scale should be placed in the minutes of the school board meetings. Timekeeping records should be maintained for all food service personnel that is properly approved by supervisory personnel.

Significant Deficiency Not Considered To Be A Material Weakness

Controls Over Approval of Professional Service Contracts Should Be Strengthened

2012-2 Finding

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

During our testing of general expenditures we noted that there was no documentation in the minutes of the Board of Education meetings of approval of various professional service and consulting contracts. Per examination of these disbursements it was noted the expenditures were approved by a purchase order signed by the Superintendent. However due to the significance and recurring nature of these expenditures it would greatly strengthen controls over these expenditures if the actual professional service contract was approved by the Board of Education and the approval was documented in the minutes of the applicable board meeting.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Recommendation

We recommend that all professional service contracts be approved by the Board of Education and the approval be documented in the minutes of the applicable board meeting.

Significant Deficiency Not Considered To Be A Material Weakness

Controls Over Activity Fund Receipts Should Be Strengthened

2012-3 Finding

Management is responsible for establishing a proper internal control system over decentralized receipts to minimize the opportunities for misappropriation of assets in these decentralized areas.

During our testing of receipts in the activity funds we noted receipts were not being deposited on a timely basis at Louisville Elementary School and at Noxapater. We noted 21 instances where a receipt was deposited more than two business days after receipt. Receipts should be deposited intact on a daily basis to maintain proper control over cash received and to minimize the risk that cash could be misappropriated.

Proper internal controls were not in place at these two schools to ensure deposits were made on a timely basis. Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets.

Recommendation

We recommend the district implement internal controls to ensure that all deposits are made on a daily basis that would decrease the risk of misappropriation of assets.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Over Child Nutrition Payroll Should Be Strengthened

2012-4 Finding

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 ,10.555 and 10.559

Compliance requirement: Allowable costs/ cost principles

Finding

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

As noted in Finding 2012-1, during our tests of internal controls related to Child Nutrition payroll expenditures, we noted that the district could not provide time sheets or the time sheets provided did not contain proper supervisory approval in five instances.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Recommendation

We recommend the district maintain adequate time keeping records for all employees and that the timekeeping records contain proper supervisory approval that would support the applicable federal program expenditure.

Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Significant Deficiency Not Considered To Be A Material Weakness

Finding 2012-5

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553, 10.555 and 10.559

Compliance requirement: Program Income

Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales in the month of October 2011, it was noted that daily cash sheets at Eiland Middle School were not signed by the cashiers, only by the cafeteria manager.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

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

Louisville Municipal School District

William C. Wade, Ed.D., Superintendent
P.O. BOX 909 - 112 S. COLUMBUS AVE.
LOUISVILLE, MISSISSIPPI 39339
PHONE (662) 773-3411 FAX (662) 773-4013

FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Louisville Municipal School District has prepared and hereby submits the following correcting action plan for the findings included in the schedule of findings and questioned costs for the year ended June 30, 2012.

CORRECTIVE ACTION PLAN DETAILS

- Finding 2012-1
- A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke
School Food Service Manager – Shelia Reed
- B. The District has been, over the past 2 years, creating payscales for all departments to remedy this finding. The District is on schedule to create and have board approved salary schedules for those positions listed above. The school board will approve all employees by position and the appropriate salary schedule will also be approved. The salary scales will be placed in the minutes. Timekeeping records are being maintained on a weekly basis with the supervisory signatures for the school food service department.
- Finding 2012-2
- A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke
- B. Controls over the approval of contractual services have been strengthened and monitored closely. All contracts for professional services and consulting services will be school board approved prior to the use and payment of services.
- Finding 2012-3
- A. Superintendent – Dr. William Wade
Business Adm. – Tracy Luke
- B. After much discussion with the Principals at Louisville Elementary School and Noxapater Attendance Center the timeliness of making deposits should not be an issue in the future. The controls have been strengthened to resolve this finding.

Finding
2012-4

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

B. We have implemented procedures to ensure that timekeeping records for the school food service department are being properly kept with the signature of the school food service manager.

Finding
2012-5

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

B. During the time period tested the Eiland Middle School was running only one serving line and the cafeteria manager was serving in two capacities, cashier and manager. This resulted in only one signature on the daily cash sheets. Currently, the issue has been resolved and the cafeteria is running two serving lines with a cashier and a manager. The school district will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring two signatures on the cash collection, daily reconciliation and deposit functions of daily food sale.

Louisville Municipal School District

William C. Wade, Ed.D., Superintendent
P.O. BOX 909 - 112 S. COLUMBUS AVE.
LOUISVILLE, MISSISSIPPI 39339
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SUMMARY OF PRIOR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____ .315(b) of OMB Circular A-133, the Louisville Municipal School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2012:

Finding	Status
2011-1	Partially Corrected
2011-2	Corrected
2011-3	Partially Corrected

Sincerely,

Dr William Wade, Superintendent