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LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2016**

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT



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

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J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Louisville Municipal School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Louisville Municipal School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Louisville Municipal School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-15, 44-45, 46, 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisville Municipal School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the Louisville Municipal School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisville Municipal School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

March 7, 2017

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, 2016**

The following discussion and analysis of Louisville Municipal School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$554,098 which represents a 4% decrease from fiscal year 2015. Total net position for 2015 decreased \$28,506,959, including a prior period adjustment of \$(28,725,394), which represents a 192% decrease from fiscal year 2014.
- General revenues amounted to \$20,940,488 and \$20,125,139, or 78% and 78% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,018,965, or 22% of total revenues for 2016, and \$5,692,603, or 22% of total revenues for 2015.
- The District had \$27,513,551 and \$25,599,307 in expenses for fiscal years 2016 and 2015; only \$6,018,965 for 2016 and \$5,692,603 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,940,488 for 2016 were not adequate to provide for these programs. General revenues of \$20,125,139 for 2015 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,415,481 in revenues and \$20,864,705 in expenditures for 2016, and \$20,497,496 in revenues and \$20,675,296 in expenditures in 2015. The General Fund's fund balance decreased by \$990,880 from 2015 to 2016, and increased by \$1,955,859, which included a fund reclassification of \$3,078,091, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$1,051,738 for 2016 and increased by \$637,555 for 2015. The increase for 2016 was due to additional construction during the year netted against the increase in accumulated depreciation.
- Long-term debt decreased by \$296,378 for 2016 and decreased by \$321,784 for 2015. This decrease for 2016 was due primarily to the principal retirement of debt. The liability for compensated absences decreased by \$8,378 for 2016 and increased by \$8,216 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

Fund Financial Statements

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

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

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

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

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,207,033 as of June 30, 2016.

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

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 7,146,748	\$ 7,817,272	-8.58 %
Restricted assets	232,907	232,234	0.29 %
Capital assets, net	11,148,834	10,097,096	10.42 %
Total assets	18,528,489	18,146,602	2.10 %
 Deferred outflows of resources	 8,787,964	 2,980,492	 194.85 %
 Current liabilities	 1,580,441	 1,667,681	 -5.23 %
Long-term debt outstanding	1,407,200	1,703,578	-17.40 %
Net pension liability	35,553,464	27,432,262	29.60 %
Total liabilities	38,541,105	30,803,521	25.12 %
 Deferred inflows of resources	 2,982,381	 3,976,508	 -25.00 %
 Net position:			
Net investment in capital assets	9,943,834	8,604,096	15.57 %
Restricted	2,138,039	1,729,770	23.60 %
Unrestricted	(26,288,906)	(23,986,801)	9.60 %
Total net position	\$ (14,207,033)	\$ (13,652,935)	4.06 %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(26,288,906)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	29,747,881
Unrestricted net position, exclusive of the net pension liability effect	<u>\$3,458,975</u>

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

- Increase in net capital assets in the amount of \$1,051,738.
- The principal retirement of \$288,000 of long-term debt.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$26,959,453 and \$25,817,742, respectively. The total cost of all programs and services was \$27,513,551 for 2016 and \$25,599,307 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change	
Revenues:				
Program revenues:				
Charges for services	\$ 961,163	\$ 851,916	12.82	%
Operating grants and contributions	5,025,812	4,808,991	4.51	%
Capital Grants and Contributions	31,990	31,696	0.93	%
General revenues:				
Property taxes	5,847,442	5,914,410	(1.13)	%
Grants and contributions not restricted	14,271,413	13,705,122	4.13	%
Investment earnings	13,133	14,982	(12.34)	%
Sixteenth section sources	740,402	458,223	61.58	%
Other	68,098	32,402	110.17	%
Total revenues	26,959,453	25,817,742	4.42	%
Expenses:				
Instruction	13,458,288	12,993,274	3.58	%
Support services	8,159,410	8,380,916	(2.64)	%
Non-instructional	2,142,866	2,115,223	1.31	%
Sixteenth section	62,200	90,428	(31.22)	%
Pension expense	3,645,191	1,963,056	85.69	%
Interest on long-term liabilities	45,596	56,410	(19.17)	%
Total expenses	27,513,551	25,599,307	7.48	%
Increase (Decrease) in net position	(554,098)	218,435	(353.67)	%
Net Position, July 1, as previously reported	(13,652,935)	14,854,024	(191.91)	%
Prior Period Adjustment	-	(28,725,394)	100.00	%
Net Position, July 1, as restated	(13,652,935)	(13,871,370)	1.57	%
Net Position, June 30	\$ (14,207,033)	\$ (13,652,935)	(4.06)	%

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 13,458,288	\$ 12,993,274	3.58 %
Support services	8,159,410	8,380,916	(2.64) %
Non-instructional	2,142,866	2,115,223	1.31 %
Sixteenth section	62,200	90,428	(31.22) %
Pension Expense	3,645,191	1,963,056	85.69 %
Interest on long-term liabilities	45,596	56,410	(19.17) %
Total expenses	\$ 27,513,551	\$ 25,599,307	7.48 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (11,238,321)	\$ (10,856,793)	3.51 %
Support services	(6,875,838)	(7,202,365)	(4.53) %
Non-instructional	260,706	200,421	30.08 %
Sixteenth section	49,654	(28,501)	(274.22) %
Pension Expense	(3,645,191)	(1,963,056)	85.69 %
Interest on long-term liabilities	(45,596)	(56,410)	(19.17) %
Total net (expense) revenue	\$ (21,494,586)	\$ (19,906,704)	7.98 %

- Net cost of governmental activities (\$21,494,586 for 2016 and \$19,906,704 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$5,847,442 for 2016 and \$5,914,410 for 2015) and state and federal revenues (\$14,271,413 for 2016 and \$13,705,122 for 2015). In addition, there was \$740,202 and \$458,223 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$13,133 for 2016 and \$14,982 for 2015.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,840,194, a decrease of \$592,405, which includes an increase in inventory of \$19,167. \$3,480,705 or 60% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,359,489 or 40% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$990,880. The fund balance of Other Governmental Funds showed an increase in the amount of \$220,717. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	177,758

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 is provided in this report as required supplementary information.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$21,677,403, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,698,268 from 2015. Total accumulated depreciation as of June 30, 2016, was \$10,528,569, and total depreciation expense for the year was \$717,197, resulting in total net capital assets of \$11,148,834.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 300,015	\$ 300,015	0.00 %
Construction in Progress	598,758	585,632	2.24 %
Buildings	3,818,432	3,951,850	(3.38) %
Building improvements	3,588,873	2,255,930	59.09 %
Improvements other than buildings	1,071,117	1,128,217	(5.06) %
Mobile equipment	1,354,792	1,410,979	(3.98) %
Furniture and equipment	416,847	464,473	(10.25) %
Total	<u>\$ 11,148,834</u>	<u>\$ 10,097,096</u>	<u>10.42 %</u>

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

Debt Administration. At June 30, 2016, the District had \$1,407,200 in outstanding long-term debt, of which \$190,000 is due within one year. The liability for compensated absences decreased \$8,378 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Three mill notes payable	1,205,000	1,493,000	(19.29) %
Compensated absences payable	202,200	210,578	(3.98) %
Total	<u>\$ 1,407,200</u>	<u>\$ 1,703,578</u>	<u>(17.40) %</u>

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

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT ISSUES

The Louisville Municipal School District is financially stable. The district is proud of its community support of the public schools.

The district has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit A

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,293,148
Due from other governments	755,759
Other receivables, net	12,956
Inventories	84,885
Restricted assets	232,907
Capital assets, non-depreciable:	
Land	300,015
Construction in progress	598,758
Capital assets, net of accumulated depreciation:	
Buildings	3,818,432
Building improvements	3,588,873
Improvements other than buildings	1,071,117
Mobile equipment	1,354,792
Furniture and equipment	416,847
Total Assets	<u>18,528,489</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	8,787,964
Total Deferred Outflows of Resources	<u>8,787,964</u>
Liabilities	
Accounts payable and accrued liabilities	1,539,269
Unearned revenue	192
Interest payable on long-term liabilities	40,980
Long-term liabilities, due within one year:	
Capital related liabilities	190,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,015,000
Non-capital related liabilities	202,200
Net pension liability	35,553,464
Total Liabilities	<u>38,541,105</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,982,381
Total Deferred Inflows of Resources	<u>2,982,381</u>
Net Position	
Net investment in capital assets	9,943,834
Restricted for:	
Expendable:	
School-based activities	1,054,456
Debt service	279,396
Capital improvements	36,676
Forestry improvements	465,198
Unemployment benefits	69,406
Non-expendable:	
Sixteenth section	232,907
Unrestricted	(26,288,906)
Total Net Position (Deficit)	<u>\$ (14,207,033)</u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Exhibit B

					Net (Expense) Revenue and Changes in Net Position

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

Exhibit C

	Major Fund			
	General	School Food	Other	Total
	Fund	Service	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 4,313,030	\$ 787,465	\$ 1,425,560	\$ 6,526,055
Due from other governments	348,750	1,546	405,463	755,759
Other receivables, net	12,128	-	-	12,128
Due from other funds	239,562	39,673	11,697	290,932
Inventories	-	84,885	-	84,885
Total Assets	\$ 4,913,470	\$ 913,569	\$ 1,842,720	\$ 7,669,759
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,200,925	\$ 70,610	\$ 267,734	\$ 1,539,269
Due to other funds	51,370	-	238,734	290,104
Unearned revenue	-	-	192	192
Total Liabilities	\$ 1,252,295	\$ 70,610	\$ 506,660	\$ 1,829,565
Fund Balances:				
Nonspendable:				
Inventory	-	84,885	-	84,885
Permanent fund principal	-	-	232,907	232,907
Restricted:				
Debt service	-	-	320,376	320,376
Capital projects	-	-	36,676	36,676
Forestry improvement purposes	-	-	465,198	465,198
Grant activities	-	758,074	211,497	969,571
Unemployment benefits	-	-	69,406	69,406
Assigned:				
Student activity	124,264	-	-	124,264
Capital improvements	56,206	-	-	56,206
Unassigned	3,480,705	-	-	3,480,705
Total Fund Balances	3,661,175	842,959	1,336,060	5,840,194
Total Liabilities and Fund Balances	\$ 4,913,470	\$ 913,569	\$ 1,842,720	\$ 7,669,759

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit C-1

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2016

Total fund balances for governmental funds \$ 5,840,194

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

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

Land	\$ 300,015	
Construction in progress	598,758	
Buildings	8,995,881	
Building improvements	4,348,916	
Improvements other than buildings	1,459,681	
Mobile equipment	4,458,095	
Furniture and equipment	1,516,057	
Accumulated depreciation	<u>(10,528,569)</u>	11,148,834

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

Net pension liability	(35,553,464)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	8,787,964	
Deferred inflows of resources related to pensions	<u>(2,982,381)</u>	(29,747,881)

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

Three mill notes payable	(1,205,000)	
Compensated absences	(202,200)	
Accrued interest payable	<u>(40,980)</u>	<u>(1,448,180)</u>

Net position of governmental activities \$ (14,207,033)

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit D

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2016

	Major Fund			
	General	School Food	Other	Total
	Fund	Service	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 6,196,517	\$ 231,356	\$ 344,602	\$ 6,772,475
Intermediate sources	-	31,990	-	31,990
State sources	14,173,726	18,931	558,862	14,751,519
Federal sources	300,919	1,899,271	2,345,517	4,545,707
Sixteenth section sources	744,319	-	113,443	857,762
Total Revenues	21,415,481	2,181,548	3,362,424	26,959,453
Expenditures:				
Instruction	12,398,988	-	2,245,710	14,644,698
Support services	7,394,440	82,671	1,290,678	8,767,789
Noninstructional services	-	1,940,286	290,847	2,231,133
Sixteenth section	41,806	-	22,183	63,989
Facilities acquisition and construction	1,029,471	-	490,555	1,520,026
Debt service:				
Principal	-	-	288,000	288,000
Interest	-	-	55,390	55,390
Total Expenditures	20,864,705	2,022,957	4,683,363	27,571,025
Excess (Deficiency) of Revenues over (under) Expenditures	550,776	158,591	(1,320,939)	(611,572)
Other Financing Sources (Uses):				
Operating transfers in	60,272	-	1,601,928	1,662,200
Operating transfers out	(1,601,928)	-	(60,272)	(1,662,200)
Total Other Financing Sources (Uses)	(1,541,656)	-	1,541,656	-
Net Change in Fund Balances	(990,880)	158,591	220,717	(611,572)
Fund Balances:				
July 1, 2015	4,652,055	665,201	1,115,343	6,432,599
Increase (Decrease) in reserve for inventory	-	19,167	-	19,167
June 30, 2016	\$ 3,661,175	\$ 842,959	1,336,060	\$ 5,840,194

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

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, 2016**

Net change in fund balances - total governmental funds **\$ (611,572)**

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,769,465	
Depreciation expense	<u>(717,197)</u>	1,052,268

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

(530)

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

Payments of debt principal	288,000	
Accrued interest payable	<u>9,794</u>	297,794

4. The implementation of GASB 68 creates a change in the amount of pension expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Recording of contributions made subsequent to the measurement date	2,325,588	
Recording of pension expense for the current period	<u>(3,645,191)</u>	(1,319,603)

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

Change in compensated absences	8,378	
Change in inventory reserve	<u>19,167</u>	<u>27,545</u>

Change in net position of governmental activities **\$ (554,098)**

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 42,277	\$ 121,425
Investments	20,376	-
Total Assets	<u>\$ 62,653</u>	<u>\$ 121,425</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1,849	\$ -
Due to other funds	-	828
Due to student clubs	-	120,597
Total Liabilities	<u>\$ 1,849</u>	<u>\$ 121,425</u>
Net Position		
Reserved for endowments	60,804	
Total Net Position	<u><u>\$ 60,804</u></u>	

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 136
Total Additions	<u>136</u>
Deductions	
Scholarships awarded	<u>2,620</u>
Total Deductions	<u>2,620</u>
Change in Net Position	<u>(2,484)</u>
Net Position	
July 1, 2015	<u>63,288</u>
June 30, 2016	<u>\$ 60,804</u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 fund:

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.

School Food Service Fund - This is the fund that counts for resources received for operating the child nutrition program.

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

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

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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	*	*
Intangible assets	**	**

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 11 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 11 for further details.

8. Compensated Absences

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that 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 the resolution approved by the Board. Currently there is no committed fund balance for this school district.

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$6,526,055 and the carrying amount of the school's district's deposits with financial institutions reported in fiduciary funds was \$184,078, which includes \$20,376 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments.

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. 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. 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, 2016, none of the district's bank balance of \$7,602,971 was exposed to custodial credit risk.

As of June 30, 2016, the district had the following investments.

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

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, 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, 2016, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit - Regions Bank	\$ 5,176	25%
Certificates of Deposit - Citizen's Bank	<u>15,200</u>	75%
Total	<u>20,376</u>	

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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	Other Governmental Funds	\$ 238,734
General Fund	Agency Fund	828
School Food Service Fund	General Fund	39,673
Other Governmental Funds	General Fund	11,697
Total		<u>\$ 290,932</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,601,928
Other Governmental Funds	General Fund	60,272
Total		<u>1,662,200</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$ 232,907 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 Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 300,015	\$ -	\$ -	\$ -	\$ 300,015
Construction-in-progress	585,632	1,520,026	-	(1,506,900)	598,758
Total non-depreciable capital assets	885,647	1,520,026	-	(1,506,900)	898,773
<u>Depreciable capital assets:</u>					
Buildings	8,995,881	-	-	\$ -	8,995,881
Building improvements	2,842,016	-	-	1,506,900	4,348,916
Improvements other than buildings	1,459,681	-	-	-	1,459,681
Mobile equipment	4,288,969	169,126	-	-	4,458,095
Furniture and equipment	1,506,941	80,313	(71,197)	-	1,516,057
Total depreciable capital assets	19,093,488	249,439	(71,197)	1,506,900	20,778,630
<u>Less accumulated depreciation for:</u>					
Buildings	5,044,031	133,418	-	\$ -	5,177,449
Building improvements	586,086	173,957	-	-	760,043
Improvements other than buildings	331,464	57,100	-	-	388,564
Mobile equipment	2,877,990	225,313	-	-	3,103,303
Furniture and equipment	1,042,468	127,409	(70,667)	-	1,099,210
Total accumulated depreciation	9,882,039	717,197	(70,667)	-	10,528,569
Total depreciable capital assets, net	9,211,449	(467,758)	(530)	1,506,900	10,250,061
Governmental activities capital assets, net	\$ 10,097,096	\$ 1,052,268	\$ (530)	\$ -	\$ 11,148,834

Adjustments represent completed construction during the year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 383,544
Support Services	259,360
Non-instructional	72,741
Sixteenth Section	1,552
Total Depreciation expense - Governmental activities	\$ 717,197

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities:		
Safe Room Nanih Waiya	\$ 598,758	\$ 1,361,243
Total governmental activities	\$ 598,758	\$ 1,361,243

Construction projects included in governmental activities are funded 90% with hazardous mitigation grant funds with the remainder being funded with local funds.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Three mill notes payable	\$ 1,493,000	\$	\$ (288,000)	\$ 1,205,000	\$ 190,000
B. Compensated absences payable	210,578	469	(8,847)	202,200	-
Total	<u>\$ 1,703,578</u>	<u>\$ 469</u>	<u>\$ (296,847)</u>	<u>\$ 1,407,200</u>	<u>\$ 190,000</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note Series 2008	3.71%	8/1/2008	8/1/2022	\$ 3,300,000	\$ 1,205,000

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
2017	\$ 190,000	\$ 44,706	\$ 234,706
2018	190,000	37,657	227,657
2019	160,000	30,608	190,608
2020	160,000	24,672	184,672
2021	170,000	18,736	188,736
2022-2023	335,000	18,550	353,550
Total	<u>\$ 1,205,000</u>	<u>\$ 174,929</u>	<u>\$ 1,379,929</u>

The school district has pledged future state educational enhancements revenues for buildings and buses to help repay the \$3,300,000 three mill notes payable issued August 1, 2008. The bonds were issued to make improvements to the district's buildings. The debt will be paid in full and the pledge satisfied on August 1, 2022. The annual pledge is approximately \$85,618, which is approximately 100% of such state revenues. The total state educational enhancement revenues for buildings and buses were \$85,618 for the year ended June 30, 2016, while principal and interest requirements for the debt totaled \$305,787.

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

B. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,325,588, \$2,260,172 and \$2,173,345, respectively, which equaled the required contributions for each year.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan (Continued)

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

At June 30, 2016, the school district reported a liability of \$35,553,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was .230 percent, which was based on a measurement date of June 30, 2015. This was an increase/decrease of .004 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,645,191. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 821,150	\$ -
Net difference between projected and actual earnings on pension plan investments	2,080,258	2,982,381
Changes of assumptions	3,062,809	-
Changes in proportion and difference between District contributions and proportionate share of contributions	498,159	
District contributions subsequent to the measurement date	2,325,588	-
Total	<u>\$ 8,787,964</u>	<u>\$ 2,982,381</u>

\$2,325,588 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 1,226,557
2018	1,169,550
2019	563,826
2020	520,062
2021	-

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 46,862,723	\$ 35,553,464	\$ 26,168,894

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

Note 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
2017	\$ 126,439
2018	119,976
2019	112,409
2020	108,440
2021	98,728
2022 – 2026	272,169
2027 – 2031	255,934
2032 – 2036	221,304
2037 – 2041	66,508
Thereafter	7,680
Total	<u>\$ 1,389,587</u>

Note 9 – Contingencies

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 10 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 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 11– Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$ (26,288,906) includes the effect of deferring the recognition of expenses resulting from deferred outflow from pensions. The \$ 8,787,964 balance of the deferred outflow of resources at June 30, 2016 will be recognized as expenses and decrease unrestricted net position over the next 4 years

The unrestricted net position amount of \$ (26,288,906) includes the effect of deferring the recognition of revenue resulting from deferred inflow from pensions. The \$2,982,381 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the next 4 years

Note 12 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Louisville Municipal School District evaluated the activity of the district through March 7, 2017, (the date the financial statements were available to be issued), and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements:

REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,192,550	\$ 6,196,693	\$ 6,196,517	\$ 4,143	\$ (176)
State sources	14,231,784	14,173,726	14,173,726	(58,058)	-
Federal sources	328,200	299,514	300,919	(28,686)	1,405
Sixteenth section sources	780,329	744,143	744,319	(36,186)	176
Total Revenues	21,532,863	21,414,076	21,415,481	(118,787)	1,405
Expenditures:					
Instruction	12,620,698	12,400,687	12,398,988	220,011	1,699
Support services	7,613,908	7,457,405	7,394,440	156,503	62,965
Sixteenth section	136,822	43,221	41,806	93,601	1,415
Facilities acquisition and construction	1,200,000	1,071,372	1,029,471	128,628	41,901
Total Expenditures	21,571,428	20,972,685	20,864,705	598,743	107,980
Excess (Deficiency) of Revenues over (under) Expenditures	(38,565)	441,391	550,776	479,956	109,385
Other Financing Sources (Uses):					
Sale of transportation equipment	85,000	-		(85,000)	-
Operating transfers in	3,704,134	3,009,722	60,272	(694,412)	(2,949,450)
Operating transfers out	(4,765,848)	(4,551,378)	(1,601,928)	214,470	2,949,450
Total Other Financing Sources (Uses)	(976,714)	(1,541,656)	(1,541,656)	(564,942)	-
Net Change in Fund Balances	(1,015,279)	(1,100,265)	(990,880)	(84,986)	109,385
Fund Balances:					
July 1, 2015	5,248,471	4,652,277	4,652,055	(596,194)	(222)
June 30, 2016	\$ 4,233,192	\$ 3,552,012	\$ 3,661,175	\$ (681,180)	\$ 109,163

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 311,400	\$ 231,356	\$ 231,356	\$ (80,044)	\$ -
Intermediate sources	-	31,990	31,990	31,990	-
State sources	20,000	18,931	18,931	(1,069)	-
Federal sources	2,057,500	1,899,271	1,899,271	(158,229)	-
Total Revenues	2,388,900	2,181,548	2,181,548	(207,352)	-
Expenditures:					
Support services	77,884	83,695	82,671	(5,811)	1,024
Noninstructional services	2,252,472	2,037,630	1,940,286	214,842	97,344
Total Expenditures	2,330,356	2,121,325	2,022,957	209,031	98,368
Excess (Deficiency) of Revenues over (under) Expenditures	58,544	60,223	158,591	1,679	98,368
Other Financing Sources (Uses):					
Operating transfers out	(70,000)	-	-	70,000	-
Total Other Financing Sources (Uses)	(70,000)	-	-	70,000	-
Net Change in Fund Balances	(11,456)	60,223	158,591	71,679	98,368
Fund Balances:					
July 1, 2015	683,456	665,201	665,201	(18,255)	-
Increase (Decrease) in reserve for inventory	15,000	19,167	19,167	4,167	-
June 30, 2016	\$ 687,000	\$ 744,591	\$ 842,959	\$ 57,591	\$ 98,368

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net Pension Liability
PERS
Last 10 Fiscal Years*

	2016	2015
District's proportion of the net pension liability	\$ 35,553,464	\$ 27,432,262
District's proportionate share of the net pension liability (asset)	0.230%	0.226%
District's covered-employee payroll	\$ 14,350,287	\$ 13,799,016
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	247.75%	198.80%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of June 30th of the year prior to the fiscal year presented.

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,325,588	\$ 2,260,172
Contribution in relation to the contractually required contribution	2,325,588	2,260,172
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	14,765,635	14,350,287
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Required Supplementary Information

Note 1 – Budgetary Comparison Schedule

A. 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.

B. 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.

Note 2 – Pension Schedules

A. Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2016.

B. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	\$ 433,931
National school lunch program	10.555	1,326,757
Summer food service program for children	10.559	69,754
Total child nutrition cluster		<u>1,830,442</u>
Fresh fruit and vegetable program	10.582	38,204
Total passed-through Mississippi Department of Education		<u>1,868,646</u>
Passed-through Winston County:		
National forest-dependent rural communities	10.665	84,374
Total passed-through Winston County		<u>84,374</u>
Total U.S. Department of Agriculture		<u>1,953,020</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,991
Total U.S. Department of Defense		<u>59,991</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	99,177
Total Federal Communications Commission		<u>99,177</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,232,523
Impact aid - facilities maintenance	84.040	25,759
Career and technical education - basic grants to states	84.048	43,824
Rural education	84.358	54,659
Improving teacher quality state grants	84.367	248,537
Subtotal		<u>1,605,302</u>
Special education cluster:		
Special education - grants to states	84.027	631,015
Special education - preschool grants	84.173	27,001
Total special education cluster		<u>658,016</u>
Total passed-through Mississippi Department of Education		<u>2,263,318</u>
Total U.S. Department of Education		<u>2,263,318</u>
Total for All Federal Awards		<u>\$ 4,375,506</u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Louisville Municipal School District under programs of the federal and state governments for the year ended June 30, 2016. The schedule presents only a selected portion of the operations of Louisville Municipal School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

Note 2 – Basis of Accounting

The schedule is prepared on the same basis of accounting as Louisville Municipal School District's financial statements. The District uses the current financial resource measurement focus and the modified accrual basis of accounting.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$154,011.

Note 5 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,396,172	15,116,007	772,233	1,467,549	3,040,383
Other	7,174,853	1,766,771	328,855	116,925	4,962,302
Total	<u>\$ 27,571,025</u>	<u>16,882,778</u>	<u>1,101,088</u>	<u>1,584,474</u>	<u>8,002,685</u>
Total number of students *	<u>2,858</u>				
Cost per student	<u>\$ 9,646</u>	<u>5,907</u>	<u>385</u>	<u>554</u>	<u>2,800</u>

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

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

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

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

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

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

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

OTHER INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 6,196,517	\$ 6,136,436	\$ 6,087,602	\$ 5,993,871
State sources	14,173,726	13,670,607	12,951,401	12,506,707
Federal sources	300,919	226,675	272,601	282,414
Sixteenth section sources	744,319	463,778	-	-
Total Revenues	21,415,481	20,497,496	19,311,604	18,782,992
Expenditures:				
Instruction	12,398,988	12,058,363	11,993,358	11,724,176
Support services	7,394,440	7,700,906	7,451,228	7,263,299
Noninstructional services	-	1,900	1,944	400
Sixteenth section	41,806	62,435	26,445	27,220
Facilities acquisition and construction	1,029,471	851,692	261,711	-
Total Expenditures	20,864,705	20,675,296	19,734,686	19,015,095
Excess (Deficiency) of Revenues over (under) Expenditures	550,776	(177,800)	(423,082)	(232,103)
Other Financing Sources (Uses):				
Insurance recovery	-	23,425	-	-
Sale of transportation equipment	-	14,500	-	-
Sale of other property	-	2,600	83,410	-
Operating transfers in	60,272	115,920	729,033	355,241
Operating transfers out	(1,601,928)	(1,100,877)	(1,001,249)	(1,017,788)
Total Other Financing Sources (Uses)	(1,541,656)	(944,432)	(188,806)	(662,547)
Net Change in Fund Balances	(990,880)	(1,122,232)	(611,888)	(894,650)
Fund Balances:				
Beginning of period, as previously reported	4,652,055	2,696,196	3,308,084	4,202,734
Fund reclassification	-	3,078,091	-	-
Beginning of period, as restated	4,652,055	5,774,287	3,308,084	4,202,734
End of Period	\$ 3,661,175	\$ 4,652,055	\$ 2,696,196	\$ 3,308,084

*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**

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 6,772,475	\$ 6,718,752	\$ 6,733,321	\$ 6,646,209
Intermediate sources	31,990	31,696	-	-
State sources	14,751,519	14,228,319	13,564,749	13,030,931
Federal sources	4,545,707	4,285,794	4,415,626	4,735,464
Sixteenth section sources	857,762	527,156	310,541	251,170
Total Revenues	26,959,453	25,791,717	25,024,237	24,663,774
Expenditures:				
Instruction	14,644,698	14,215,423	14,471,598	14,428,838
Support services	8,767,789	9,020,317	8,719,166	8,652,510
Noninstructional services	2,231,133	2,192,755	2,024,780	1,973,959
Sixteenth section	63,989	93,765	82,693	123,493
Facilities acquisition and construction	1,520,026	959,894	261,711	-
Debt service:				
Principal	288,000	330,000	318,000	305,000
Interest	55,390	67,633	79,431	90,746
Total Expenditures	27,571,025	26,879,787	25,957,379	25,574,546
Excess (Deficiency) of Revenues over (under) Expenditures	(611,572)	(1,088,070)	(933,142)	(910,772)
Other Financing Sources (Uses):				
Insurance recovery	-	23,425	-	-
Sale of transportation equipment	-	14,500	-	-
Sale of other property	-	2,600	83,410	-
Operating transfers in	1,662,200	1,216,797	1,730,282	1,373,029
Operating transfers out	(1,662,200)	(1,216,797)	(1,730,282)	(1,373,029)
Total Other Financing Sources (Uses)	-	40,525	83,410	-
Net Change in Fund Balances	(611,572)	(1,047,545)	(849,732)	(910,772)
Fund Balances:				
Beginning of period	6,432,599	7,481,842	8,334,274	9,230,953
Increase (Decrease) in reserve for inventory	19,167	(1,698)	(2,700)	14,093
End of Period	\$ 5,840,194	\$ 6,432,599	\$ 7,481,842	\$ 8,334,274

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Superintendent and School Board
Louisville Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisville Municipal School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Louisville Municipal School District's basic financial statements and have issued our report thereon dated March 7, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 7, 2017

Watkins Ward and Stafford, PLLC



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Professional Limited Liability Company
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and School Board
Louisville Municipal School District

Report on Compliance for Each Major Federal Program

We have audited the Louisville Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Louisville Municipal School District's major federal programs for the year ended June 30, 2016. Louisville Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Louisville Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Louisville Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Louisville Municipal School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Louisville Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Louisville Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Louisville Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Louisville Municipal School District's internal control over compliance.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 7, 2017

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

To the 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, 2016, which collectively comprise Louisville Municipal School District's basic financial statements and have issued our report thereon dated March 7, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. School District Personnel Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

Finding

Section 37-9-31 Miss Code Ann. (1972) requires that school principals shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted one principal whose surety bond was not recorded and on file in the chancery clerk's office.

Section 37-39-21 Miss Code Ann. (1972) requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted one purchasing agent whose surety bond was not recorded and on file in the chancery clerk's office.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District's Response

The District will bond all applicable personnel according to Sections 37-9-31 and 37-39-21 of the Miss Code Ann. (1972).

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 response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
March 7, 2017

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 30,2016

Section I: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? (Yes/No) No
 - b. Significant deficiency(ies) identified? (Yes/None reported) None Reported

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) None Reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) No

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
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? Yes

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Louisville Municipal School District

KEN MCMULLAN, Superintendent
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LOUISVILLE, MISSISSIPPI 39339
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SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section ____ 2 CFR 200.516(a) of the Uniform Guidance, Louisville Municipal School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2016:

<u>Finding</u>	<u>Status</u>
2015-01	Corrected
2015-02	Corrected

Sincerely,

Ken McMullan, Superintendent