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LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2018**

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT



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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, 2018, and the related notes to financial statements, which collectively comprise the Louisville Municipal School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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, 2018, 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, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-15, 49, 50, 51, 52 and 53, 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 February 22, 2019, 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

February 22, 2019

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, 2018**

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, 2018. 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 2018 decreased \$7,005,189, which includes a prior period adjustment of (\$2,664,020), which represents a 42% decrease from fiscal year 2017. Total net position for 2017 decreased \$2,294,346, which represents a 16% decrease from fiscal year 2016.
- General revenues amounted to \$21,146,989 and \$20,459,603, or 77% and 75% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,259,452, or 23% of total revenues for 2018, and \$6,855,277, or 25% of total revenues for 2017.
- The District had \$31,747,610 and \$29,609,226 in expenses for fiscal years 2018 and 2017; only \$6,259,452 for 2018 and \$6,855,277 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,146,989 for 2018 and \$20,459,603 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,619,717 in revenues and \$20,569,498 in expenditures for 2018, and \$20,325,343 in revenues and \$19,555,149 in expenditures in 2017. The General Fund's fund balance increased by \$2,020,873 from 2017 to 2018, and increased by \$12,092 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$460,024 for 2018 and increased by \$531,340 for 2017. The increase for 2018 was due to the additional construction coupled with the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable, increased by \$4,366,394 for 2018 and decreased by \$200,775 for 2017. This increase for 2018 was due primarily to the issuance of certificates of participation payable combined with a refinance of the three mill notes payable. The liability for compensated absences increased by \$21,394 for 2018 and decreased by \$10,775 for 2017.

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, 2018**

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, OPEB 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, 2018**

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.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on 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 Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by 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, 2018**

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 \$23,506,568 as of June 30, 2018.

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, 2018 and June 30, 2017.

**Table 1
Condensed Statement of Net Position**

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 9,101,762	\$ 6,935,789	31.23 %
Restricted assets	234,556	233,613	0.40 %
Capital assets, net	12,140,198	11,680,174	3.94 %
Total assets	21,476,516	18,849,576	13.94 %
 Deferred outflows of resources	 3,932,078	 8,599,023	 -54.27 %
 Current liabilities	 1,314,428	 1,371,538	 -4.16 %
Long-term debt outstanding	5,572,819	1,206,425	361.93 %
Net OPEB liability	2,615,065	-	N/A %
Net pension liability	38,400,040	41,262,368	-6.94 %
Total liabilities	47,902,352	43,840,331	9.27 %
 Deferred inflows of resources	 1,012,810	 109,647	 823.70 %
 Net position:			
Net investment in capital assets	9,040,198	10,665,174	-15.24 %
Restricted	2,327,750	2,087,895	11.49 %
Unrestricted	(34,874,516)	(29,254,448)	-19.21 %
Total net position	\$ (23,506,568)	\$ (16,501,379)	-42.45 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (34,874,516)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>38,095,837</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,221,321</u>

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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

- Increase/Decrease in net capital assets in the amount of \$460,024.
- The increase in long term debt in the amount of \$4,366,394.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,615,065.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$27,406,441 and \$27,314,880, respectively. The total cost of all programs and services was \$31,747,610 for 2018 and \$29,609,226 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 806,958	\$ 747,257	7.99 %
Operating grants and contributions	5,410,395	5,457,030	(0.85) %
Capital Grants and Contributions	42,099	650,990	(93.53) %
General revenues:			
Property taxes	6,771,595	6,118,734	10.67 %
Grants and contributions not restricted	13,924,832	14,099,252	(1.24) %
Investment earnings	26,733	17,066	56.64 %
Sixteenth section sources	384,673	188,720	103.83 %
Other	39,156	35,831	9.28 %
Total revenues	27,406,441	27,314,880	0.34 %
Expenses:			
Instruction	13,122,208	13,375,496	(1.89) %
Support services	11,017,559	8,332,123	32.23 %
Non-instructional	2,204,932	2,341,180	(5.82) %
Sixteenth section	125,616	161,544	(22.24) %
Pension expense	4,950,783	5,360,639	(7.65) %
OPEB expense	124,265	-	N/A %
Interest on long-term liabilities	202,247	38,244	428.83 %
Total expenses	31,747,610	29,609,226	7.22 %
Increase (Decrease) in net position	(4,341,169)	(2,294,346)	(89.21) %
Net Position, July 1, as previously reported *	(16,501,379)	(14,207,033)	(16.15) %
Prior Period Adjustment	(2,664,020)	-	N/A %
Net Position, July 1	(19,165,399)	(14,207,033)	(34.90) %
Net Position, June 30	\$ (23,506,568)	\$ (16,501,379)	(42.45) %

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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
	2018	2017	
Instruction	\$ 13,122,208	\$ 13,375,496	(1.89) %
Support services	11,017,559	8,332,123	32.23 %
Non-instructional	2,204,932	2,341,180	(5.82) %
Sixteenth section	125,616	161,544	(22.24) %
Pension Expense	4,950,783	5,360,639	(7.65) %
OPEB Expense	124,265	-	N/A %
Interest on long-term liabilities	202,247	38,244	428.83 %
Total expenses	\$ 31,747,610	\$ 29,609,226	7.22 %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (11,051,098)	\$ (11,236,497)	(1.65) %
Support services	(9,164,424)	(6,359,773)	44.10 %
Non-instructional	84,295	391,202	(78.45) %
Sixteenth section	(79,636)	(149,998)	(46.91) %
Pension Expense	(4,950,783)	(5,360,639)	(7.65) %
OPEB Expense	(124,265)	-	N/A %
Interest on long-term liabilities	(202,247)	(38,244)	428.83 %
Total net (expense) revenue	\$ (25,488,158)	\$ (22,753,949)	12.02 %

- Net cost of governmental activities (\$25,488,158 for 2018 and \$22,753,949 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$6,771,595 for 2018 and \$6,118,734 for 2017) and state and federal revenues (\$13,924,832 for 2018 and \$14,099,252 for 2017). In addition, there was \$384,673 and \$188,720 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$26,733 for 2018 and \$17,066 for 2017.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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 \$8,095,086, an increase of \$2,262,704, which includes a prior period adjustment of (\$8,515) and an increase in inventory of \$12,873. \$4,713,165 or 58% 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 \$3,381,921 or 42% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,020,873. The fund balance of Other Governmental Funds showed an increase in the amount of \$241,831, which includes a prior period adjustment of (\$8,515) and an increase in reserve for inventory of \$12,873, due primarily to the increase in the fund balance of the School Food Service Fund.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and each major special revenue 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, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$23,918,072, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$961,509 from 2017. Total accumulated depreciation as of June 30, 2018, was \$11,777,874, and total depreciation expense for the year was \$735,841, resulting in total net capital assets of \$12,140,198.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 351,451	\$ 351,451	0.00 %
Construction in Progress	843,780	11,750	7,081.11 %
Buildings	4,910,288	5,060,129	(2.96) %
Building improvements	3,240,960	3,414,917	(5.09) %
Improvements other than buildings	1,197,415	1,061,317	12.82 %
Mobile equipment	1,163,286	1,250,391	(6.97) %
Furniture and equipment	433,018	530,219	(18.33) %
Total	<u>\$ 12,140,198</u>	<u>\$ 11,680,174</u>	3.94 %

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

Debt Administration. At June 30, 2018, the District had \$5,572,819 in outstanding long-term debt, of which \$295,000 is due within one year. The liability for compensated absences increased \$21,394 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Certificates of participation payable	2,260,000	-	N/A %
Three mill notes payable	3,100,000	1,015,000	205.42 %
Compensated absences payable	212,819	191,425	11.18 %
Total	<u>\$ 5,572,819</u>	<u>\$ 1,206,425</u>	361.93 %

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, 2018**

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 plans to continue its sound financial management to meet the challenges and to embrace the opportunities of the future.

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, 891 S. Columbus Avenue (PO Box 909) Louisville, Mississippi 39339.

BASIC FINANCIAL STATEMENTS

Louisville Municipal School District
Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,030,968
Due from other governments	981,083
Other receivables, net	24,408
Inventories	65,303
Restricted assets	234,556
Capital assets, non-depreciable:	
Land	351,451
Construction in progress	843,780
Capital assets, net of accumulated depreciation:	
Buildings	4,910,288
Building improvements	3,240,960
Improvements other than buildings	1,197,415
Mobile equipment	1,163,286
Furniture and equipment	433,018
Total Assets	<u>21,476,516</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	3,820,594
Deferred outflows - OPEB	111,484
Total Deferred Outflows of Resources	<u>3,932,078</u>
Liabilities	
Accounts payable and accrued liabilities	1,241,232
Interest payable on long-term liabilities	73,196
Long-term liabilities, due within one year:	
Capital related liabilities	180,000
Non-capital related liabilities	115,000
Net OPEB liability - current portion	111,484
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,920,000
Non-capital related liabilities	2,357,819
Net pension liability	38,400,040
Net OPEB liability - non-current portion	2,503,581
Total Liabilities	<u>47,902,352</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	848,105
Deferred inflows - OPEB	164,705
Total Deferred Inflows of Resources	<u>1,012,810</u>
Net Position	
Net investment in capital assets	9,040,198
Restricted for:	
Expendable:	
School-based activities	1,155,479
Debt service	385,018
Capital improvements	11,013
Forestry improvements	473,375
Unemployment benefits	68,309
Non-expendable:	
Sixteenth section	234,556
Unrestricted	(34,874,516)
Total Net Position (Deficit)	<u>\$ (23,506,568)</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, 2018

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in Net
			Contributions	Contributions	Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 13,122,208	\$ 586,130	\$ 1,459,980	\$ 25,000	\$ (11,051,098)
Support services	11,017,559	2,893	1,841,272	8,970	(9,164,424)
Non-instructional	2,204,932	171,955	2,109,143	8,129	84,295
Sixteenth section	125,616	45,980	-	-	(79,636)
Pension expense	4,950,783	-	-	-	(4,950,783)
OPEB expense	124,265	-	-	-	(124,265)
Interest on long-term liabilities	202,247	-	-	-	(202,247)
Total Governmental Activities	<u>\$ 31,747,610</u>	<u>\$ 806,958</u>	<u>\$ 5,410,395</u>	<u>\$ 42,099</u>	<u>\$ (25,488,158)</u>
General Revenues:					
Taxes:					
General purpose levies					6,507,353
Debt purpose levies					264,242
Unrestricted grants and contributions:					
State					13,703,460
Federal					221,372
Unrestricted investment earnings					26,733
Sixteenth section sources					384,673
Other					39,156
Total General Revenues					<u>21,146,989</u>
Change in Net Position					<u>(4,341,169)</u>
Net Position - Beginning, as previously reported					(16,501,379)
Prior Period Adjustments					<u>(2,664,020)</u>
Net Position - Beginning					<u>(19,165,399)</u>
Net Position - Ending					<u>\$ (23,506,568)</u>

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

Louisville Municipal School District
Governmental Funds
Balance Sheet
June 30, 2018

Exhibit C

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,938,514	\$ 2,327,010	\$ 8,265,524
Due from other governments	608,568	372,515	981,083
Other receivables, net	21,587	2,821	24,408
Due from other funds	209,836	30,353	240,189
Inventories	-	65,303	65,303
Total Assets	<u>\$ 6,778,505</u>	<u>\$ 2,798,002</u>	<u>\$ 9,576,507</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,054,012	\$ 187,220	\$ 1,241,232
Due to other funds	30,353	209,836	240,189
Total Liabilities	<u>\$ 1,084,365</u>	<u>\$ 397,056</u>	<u>\$ 1,481,421</u>
Fund Balances:			
Nonspendable:			
Inventory	-	65,303	65,303
Permanent fund principal	-	234,556	234,556
Restricted:			
Debt service	-	458,214	458,214
Capital projects	-	11,013	11,013
Forestry improvement purposes	-	473,375	473,375
Grant activities	-	1,090,176	1,090,176
Unemployment benefits	-	68,309	68,309
Assigned:			
Student activity	99,886	-	99,886
Capital improvements	881,089	-	881,089
Unassigned	<u>4,713,165</u>	<u>-</u>	<u>4,713,165</u>
Total Fund Balances	<u>5,694,140</u>	<u>2,400,946</u>	<u>8,095,086</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,778,505</u></u>	<u><u>\$ 2,798,002</u></u>	<u><u>\$ 9,576,507</u></u>

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

**Louisville Municipal School District
Governmental Funds**

Exhibit C-1

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Total fund balances for governmental funds **\$ 8,095,086**

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

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

Land	\$ 351,451	
Construction in progress	843,780	
Buildings	10,399,060	
Building improvements	4,348,916	
Improvements other than buildings	1,709,156	
Mobile equipment	4,462,210	
Furniture and equipment	1,803,499	
Accumulated depreciation	<u>(11,777,874)</u>	12,140,198

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

Net pension liability	(38,400,040)	
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	3,820,594	
Deferred inflows of resources related to pensions	<u>(848,105)</u>	(35,427,551)

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

Net OPEB liability	(2,615,065)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	111,484	
Deferred inflows of resources related to OPEB	<u>(164,705)</u>	(2,668,286)

4. 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	(3,100,000)	
Certificates of participation	(2,260,000)	
Compensated absences	(212,819)	
Accrued interest payable	<u>(73,196)</u>	(5,646,015)

Net position of governmental activities **\$ (23,506,568)**

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

**Louisville Municipal School District
Governmental Funds**

Exhibit D

**Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2018**

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 7,135,154	\$ 481,055	\$ 7,616,209
State sources	13,826,120	620,048	14,446,168
Federal sources	269,983	4,636,175	4,906,158
Sixteenth section sources	388,460	48,236	436,696
Total Revenues	21,619,717	5,785,514	27,405,231
Expenditures:			
Instruction	12,181,415	2,150,733	14,332,148
Support services	7,191,583	4,493,914	11,685,497
Noninstructional services	-	2,146,758	2,146,758
Sixteenth section	125,717	4,100	129,817
Facilities acquisition and construction	1,042,698	-	1,042,698
Debt service:			
Principal	-	1,040,000	1,040,000
Interest	-	93,069	93,069
Other	28,085	42,415	70,500
Total Expenditures	20,569,498	9,970,989	30,540,487
Excess (Deficiency) of Revenues over (under) Expenditures	1,050,219	(4,185,475)	(3,135,256)
Other Financing Sources (Uses):			
Bonds and notes issued	3,100,000	2,285,000	5,385,000
Sale of transportation equipment	7,392	-	7,392
Sale of other property	775	435	1,210
Operating transfers in	17,484	2,154,997	2,172,481
Operating transfers out	(2,154,997)	(17,484)	(2,172,481)
Total Other Financing Sources (Uses)	970,654	4,422,948	5,393,602
Net Change in Fund Balances	2,020,873	237,473	2,258,346
Fund Balances:			
July 1, 2017, as previously reported	3,673,267	2,159,115	5,832,382
Prior Period Adjustment	-	(8,515)	(8,515)
July 1, 2017, as restated	3,673,267	2,150,600	5,823,867
Increase (Decrease) in reserve for inventory	-	12,873	12,873
June 30, 2018	\$ 5,694,140	2,400,946	\$ 8,095,086

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

Louisville Municipal School District
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 2,258,346**

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	\$ 1,232,121	
Depreciation expense	<u>(735,841)</u>	496,280

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.

(36,256)

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:

Bonds and notes issued	(5,385,000)	
Payments of debt principal	1,040,000	
Accrued interest payable	<u>(38,678)</u>	(4,383,678)

4. Some items related to pensions and 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 the governmental funds. These activities include:

Recording of contributions made subsequent to the measurement date	2,296,224	
Recording of pension expense for the current period	<u>(4,950,783)</u>	(2,654,559)

5. Some items related to OPEB and 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 the governmental funds. These activities include:

Recording of contributions made subsequent to the measurement date	111,484	
Recording of pension expense for the current period	<u>(124,265)</u>	(12,781)

6. 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	(21,394)	
Change in inventory reserve	<u>12,873</u>	<u>(8,521)</u>

Change in net position of governmental activities **\$ (4,341,169)**

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, 2018**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 32,025	\$ 128,356
Investments	20,376	-
Due from other governments	-	6,581
Total Assets	<u>\$ 52,401</u>	<u>\$ 134,937</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 14,188
Due to student clubs	-	120,749
Total Liabilities	<u>\$ -</u>	<u>\$ 134,937</u>
Net Position		
Reserved for endowments	52,401	
Total Net Position	<u><u>\$ 52,401</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, 2018**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 143
Total Additions	<u>143</u>
Deductions	
Scholarships awarded	<u>700</u>
Total Deductions	<u>700</u>
Change in Net Position	<u>(557)</u>
Net Position	
July 1, 2017	<u>52,958</u>
June 30, 2018	<u>\$ 52,401</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.

Blended component unit

The Louisville Municipal School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

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:

Student Club Funds – These various funds account for the monies raised through student club activities

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Scholarship Trust Funds – Various private-purpose trust funds are held by the district and used to fund scholarships for scholarship award winners.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

FIDUCIARY FUNDS

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

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

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

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, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

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 School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

The following schedule details the capitalization thresholds:

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

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

7. 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. The school district has also incurred a deferred outflow which is presented as a deferred outflow related to OPEB.

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

See Note 15 for further details.

8. Compensated Absences

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. 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 approval of the type and amount of the commitment through a formal order of the school board. Currently there is no committed fund balance for this school district.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 8,265,524 and the carrying amount of the school district's deposits with financial institutions reported in fiduciary funds was \$180,757, which includes \$20,376 of certificates of deposit with original maturities beyond three months and reported on the Statement of Fiduciary Net Position 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.

Investments

As of June 30, 2018, the district had the following investments.

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

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2018:

- Certificates of deposit of \$20,376 are valued using a matrix pricing model (Level 2 inputs)

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, 2018, the district did not have any investments to which this would apply.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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, 2018, the district had the following investments:

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

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 209,836
Other Governmental Funds	General Fund	30,353
Total		<u>\$ 240,189</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

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,154,997
Other governmental funds	General Fund	17,484
Total		<u>\$ 2,172,481</u>

The transfers constitute operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and cash equivalents balance, totaling \$ 234,556, 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 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 351,451	\$ -	\$ -	\$ -	351,451
Construction-in-progress	11,750	1,042,698	-	(210,668)	843,780
Total non-depreciable capital assets	363,201	1,042,698	-	(210,668)	1,195,231
<u>Depreciable capital assets:</u>					
Buildings	10,399,060	-	-	-	10,399,060
Building improvements	4,348,916	-	-	-	4,348,916
Improvements other than buildings	1,507,435	-	-	201,721	1,709,156
Mobile equipment	4,553,599	147,721	239,110	-	4,462,210
Furniture and equipment	1,784,352	41,702	31,502	8,947	1,803,499
Total depreciable capital assets	22,593,362	189,423	270,612	210,668	22,722,841
<u>Less accumulated depreciation for:</u>					
Buildings	5,338,931	149,841	-	-	5,488,772
Building improvements	933,999	173,957	-	-	1,107,956
Improvements other than buildings	446,118	65,623	-	-	511,741
Mobile equipment	3,303,208	199,877	204,161	-	3,298,924
Furniture and equipment	1,254,133	146,543	30,195	-	1,370,481
Total accumulated depreciation	11,276,389	735,841	234,356	-	11,777,874
Total depreciable capital assets, net	11,316,973	(546,418)	36,256	210,668	10,944,967
Governmental activities capital assets, net	\$ 11,680,174	\$ 496,280	\$ 36,256	\$ -	12,140,198

Adjustments represent completed construction transferred to depreciable reporting categories.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 322,697
Support services	242,516
Non-instructional	170,628
Total depreciation expense - Governmental activities	\$ 735,841

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

The details of construction-in-progress are as follows:

	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
Eiland Middle Renovations	\$ 227,471	237,235
Noxapater Renovations	138,615	144,565
Nanah Waiya Renovations	81,335	84,826
Louisville High School Renovations	43,465	45,331
Louisville Elementary Renovations	239,593	249,878
Fair Elementary Renovations	113,301	118,165
Total governmental activities	<u>\$ 843,780</u>	<u>880,000</u>

Construction projects included in governmental activities are funded with the proceeds of a three mill note.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. Certificates of participation payable	-	2,285,000	25,000	2,260,000	115,000
B. Three mill notes payable	1,015,000	3,100,000	1,015,000	3,100,000	180,000
C. Compensated absences payable	191,425	33,398	12,004	212,819	-
Total	<u>\$ 1,206,425</u>	<u>\$ 5,418,398</u>	<u>\$ 1,052,004</u>	<u>\$ 5,572,819</u>	<u>\$ 295,000</u>

A. Certificates of participation payable

As more fully explained in Note 14 certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2017 Trust Certificates	3.05%	7/31/2017	4/1/2032	\$ 2,285,000	\$ 2,260,000
Total				<u>\$ 2,285,000</u>	<u>\$ 2,260,000</u>

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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

1. Certificates of participation issue of 7/31/2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 115,000	\$ 68,930	\$ 183,930
2020	120,000	65,423	185,423
2021	130,000	61,763	191,763
2022	135,000	57,798	192,798
2023	145,000	53,680	198,680
2024 – 2028	835,000	197,945	1,032,945
2029 – 2033	780,000	58,255	838,255
Total	<u>\$ 2,260,000</u>	<u>\$ 563,794</u>	<u>\$ 2,823,794</u>

This debt will be retired from the District Maintenance Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. 2017 Limited Tax Note	2.89%	11/14/2017	8/1/2029	\$ 3,100,000	\$ 3,100,000
Total				<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>

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

1. Three mill notes payable issue of 11/14/2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 180,000	\$ 63,957	\$ 243,957
2020	255,000	84,388	339,388
2021	260,000	77,019	337,019
2022	270,000	69,505	339,505
2023	275,000	61,702	336,702
2024 – 2028	1,330,000	191,318	1,521,318
2029 – 2033	530,000	22,976	552,976
Total	<u>\$ 3,100,000</u>	<u>\$ 570,865</u>	<u>\$ 3,670,865</u>

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

The school district has pledged future state educational enhancement revenues for buildings and buses to help repay the \$3,100,000 three mill notes payable issued November 14, 2017. The notes were issued to make improvements to the district's buildings. The debt will be paid in full and the pledge satisfied August 1, 2029. The annual pledge is approximately \$85,680, which is 100% of such state revenues. The district levies local taxes not to exceed three mills each year to satisfy the portion of debt requirements not covered by the pledge.

This debt will be retired from the Three Mill Note Retirement Fund (debt service fund).

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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, 2018 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, 2018, 2017 and 2016 were \$2,296,224, \$2,335,528 and \$2,325,588, respectively, which equaled the required contributions for each year.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

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

At June 30, 2018, the school district reported a liability of \$38,400,040 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was .231 percent, which was based on a measurement date of June 30, 2017. There was no increase or decrease from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,950,783. At June 30, 2018 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	\$ 551,056	\$ 280,194
Net difference between projected and actual earnings on pension plan investments	-	475,555
Changes of assumptions	849,961	65,434
Changes in proportion and differences between District contributions and proportionate share of contributions	123,353	26,922
District contributions subsequent to the measurement date	2,296,224	-
Total	\$ <u>3,820,594</u>	\$ <u>848,105</u>

\$2,296,224 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, 2019. 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 Ending June 30:	
2019	\$ 782,178
2020	604,264
2021	31,573
2022	(741,750)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 50,364,216	\$ 38,400,400	\$ 28,467,174

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Payables related to defined benefit pension plan. The District has recorded \$130,048 liability for unpaid PERS contributions for the July 2018 payroll expenditures for 10 month personnel whose salaries are prorated over a 12 month time period. These payroll expenditures were incurred for the June 30, 2018 fiscal year. In previous years these amounts were reported on the June PERS reporting forms for the fiscal year the payroll was incurred and the amounts were paid in that fiscal year. Due to a change in reporting these amounts are now reported and paid on the July PERS reporting form in the next fiscal year.

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$111,484 for the year ended June 30, 2018.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$2,615,065 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was .33329529 percent. This was a decrease of .00454156 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$124,265. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 133,158
Changes in proportion and differences between District contributions and proportionate share of contributions	-	31,547
District contributions subsequent to the measurement date	111,484	-
Total	\$ <u>111,484</u>	\$ <u>164,705</u>

\$111,484 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (28,896)
2020	(28,896)
2021	(28,896)
2022	(28,896)
2023	(28,896)
Thereafter	(20,225)

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 2,684,127	\$ 2,615,065	\$ 2,563,634

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,415,188	\$ 2,615,065	\$ 2,843,245

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 10 – 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.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Year Ending June 30	Amount
2019	\$ 127,122
2020	123,322
2021	115,100
2022	72,101
2023	51,200
2024 – 2028	240,376
2029 – 2033	214,754
2034 – 2038	155,423
2039 – 2043	24,448
Total	<u>\$ 1,123,846</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 75	
Net OPEB Liability (measurement date - June 30, 2017)	\$ (2,758,401)
Deferred outflows - contributions made during the fiscal year 2017	102,896
2. To correct receivables reported at June 30, 2017	<u>(8,515)</u>
Total	<u>\$ (2,664,020)</u>

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

Fund	Explanation	Amount
Other governmental funds	To correct receivables at June 30, 2017	\$ (8,515)
Total		<u>\$ (8,515)</u>

Note 12 – Contingencies

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

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 14 – Trust Certificates

A trust agreement dated July 31, 2017, was executed by and between the school district and Louisville Municipal School District Leasing Authority, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,285,000. Approximately \$2,242,585 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$42,415 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Financial Statements

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(34,874,516) includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from pensions. The \$3,820,594 balance of the deferred outflow of resources at June 30, 2018 will be recognized as an expenditure and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(34,874,516) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$848,105 balance of the deferred inflow of resources at June 30, 2018 will be recognized as a revenue and increase unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(34,874,516) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$164,705 balance of the deferred inflow of resources at June 30, 2018 will be recognized as a revenue and increase unrestricted net position over the next 6 years.

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Louisville Municipal School District evaluated the activity of the district through February 22, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to financial statements:

- Approved the purchase of a school bus in the amount of \$83,793 on November 15, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,729,752	\$ 7,146,926	\$ 7,135,154	\$ 417,174	\$ (11,772)
State sources	13,904,430	13,826,121	13,826,120	(78,309)	(1)
Federal sources	276,200	269,983	269,983	(6,217)	-
Sixteenth section sources	361,050	411,256	388,460	50,206	(22,796)
Total Revenues	21,271,432	21,654,286	21,619,717	382,854	(34,569)
Expenditures:					
Instruction	13,558,006	12,181,290	12,181,415	1,376,716	(125)
Support services	7,429,206	7,224,984	7,191,583	204,222	33,401
Sixteenth section	122,281	125,717	125,717	(3,436)	-
Facilities acquisition and construction	100,000	1,042,698	1,042,698	(942,698)	-
Debt service:					
Other		28,085	28,085	(28,085)	-
Total Expenditures	21,209,493	20,602,774	20,569,498	606,719	33,276
Excess (Deficiency) of Revenues over (under) Expenditures	61,939	1,051,512	1,050,219	989,573	(1,293)
Other Financing Sources (Uses):					
Bonds and notes issued	-	3,100,000	3,100,000	3,100,000	-
Sale of transportation equipment	-	7,392	7,392	7,392	-
Sale of other property	-	775	775	775	-
Operating transfers in	2,301,096	1,795,382	17,484	(505,714)	(1,777,898)
Operating transfers out	(3,375,143)	(3,932,895)	(2,154,997)	(557,752)	1,777,898
Total Other Financing Sources (Uses)	(1,074,047)	970,654	970,654	2,044,701	-
Net Change in Fund Balances	(1,012,108)	2,022,166	2,020,873	3,034,274	(1,293)
Fund Balances:					
July 1, 2017,	2,037,166	3,673,268	3,673,267	1,636,102	(1)
June 30, 2018	\$ 1,025,058	\$ 5,695,434	\$ 5,694,140	\$ 4,670,376	\$ (1,294)

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
Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportion of the net pension liability	\$ 38,400,040	\$ 41,262,368	\$ 35,553,464	\$ 27,432,262
District's proportionate share of the net pension liability (asset)	0.231%	0.231%	0.230%	0.226%
District's covered payroll	\$ 14,828,740	\$ 14,765,635	\$ 14,350,287	\$ 13,799,016
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	258.96%	279.45%	247.75%	198.80%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,296,223	\$ 2,335,528	\$ 2,325,588	\$ 2,260,172
Contribution in relation to the contractually required contribution	2,166,175	2,335,528	2,325,588	2,260,172
Contribution deficiency (excess)	<u>130,048</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	14,579,193	14,828,740	14,765,635	14,350,287
Contributions as a percentage of covered payroll	15.75%	15.75%	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
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net OPEB Liability
Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	\$ 2,615,065
District's proportionate share of the net OPEB liability	0.33329529%
District's covered-employee payroll	\$ 15,245,296
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.15%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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 6/30 of the year prior to the fiscal year presented.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

WEBSTER COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions (OPEB)
Last 10 Fiscal Years

	<u>2018</u>
Contractually required contribution	\$ 111,484
Contribution in relation to the contractually required contribution	111,484
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered-employee payroll	15,108,213
Contributions as a percentage of covered-employee payroll	0.74%

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, 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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Required Supplementary Information

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Required Supplementary Information

Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 504,085
National school lunch program	10.555	185MS326N1099	1,379,092
Summer food service program for children	10.559	185MS326N1099	58,120
Total child nutrition cluster			<u>1,941,297</u>
Fresh fruits and vegetables grant	10.582	185MS326L1603	70,977
Total passed-through Mississippi Department of Education			<u>2,012,274</u>
Passed-through Winston County, Mississippi			
National forest-dependent rural communities	10.665	N/A	44,719
Total passed-through Winston County, Mississippi			<u>44,719</u>
Total U.S. Department of Agriculture			<u>2,056,993</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	47,701
Total Appalachian Regional Commission			<u>47,701</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	N/A	92,139
Total Federal Communications Commission			<u>92,139</u>
<u>U.S. Department of Education</u>			
Direct Program:			
Impact aid - facilities maintenance	84.040	N/A	34,474
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	1,484,740
Career and technical education - basic grants to states	84.048	V048A170024	40,914
Twenty-first century community learning centers	84.287	ES287C170024	184,044
Rural education	84.358	ES358B170024	48,414
Supporting Effective Instruction State Grants	84.367	ES367A170023	53,239
Student support and academic enrichment grants	84.424	ES424A170025	27,804
Subtotal			<u>1,839,155</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	626,507
Special education - preschool grants	84.173	H173A170113	27,989
Total special education cluster			<u>654,496</u>
Total passed-through Mississippi Department of Education			<u>2,528,125</u>
Passed-through Mississippi Department of Rehabilitative Services			
Vocational rehabilitation grants to states		N/A	910
Total passed-through Mississippi Department of Rehabilitative Services			<u>910</u>
Total U.S. Department of Education			<u>2,529,035</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through Winston County, Mississippi			
Hazardous mitigation grant	97.039	N/A	17,099
Total U.S. Department of Homeland Security			<u>17,099</u>
Total for All Federal Awards			<u>\$ 4,742,967</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, 2018. 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 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 \$159,700.

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
Supplemental Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,223,435	14,940,589	842,386	1,462,704	2,977,756
Other	10,317,052	1,905,388	344,140	97,925	7,969,599
Total	<u>\$ 30,540,487</u>	<u>16,845,977</u>	<u>1,186,526</u>	<u>1,560,629</u>	<u>10,947,355</u>
Total number of students *	<u>2,825</u>				
Cost per student	<u>\$ 10,810</u>	<u>5,963</u>	<u>420</u>	<u>552</u>	<u>3,875</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

OTHER INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT**Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****General Fund****Last Four Years****UNAUDITED**

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 7,135,154	\$ 6,372,866	\$ 6,196,517	\$ 6,136,436
State sources	13,826,120	13,529,076	14,173,726	13,670,607
Federal sources	269,983	232,086	300,919	226,675
Sixteenth section sources	388,460	191,315	744,319	463,778
Total Revenues	21,619,717	20,325,343	21,415,481	20,497,496
Expenditures:				
Instruction	12,181,415	12,221,482	12,398,988	12,058,363
Support services	7,191,583	7,154,775	7,394,440	7,700,906
Noninstructional services	-	-	-	1,900
Sixteenth section	125,717	115,707	41,806	62,435
Facilities acquisition and construction	1,042,698	63,185	1,029,471	851,692
Debt service:				
Other	28,085	-	-	-
Total Expenditures	20,569,498	19,555,149	20,864,705	20,675,296
Excess (Deficiency) of Revenues over (under) Expenditures	1,050,219	770,194	550,776	(177,800)
Other Financing Sources (Uses):				
Bonds and notes issued	3,100,000	-	-	-
Insurance recovery	-	-	-	23,425
Sale of transportation equipment	7,392	-	-	14,500
Sale of other property	775	-	-	2,600
Operating transfers in	17,484	774,090	60,272	115,920
Operating transfers out	(2,154,997)	(1,532,192)	(1,601,928)	(1,100,877)
	-	-	-	-
Total Other Financing Sources (Uses)	970,654	(758,102)	(1,541,656)	(944,432)
Net Change in Fund Balances	2,020,873	12,092	(990,880)	(1,122,232)
Fund Balances:				
Beginning of period, as previously reported	3,673,267	3,661,175	4,652,055	2,696,196
Fund balance reclassification				3,078,091
Beginning of period, as restated	3,673,267	3,661,175	4,652,055	5,774,287
End of Period	\$ 5,694,140	\$ 3,673,267	\$ 3,661,175	\$ 4,652,055

*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**

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 7,616,209	\$ 6,902,690	\$ 6,772,475	\$ 6,718,752
Intermediate sources	-	34,510	31,990	31,696
State sources	14,446,168	14,574,841	14,751,519	14,228,319
Federal sources	4,906,158	5,597,921	4,545,707	4,285,794
Sixteenth section sources	436,696	204,918	857,762	527,156
Total Revenues	27,405,231	27,314,880	26,959,453	25,791,717
Expenditures:				
Instruction	14,332,148	14,539,958	14,644,698	14,215,423
Support services	11,685,497	8,978,155	8,767,789	9,020,317
Noninstructional services	2,146,758	2,506,192	2,231,133	2,192,755
Sixteenth section	129,817	163,619	63,989	93,765
Facilities acquisition and construction	1,042,698	867,607	1,520,026	959,894
Debt service:				
Principal	1,040,000	190,000	288,000	330,000
Interest	93,069	44,706	55,390	67,633
Other	70,500	-	-	-
Total Expenditures	30,540,487	27,290,237	27,571,025	26,879,787
Excess (Deficiency) of Revenues over (under) Expenditures	(3,135,256)	24,643	(611,572)	(1,088,070)
Other Financing Sources (Uses):				
Bonds and notes issued	5,385,000	-	-	-
Insurance recovery	-	-	-	23,425
Sale of transportation equipment	7,392	-	-	14,500
Sale of other property	1,210	-	-	2,600
Operating transfers in	2,172,481	2,306,283	1,662,200	1,216,797
Operating transfers out	(2,172,481)	(2,306,283)	(1,662,200)	(1,216,797)
Total Other Financing Sources (Uses)	5,393,602	-	-	40,525
Net Change in Fund Balances	2,258,346	24,643	(611,572)	(1,047,545)
Fund Balances:				
Beginning of period, as previously reported	5,832,382	5,840,194	6,432,599	7,481,842
Prior period adjustments	(8,515)	-	-	-
Beginning of period, as restated	5,823,867	5,840,194	6,432,599	7,481,842
Increase (Decrease) in reserve for inventory	12,873	(32,455)	19,167	(1,698)
End of Period	\$ 8,095,086	\$ 5,832,382	\$ 5,840,194	\$ 6,432,599

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
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Certified Public Accountants

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Jerry L. Gammel, 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 the Louisville Municipal School District as of and for the year ended June 30, 2018, 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 February 22, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
February 22, 2019

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA	Thomas J. Browder, CPA
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**INDEPENDENT AUDITOR'S 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 direct and material effect on each of the Louisville Municipal School District's major federal programs for the year ended June 30, 2018. 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 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 opinions 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, 2018.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **Finding 2018-001** to be a significant deficiency.

Louisville Municipal School District's Response to Finding

Louisville Municipal School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Louisville Municipal School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose Of This Report

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
February 22, 2019

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, 2018, which collectively comprise Louisville Municipal School District's basic financial statements and have issued our report thereon dated February 22, 2019. 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.

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

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

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

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

1. Principals and Purchasing Agents 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 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 no surety bond coverage was obtained for one principal.

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 that no surety bond coverage was obtained for one purchasing agent.

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

We will 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.

2. The District Should Allocate the Appropriate Percentage of Timber Sales on Sixteenth Section Property to the Forestry Escrow Fund

Finding

Section 29-3-47 Miss Code Ann. (1972) requires that at least 15% of the sale of forest products are credited to the Forestry Escrow Fund. During our testing of timber sales on sixteenth section property we noted that \$45,980 should have been credited to sales in the Forestry Escrow Fund during the fiscal year. Only \$23,183 was credited to sales in the Forestry Escrow Fund resulting in a shortage of timber revenues credited to the Forestry Escrow Fund of \$22,797.

Recommendation

We recommend the school district comply with Section 29-3-47 Miss Code Ann. (1972) and transfer the shortage of \$22,797 from the prior year from the Sixteenth Section Interest Fund to the Forestry Escrow Fund. We also recommend that the district credit at least 15% of the sale of forest products into the Forestry Escrow Fund in the future.

School District's Response

We will comply with Section 29-3-47 Miss Code Ann. (1972) and transfer the shortage of \$22,797 from the prior year from the Sixteenth Section Interest Fund to the Forestry Escrow Fund. We will also credit at least 15% of the sale of forest products into the Forestry Escrow Fund in the future.

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 22, 2019

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 30,2018

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? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 84.027/84.173 | Special Education Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$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 by Government Auditing Standards.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered To Be A Material Weakness

Program: Special Education Cluster, Passed Through the Mississippi Department of Education – CFDA 84.027

Compliance requirement: Period of Performance

Finding 2018-001 The District Should Obligate and Expend Grant Funds Within Period of Performance Guidelines

Criteria: School Districts' must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. The funds must be expended by December 31 of the second following fiscal year.

Condition: During our testing of compliance with period of performance requirements we noted the district did not obligate and expend \$54,028 of IDEA Part B fiscal year 2016 grant funds by December 31, 2018.

Effect: Inadequate controls over disbursement of IDEA Part B grant funds in a timely manner resulted in the loss of grant funding.

Cause: During the fiscal year 2018 all school districts in the state of Mississippi were required to request all Special Education grant funds through MCAPPS on the Mississippi Department of Education website and began using program codes in coding all disbursements related to Special Education Grants. In previous year the district's had requested these funds on a first in first out basis. In this transition year with the use of program codes for reporting the district was unable to obligate and expend the funds in a timely manner.

Recommendation

We recommend the district obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. The funds must be expended by December 31 of the second following fiscal year.

Views of Responsible Officials of the Auditee

Action has already been taken to correct this issue. As of FY 2018, the Mississippi Department of Education has required the requesting of Special Education funds to be submitted through the MDE website MCAPS which eliminates the problems of the first in first out process of requesting funds that the Mississippi Department of Education was using prior to FY 2018.

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



Louisville Municipal School District

Randy Grierson, Ed.D, Superintendent
P.O. BOX 909 - 891 S. COLUMBUS AVE.
LOUISVILLE, MISSISSIPPI 39339
PHONE (662) 773-3411 FAX (662) 773-4013

Auditee's Corrective Action Plan For the Year Ended June 30, 2018

Finding 2018-001: The district should obligate and expend grant funds within period of performance guidelines.

District Response:

- A. What corrective action will be taken? Action has already been taken to correct this issue. As of FY 2018, the Mississippi Department of Education has required the requesting of Special Education funds to be submitted through the MDE website MCAPS which eliminates the problems of the first in first out process that the Mississippi Department of Education was using prior to FY 2018.
Who is responsible? Mavis Crawford, Special Education Director, Randy Grierson, Superintendent and Stacie VanLandingham, Business Manager
- B. When will the plan be implemented? This has been corrected.



Louisville Municipal School District

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SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____ 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, 2018:

<u>Finding</u>		<u>Status</u>
2017-001		Corrected
2017-002		Corrected

Sincerely,

Dr. Randy Grierson, Superintendent