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LOUISVILLE MUNICIPAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2020**

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, 2020, 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, 2020, 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 5-13, 47-48, 49, 50, 51 and 52, 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 September 17, 2021, 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 solely 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 the effectiveness of the Louisville Municipal School District's 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
September 17, 2021

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, 2020**

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, 2020. 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 2020 increased \$897,147, including a residual equity transfer in of \$105,997, which represents a 4% increase from fiscal year 2019. Total net position for 2019 increased \$901,214, which includes a prior period adjustment of (\$130,048) which represents a 4% increase from fiscal year 2018
- General revenues amounted to \$23,592,615 and \$22,201,849, or 78% and 78% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,812,068 or 22% of total revenues for 2020, and \$6,108,529, or 22% of total revenues for 2019.
- The District had \$29,613,533 and \$27,279,116 in expenses for fiscal years 2020 and 2019; only \$6,812,068 for 2020 and \$6,108,529 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,592,615 for 2020 and \$22,201,849 for 2019 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,957,091 in revenues and \$21,023,482 in expenditures for 2020, and \$22,636,833 in revenues and \$21,097,321 in expenditures in 2019. The General Fund's fund balance increased by \$2,985,022, which includes a residual equity transfer in of \$105,997, from 2019 to 2020, and increased by \$503,287 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$132,535 for 2020 and increased by \$562,063 for 2019. The decrease for 2020 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$332,787 for 2020 and decreased by \$295,609 for 2019. This decrease for 2020 was due to payments on outstanding long-term debt. The liability for compensated absences increased by \$42,213 for 2020 and decreased by \$609 for 2019.

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.

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.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020**

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 a 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, 2020**

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 \$21,708,207 as of June 30, 2020.

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, 2020 and June 30, 2019.

**Table 1
Condensed Statement of Net Position**

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 12,680,545	\$ 9,892,414	28%
Restricted assets	242,307	235,498	3%
Capital assets, net	12,569,726	12,702,261	-1%
Total Assets	25,492,578	22,830,173	12%
 Deferred outflows of resources	 7,233,296	 2,846,995	 154%
Current liabilities	1,373,680	1,526,949	-10%
Long-term debt outstanding	4,944,423	5,277,210	-6%
Net OPEB liability	2,788,062	2,533,113	10%
Net pension liability	43,359,288	35,760,888	21%
Total Liability	52,465,453	45,098,160	16%
 Deferred inflows of resources	 1,968,628	 3,184,362	 -38%
 Net Position:			
Net investment in capital assets	9,904,726	9,782,261	1%
Restricted	2,366,723	2,403,536	-2%
Unrestricted	(33,979,656)	(34,791,151)	2%
Total net position	\$ (21,708,207)	\$ (22,605,354)	4%

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)	\$(33,979,656)
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>40,882,682</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$6,903,026</u>

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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

- Decrease in net capital assets in the amount of \$132,535.
- The principal retirement of \$375,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$30,404,683 and \$28,310,378, respectively. The total cost of all programs and services was \$29,613,533 for 2020 and \$27,279,116 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2020	Year Ended June 30, 2019	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 921,870	\$ 903,433	2%
Operating grants and contributions	5,470,248	5,116,146	7%
Capital Grants and Contributions	419,950	88,950	372%
General revenues:			
Property taxes	7,078,620	7,448,513	-5%
Grants and contributions not restricted	15,751,127	14,469,863	9%
Investment earnings	238,417	22,581	956%
Sixteenth section sources	417,541	180,088	132%
Other	106,910	80,804	32%
Total revenues	30,404,683	28,310,378	7%
Expenses:			
Instruction	13,703,070	13,269,717	3%
Support services	8,810,862	8,635,509	2%
Non-instructional	1,870,254	2,087,436	-10%
Sixteenth section	61,697	84,337	-27%
Pension expense	4,882,540	2,938,714	66%
OPEB expense	142,970	110,001	30%
Interest on long-term liabilities	142,140	153,402	-7%
Total expenses	29,613,533	27,279,116	9%
Increase (Decrease) in net position	791,150	1,031,262	-23%
Net Position, July 1, as previously reported	(22,605,354)	(23,506,568)	4%
Residual Equity Transfers In / Prior Period Adjustment	105,997	(130,048)	182%
Net Position, July 1, as restated	(22,499,357)	(23,636,616)	5%
Net Position, June 30	\$ (21,708,207)	\$ (22,605,354)	4%

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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
	2020	2019	
Instruction	\$ 13,703,070	\$ 13,269,717	3%
Support services	8,810,862	8,635,509	2%
Non-instructional	1,870,254	2,087,436	-10%
Sixteenth section	61,697	84,337	-27%
Pension Expense	4,882,540	2,938,714	66%
OPEB Expense	142,970	110,001	30%
Interest on long-term liabilities	142,140	153,402	-7%
Total expenses	\$ 29,613,533	\$ 27,279,116	9%

	Net (Expense) Revenue		Percentage Change
	2020	2019	
Instruction	\$ (10,567,362)	\$ (11,158,859)	5%
Support services	(7,150,126)	(6,879,223)	-4%
Non-instructional	97,462	147,766	-34%
Sixteenth section	(13,789)	(78,154)	82%
Pension Expense	(4,882,540)	(2,938,714)	-66%
OPEB Expense	(142,970)	(110,001)	-30%
Interest on long-term liabilities	(142,140)	(153,402)	7%
Total net (expense) revenue	\$ (22,801,465)	\$ (21,170,587)	-8%

- Net cost of governmental activities (\$22,801,465 for 2020 and \$21,170,587 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$7,078,620 for 2020 and \$7,448,513 for 2019) and state and federal revenues (\$15,751,127 for 2020 and \$14,469,863 for 2019). In addition, there was \$417,541 and \$180,088 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$238,417 for 2020 and \$22,581 for 2019.

**LOUISVILLE MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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 \$11,635,213, an increase of \$2,940,539, which includes a residual equity transfer in of \$105,997 and an increase in inventory of \$91,822. \$8,882,919 or 76% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,752,294 or 24% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,985,022, which includes a residual equity transfer in of \$105,997. The fund balance of Other Governmental Funds showed a decrease in the amount of \$44,483, which includes a increase in reserve for inventory of \$91,822. The increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Basic	\$ -

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 a 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, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$25,717,500, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$564,836 from 2019. Total accumulated depreciation as of June 30, 2020, was \$13,147,774, and total depreciation expense for the year was \$782,477, resulting in total net capital assets of \$12,569,726.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 351,451	\$ 351,451	0%
Construction in Progress	-	1,691,495	-100%
Buildings	4,747,718	4,771,393	0%
Building improvements	4,499,472	3,067,003	47%
Improvements other than buildings	1,345,027	1,131,791	19%
Mobile equipment	1,238,111	1,283,056	-4%
Furniture and equipment	387,947	406,072	-4%
Total	<u>\$ 12,569,726</u>	<u>\$ 12,702,261</u>	-1%

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

Debt Administration. At June 30, 2020, the District had \$4,944,423 in outstanding long-term debt, of which \$390,000 is due within one year. The liability for compensated absences increased \$42,213 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 2,025,000	\$ 2,145,000	-6%
Three mill notes payable	2,665,000	2,920,000	-9%
Compensated absences payable	254,423	212,210	20%
Total	<u>\$ 4,944,423</u>	<u>\$ 5,277,210</u>	-6%

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

CURRENT ISSUES

The Louisville Municipal School District is financially stable. 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 (P.O. Box 909) Louisville, Mississippi 39339.

BASIC FINANCIAL STATEMENTS

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,674,527
Due from other governments	816,201
Other receivables, net	17,541
Inventories	172,276
Restricted assets	242,307
Capital assets, non-depreciable:	
Land	351,451
Capital assets, net of accumulated depreciation:	
Buildings	4,747,718
Building improvements	4,499,472
Improvements other than buildings	1,345,027
Mobile equipment	1,238,111
Furniture and equipment	387,947
Total Assets	<u>25,492,578</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	6,912,803
Deferred outflows - OPEB	320,493
Total Deferred Outflows of Resources	<u>7,233,296</u>
Liabilities	
Accounts payable and accrued liabilities	1,287,639
Interest payable on long-term liabilities	86,041
Long-term liabilities, due within one year:	
Capital related liabilities	260,000
Non-capital related liabilities	130,000
Net OPEB liability - current portion	100,653
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,405,000
Non-capital related liabilities	2,149,423
Net pension liability	43,359,288
Net OPEB liability - non-current portion	2,687,409
Total Liabilities	<u>52,465,453</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,730,622
Deferred inflows - OPEB	238,006
Total Deferred Inflows of Resources	<u>1,968,628</u>
Net Position	
Net investment in capital assets	9,904,726
Restricted for:	
Expendable:	
School-based activities	1,224,326
Debt service	289,272
Forestry improvements	542,052
Unemployment benefits	68,766
Non-expendable:	
Sixteenth section	242,307
Unrestricted (deficit)	(33,979,656)
Total Net Position	<u>\$ (21,708,207)</u>

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in Net Position
			Contributions	Contributions	Governmental
					Activities
Governmental Activities:					
Instruction	\$ 13,703,070	\$ 719,521	\$ 2,416,187	\$ -	\$ (10,567,362)
Support services	8,810,862	40,477	1,200,309	419,950	(7,150,126)
Non-instructional	1,870,254	113,964	1,853,752	-	97,462
Sixteenth section	61,697	47,908	-	-	(13,789)
Pension expense	4,882,540	-	-	-	(4,882,540)
OPEB expense	142,970	-	-	-	(142,970)
Interest on long-term liabilities	142,140	-	-	-	(142,140)
Total Governmental Activities	\$ 29,613,533	\$ 921,870	\$ 5,470,248	\$ 419,950	\$ (22,801,465)
General Revenues:					
Taxes:					
General purpose levies					6,740,549
Debt purpose levies					338,071
Unrestricted grants and contributions:					
State					13,859,029
Federal					1,892,098
Unrestricted investment earnings					238,417
Sixteenth section sources					417,541
Other					106,910
Total General Revenues					23,592,615
Change in Net Position					791,150
Net Position - Beginning, as previously reported					(22,605,354)
Residual Equity Transfers In					105,997
Net Position - Beginning, as restated					(22,499,357)
Net Position - Ending					\$ (21,708,207)

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2020

Exhibit C

	Major Funds			Other	Total
	General	Title I Basic		Governmental	Governmental
	Fund	Fund		Funds	Funds
Assets					
Cash and cash equivalents	\$ 9,642,050	\$ -	\$ 2,274,784	\$ 11,916,834	
Due from other governments	470,027	164,973	181,201	816,201	
Other receivables, net	7,026	-	-	7,026	
Due from other funds	151,416	-	-	151,416	
Inventories	-	-	172,276	172,276	
Total Assets	\$ 10,270,519	\$ 164,973	\$ 2,628,261	\$ 13,063,753	
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,088,070	64,589	\$ 134,980	\$ 1,287,639	
Due to other funds	-	100,384	40,517	140,901	
Total Liabilities	\$ 1,088,070	\$ 164,973	\$ 175,497	\$ 1,428,540	
Fund Balances:					
Nonspendable:					
Inventory	-	-	172,276	172,276	
Permanent fund principal	-	-	242,307	242,307	
Restricted:					
Debt service	-	-	375,313	375,313	
Forestry improvement purposes	-	-	542,052	542,052	
Grant activities	-	-	1,052,050	1,052,050	
Unemployment benefits	-	-	68,766	68,766	
Assigned:					
Activity funds	299,530	-	-	299,530	
Unassigned	8,882,919	-	-	8,882,919	
Total Fund Balances	9,182,449	-	2,452,764	11,635,213	
Total Liabilities and Fund Balances	\$ 10,270,519	\$ 164,973	\$ 2,628,261	\$ 13,063,753	

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit C-1

Governmental Funds

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

June 30, 2020

Total fund balances for governmental funds **\$ 11,635,213**

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	
Buildings	10,516,631	
Building improvements	6,022,276	
Improvements other than buildings	2,000,176	
Mobile equipment	4,952,977	
Furniture and equipment	1,873,989	
Accumulated depreciation	<u>(13,147,774)</u>	12,569,726

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

Net pension liability	(43,359,288)	
Net OPEB liability	<u>(2,788,062)</u>	(46,147,350)

3. Deferred outflows and inflows related to the net pension and OPEB liabilities are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pension and OPEB	7,233,296	
Deferred inflows of resources related to pension and OPEB	<u>(1,968,628)</u>	5,264,668

4. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Three mill notes payable	\$ (2,665,000)	
Certificates of participation	(2,025,000)	
Compensated absences	(254,423)	
Accrued interest payable	<u>(86,041)</u>	(5,030,464)

Net position of governmental activities **\$ (21,708,207)**

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit D

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended June 30, 2020

	Major Fund		Other	Total
	General	Title I Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 7,708,032	\$ -	\$ 496,870	\$ 8,204,902
State sources	14,493,830	-	602,516	15,096,346
Federal sources	2,303,973	1,338,416	2,902,590	6,544,979
Sixteenth section sources	451,256	-	68,761	520,017
Total Revenues	24,957,091	1,338,416	4,070,737	30,366,244
Expenditures:				
Instruction	12,711,231	419,796	1,895,618	15,026,645
Support services	7,909,722	878,685	916,674	9,705,081
Noninstructional services	-	39,935	1,962,963	2,002,898
Sixteenth section	64,073	-	-	64,073
Facilities acquisition and construction	338,456	-	-	338,456
Debt service:				
Principal	-	-	375,000	375,000
Interest	-	-	149,811	149,811
Total Expenditures	21,023,482	1,338,416	5,300,066	27,661,964
Excess (Deficiency) of Revenues over (under) Expenditures	3,933,609	-	(1,229,329)	2,704,280
Other Financing Sources (Uses):				
Insurance recovery	38,440	-	-	38,440
Operating transfers in	-	-	1,093,024	1,093,024
Operating transfers out	(1,093,024)	-	-	(1,093,024)
Total Other Financing Sources (Uses)	(1,054,584)	-	1,093,024	38,440
Net Change in Fund Balances	2,879,025	-	(136,305)	2,742,720
Fund Balances:				
July 1, 2019	6,197,427	-	2,497,247	8,694,674
Residual Equity Transfers In	105,997	-	-	105,997
Increase (Decrease) in reserve for inventory	-	-	91,822	91,822
June 30, 2020	\$ 9,182,449	\$ -	\$ 2,452,764	\$ 11,635,213

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Exhibit D-1

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, 2020**

Net change in fund balances - total governmental funds **\$ 2,742,720**

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	\$ 655,356	
Depreciation expense	<u>(782,477)</u>	(127,121)

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.

(5,414)

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

Payments of debt principal	\$ 375,000	
Accrued interest payable	<u>7,670</u>	382,670

4. The implementation of GASB 68 and 75 creates a change in the amount of pension and OPEB expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Recording of pension contributions made subsequent to the measurement date	2,673,543	
Recording of pension expense for the current period	(4,882,540)	
Recording of OPEB contributions made subsequent to the measurement date	100,653	
Recording of OPEB expense for the current period	<u>(142,970)</u>	(2,251,314)

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

Change in compensated absences	(42,213)	
Change in inventory reserve	<u>91,822</u>	49,609

Change in net position of governmental activities **\$ 791,150**

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

Exhibit E

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 33,179	\$ 10,515
Investments	20,376	-
Total Assets	<u>\$ 53,555</u>	<u>\$ 10,515</u>
Liabilities		
Due to other funds	\$ -	\$ 10,515
Total Liabilities	<u>\$ -</u>	<u>\$ 10,515</u>
Net Position		
Reserved for endowments	53,555	
Total Net Position	<u>\$ 53,555</u>	

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

Exhibit F

	Private Purpose Trust Funds
Additions	
Interest on investments	\$ 992
Total Additions	<u>992</u>
Change in Net Position	<u>992</u>
Net Position	
July 1, 2019	<u>52,563</u>
June 30, 2020	<u>\$ 53,555</u>

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

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

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 13).

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:

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for the expenditures and related revenues of the Title I grants to local educational agencies.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This 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.

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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.

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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
For Year Ended June 30, 2020**

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
For Year Ended June 30, 2020**

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
For Year Ended June 30, 2020

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. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

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 approved by 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.

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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 Director of Finance 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.

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

Louisville Municipal School District chose to early implement GASB 84 in the current fiscal year. Therefore, the club funds of the District previously shown as fiduciary funds are now reported in the General Fund.

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

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obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 11,916,834 and 43,694, 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, 2020, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	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, 2020:

- 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. As of June 30, 2020, the district did not have any investments to which this would apply.

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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, 2020, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit - Regions Bank	\$ 5,176	25%
Certificates of Deposit - Citizen's Bank	15,200	75%
	<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	Title I Basic Fund	\$ 100,384
	Other governmental funds	40,517
	Agency funds	10,515
Total		<u>\$ 151,416</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 interfund loans between funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,093,024
Total		<u>\$ 1,093,024</u>

The transfers constitute operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash and cash equivalents balance, totaling \$ 242,307, 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.

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Note 5 – Capital Assets

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

	Balance 7/1/2019	Increases	Decreases	*Adjustment s	Balance 6/30/2020
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 351,451	\$ -	\$ -	\$ -	\$ 351,451
Construction-in-progress	1,691,495	338,456	-	(2,029,951)	-
Total non-depreciable capital assets	2,042,946	338,456	-	(2,029,951)	351,451
<u>Depreciable capital assets:</u>					
Buildings	10,399,060	-	-	117,571	10,516,631
Building improvements	4,348,916	-	-	1,673,360	6,022,276
Improvements other than buildings	1,709,156	52,000	-	239,020	2,000,176
Mobile equipment	4,811,827	155,200	14,050	-	4,952,977
Furniture and equipment	1,840,759	109,700	76,470	-	1,873,989
Total depreciable capital assets	23,109,718	316,900	90,520	2,029,951	25,366,049
<u>Less accumulated depreciation for:</u>					
Buildings	5,627,667	141,246	-	-	5,768,913
Building improvements	1,281,913	240,891	-	-	1,522,804
Improvements other than buildings	577,365	77,784	-	-	655,149
Mobile equipment	3,528,771	199,187	13,092	-	3,714,866
Furniture and equipment	1,434,687	123,369	72,014	-	1,486,042
Total accumulated depreciation	12,450,403	782,477	85,106	-	13,147,774
Total depreciable capital assets, net	10,659,315	(465,577)	5,414	2,029,951	12,218,275
Governmental activities capital assets, net	\$ 12,702,261	\$ (127,121)	\$ 5,414	\$ -	\$ 12,569,726

*Adjustments represent the transfer of completed construction in progress projects to their proper depreciable asset category.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 414,470
Support services	266,120
Non-instructional	100,334
16th Section	1,553
Total depreciation expense - Governmental activities	<u>\$ 782,477</u>

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Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Certificates of participation payable	\$ 2,145,000	\$ -	\$ 120,000	\$ 2,025,000	\$ 130,000
B. Three mill notes payable	2,920,000	-	255,000	2,665,000	260,000
C. Compensated absences payable	212,210	48,499	6,286	254,423	-
Total	<u>\$ 5,277,210</u>	<u>\$ 48,499</u>	<u>\$ 381,286</u>	<u>\$ 4,944,423</u>	<u>\$ 390,000</u>

A. Certificates of participation payable

As more fully explained in Note 13, 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	\$ 2,025,000
Total				<u>\$ 2,285,000</u>	<u>\$ 2,025,000</u>

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
2021	\$ 130,000	\$ 65,423	\$ 195,423
2022	135,000	61,762	196,762
2023	145,000	57,798	202,798
2024	150,000	53,680	203,680
2025	160,000	49,258	209,258
2026 – 2030	925,000	172,478	1,097,478
2031 – 2032	380,000	34,465	414,465
Total	<u>\$ 2,025,000</u>	<u>\$ 494,864</u>	<u>\$ 2,519,864</u>

This debt will be retired from the District Maintenance Fund.

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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	\$ 2,665,000
Total				<u>\$ 3,100,000</u>	<u>\$ 2,665,000</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
2021	\$ 260,000	\$ 77,019	\$ 337,019
2022	270,000	69,504	339,504
2023	275,000	61,702	336,702
2024	265,000	53,754	318,754
2025	270,000	46,096	316,096
2026 – 2030	1,325,000	122,103	1,447,103
Total	<u>\$ 2,665,000</u>	<u>\$ 430,178</u>	<u>\$ 3,095,178</u>

The debt will be retired from the Three Mill Note Retirement Fund.

The school district has pledged future state education 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 this pledge.

C. Compensated absences payable

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

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Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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, 2020 was 17.40% 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, 2020, 2019 and 2018 were \$2,673,543, \$2,528,203 and \$2,166,175, respectively, which equaled the required contributions for each year.

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

At June 30, 2020, the school district reported a liability of \$43,359,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was .246 percent, which was based on a measurement date of June 30, 2019. This was an increase of .031 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

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For the year ended June 30, 2020, the District recognized pension expense of \$4,882,540. At June 30, 2020 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	\$ 22,374	\$ 43,742
Net difference between projected and actual earnings on pension plan investments	-	358,978
Changes of assumptions	424,688	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,792,198	1,327,902
District contributions subsequent to the measurement date	2,673,543	-
Total	\$ <u>6,912,803</u>	\$ <u>1,730,622</u>

\$2,673,543 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, 2021. 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:	
2021	\$ 909,439
2022	204,609
2023	1,196,626
2024	197,964

Actuarial assumptions. The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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.

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The most recent 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>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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	\$ 56,997,286	\$ 43,359,288	\$ 32,102,345

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

Note 8 – 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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

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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 \$100,653 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,788,062 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the District's proportion was .32857127 percent. This was an increase of .00110529 percent from the proportionate share as of the measurement date of June 30, 2018.

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For the year ended June 30, 2020, the District recognized OPEB expense of \$142,970. At June 30, 2020, 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
Differences between expected and actual experience	\$ 4,216	\$ 39,908
Changes of assumptions	207,857	144,575
Net difference between projected and actual earnings on OPEB plan investments	53	-
Changes in proportion and differences between District contributions and proportionate share of contributions	7,714	53,523
District contributions subsequent to the measurement date	100,653	-
Total	<u>\$ 320,493</u>	<u>\$ 238,006</u>

\$100,653 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, 2021. 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:

2021	\$ (16,097)
2022	(16,097)
2023	(16,097)
2024	(7,425)
2025	24,527
Thereafter	13,023

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

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Notes to Financial Statements
For Year Ended June 30, 2020**

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 3,097,050	\$ 2,788,062	\$ 2,523,963

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	\$ 2,583,569	\$ 2,788,062	\$ 3,019,718

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 135,719
2022	89,913
2023	72,246
2024	71,392
2025	67,872
2026 – 2030	275,565
2031 – 2035	243,878
2036 – 2040	142,610
Total	<u>\$ 1,099,195</u>

Note 10 – Fund Reclassifications

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

Exhibit B - Statement of Activities

Explanation	Amount
To reclass club funds from agency funds to the General Fund	<u>\$ 105,997</u>
Total	<u>\$ 105,997</u>

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

Fund	Explanation	Amount
General Fund	To reclass club funds from agency funds to the General Fund	<u>\$ 105,997</u>
Total		<u>\$ 105,997</u>

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

Note 11 – 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.

COVID-19 – On March 11, 2020 the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the District's operations. As of September 17, 2021, Management has noted an adverse effect on workforce availability and operational costs. The long term effects of these items on the net position of the District cannot be determined as of the date of this report.

Other Matters – During the fiscal year the district discovered discrepancies in average daily attendance numbers reported to the Mississippi Department of Education. These discrepancies were reported to the Office of the State Auditor due to allegations that the former Superintendent of Education manipulated these records. The Office of the State Auditor has conducted a preliminary investigation that is ongoing as of the date of this report. The School District has also conducted an investigation into these discrepancies. Once a settlement has been reached between the Office of the State Auditor's findings and the District's findings there is a strong likelihood that a portion of the District's MAEP allocation received for the 19-20 fiscal year will have to be repaid. As of the date of this report the actual amount of the repayment is not available.

Note 12 - 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 56 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.

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

Note 13 - Trust Certificates

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

Note 14 - Insurance loss recoveries

The Louisville Municipal School District received \$38,440 in insurance loss recoveries related to property damage during the 2019-2020 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
<u>\$ 38,440</u>	100%	Support services

**Louisville Municipal School District
Notes to Financial Statements
For Year Ended June 30, 2020**

Note 15 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(33,979,656) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,673,543 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$4,239,260 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(33,979,656) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,730,622 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(33,979,656) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$100,653 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$219,840 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(33,979,656) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$238,006 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 16 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

Note 17 - 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 September 17, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- On February 9, 2021 the District approved the purchase of two Class B 71 passenger buses at the state contract price of \$84,000 each, for a total of \$168,000.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,175,612	\$ 7,708,032	\$ 7,708,032	\$ 532,420	\$ -
State sources	14,388,717	14,493,830	14,493,830	105,113	-
Federal sources	235,200	2,303,973	2,303,973	2,068,773	-
Sixteenth section sources	364,250	451,256	451,256	87,006	-
Total Revenues	22,163,779	24,957,091	24,957,091	2,793,312	-
Expenditures:					
Instruction	12,753,888	12,712,776	12,711,231	41,112	1,545
Support services	8,021,373	7,546,881	7,909,722	474,492	(362,841)
Sixteenth section	99,142	64,073	64,073	35,069	-
Facilities acquisition and construction	264,053	702,244	338,456	(438,191)	363,788
Total Expenditures	21,138,456	21,025,974	21,023,482	112,482	2,492
Excess (Deficiency) of Revenues over (under) Expenditures	1,025,323	3,931,117	3,933,609	2,905,794	2,492
Other Financing Sources (Uses):					
Insurance recovery	-	38,440	38,440	38,440	-
Operating transfers in	2,343,776	2,373,805	-	30,029	(2,373,805)
Operating transfers out	(3,509,882)	(3,466,829)	(1,093,024)	43,053	2,373,805
Total Other Financing Sources (Uses)	(1,166,106)	(1,054,584)	(1,054,584)	111,522	0
Net Change in Fund Balances	(140,783)	2,876,533	2,879,025	3,017,316	2,492
Fund Balances:					
July 1, 2019	6,197,427	6,197,427	6,197,427	-	-
Residual Equity Transfers In	-	-	105,997	-	105,997
June 30, 2020	\$ 6,056,644	\$ 9,073,960	\$ 9,182,449	\$ 3,017,316	\$ 108,489

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I Basic Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,632,694	\$ 1,632,694	\$ 1,338,416	\$ -	\$ (294,278)
Total Revenues	1,632,694	1,632,694	1,338,416	-	(294,278)
Expenditures:					
Instruction	497,595	477,995	419,796	19,600	58,199
Support services	1,083,267	1,115,022	878,685	(31,755)	236,337
Noninstructional services	51,832	51,917	39,935	(85)	11,982
Total Expenditures	1,632,694	1,644,934	1,338,416	(12,240)	306,518
Excess (Deficiency) of Revenues over (under) Expenditures	-	(12,240)	-	(12,240)	12,240
Net Change in Fund Balances	-	(12,240)	-	(12,240)	12,240
Fund Balances:					
July 1, 2019	-	-	-	-	-
June 30, 2020	\$ -	\$ (12,240)	\$ -	\$ (12,240)	\$ 12,240

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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.246%	0.215%	0.231%	0.231%	0.230%	0.226%
District's proportionate share of the net pension liability	\$ 43,359,288	35,760,888	38,400,040	41,262,368	35,553,464	27,432,262
District's covered payroll	\$ 16,052,083	13,753,492	14,828,740	14,765,635	14,350,287	13,799,016
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.01%	258.96%	279.45%	247.75%	198.80%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,673,543	2,528,203	2,166,175	2,335,528	2,325,588	2,260,172
Contribution in relation to the contractually required contribution	2,673,543	2,528,203	2,166,175	2,335,528	2,325,588	2,260,172
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	15,365,190	16,052,083	13,753,492	14,828,740	14,765,635	14,350,287
Contributions as a percentage of covered payroll	17.40%	15.75%	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*

	2020	2019	2018
District's proportion of the net OPEB liability	<u>0.32857127%</u>	<u>0.32746598%</u>	<u>0.33329529%</u>
District's proportionate share of the net OPEB liability	\$ 2,788,062	2,533,113	2,615,065
District's covered-employee payroll	\$ 15,655,658	15,108,213	15,245,296
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.81%	16.77%	17.15%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	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.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 100,653	111,754	111,484
Contribution in relation to the actuarially determined contribution	100,653	111,754	111,484
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	15,762,773	15,655,658	15,108,213
Contributions as a percentage of covered-employee payroll	0.64%	0.71%	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, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2020

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.

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2020

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 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 Required Supplementary Information
For The Year Ended June 30, 2020

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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: 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, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

SUPPLEMENTARY INFORMATION

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 372,004
National school lunch program	10.555	205MS326N1099	1,029,781
Summer food service program for children	10.559	205MS326N1099	202,828
Subtotal			1,604,613
COVID 19-Summer food service program for children	10.559	205MS326N1099	140,576
Total child nutrition cluster			1,745,189
Fresh fruits and vegetables grant	10.582	205MS326L1603	39,753
Total passed-through Mississippi Department of Education			1,784,942
Passed-through Winston County, Mississippi			
National forest-dependent rural communities	10.665	N/A	38,308
Total passed-through Winston County, Mississippi			38,308
Total U.S. Department of Agriculture			1,823,250
Federal Communications Commission			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	493,999
Total Federal Communications Commission			493,999
U.S. Department of Education			
Direct Program:			
Impact aid - facilities maintenance	84.040	N/A	30,001
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A190024	1,409,275
Career and technical education - basic grants to states	84.048	V048A190024	60,359
Rural education	84.358	ES358B190024	38,038
Supporting Effective Instruction State Grants	84.367	ES367A190023	58,339
Student support and academic enrichment grants	84.424	ES424A190025	17,314
Subtotal			1,583,325
Special education cluster:			
Special education - grants to states	84.027	H027A190108	826,223
Special education - preschool grants	84.173	H173A190113	31,466
Total special education cluster			857,689
Total passed-through Mississippi Department of Education			2,471,015
Passed-through Mississippi Department of Rehabilitative Services			
Vocational rehabilitation grants to states	84.126	N/A	560
Total passed-through Mississippi Department of Rehabilitative Services			560
Total U.S. Department of Education			2,471,575
U.S. Department of Homeland Security			
Community disaster loans	97.030	N/A	1,674,999
Total Department of Homeland Security			1,674,999
Total for All Federal Awards			\$ 6,463,823

The notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

LOUISVILLE MUNICIPAL SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2020

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, 2020. 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 Louisville Municipal School District.

Note 2 – Basis of Accounting

Expenditures reported on the Schedule are reported on the current financial resource measurement focus and the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the previous year.

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 \$224,642.

Note 5 – Indirect Cost Rate

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

LOUISVILLE MUNICIPAL SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2020

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 21,372,499	15,918,966	733,071	1,684,470	3,035,992
Other	6,289,465	1,912,615	370,693	103,806	3,902,351
Total	<u>\$ 27,661,964</u>	<u>17,831,581</u>	<u>1,103,764</u>	<u>1,788,276</u>	<u>6,938,343</u>
Total number of students *	<u>2,701</u>				
Cost per student	<u>\$ 10,242</u>	<u>6,602</u>	<u>409</u>	<u>662</u>	<u>2,569</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 year.

OTHER INFORMATION

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

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 7,708,032	\$ 7,814,526	\$ 7,135,154	\$ 6,372,866
State sources	14,493,830	14,397,867	13,826,120	13,529,076
Federal sources	2,303,973	241,324	269,983	232,086
Sixteenth section sources	451,256	183,116	388,460	191,315
Total Revenues	24,957,091	22,636,833	21,619,717	20,325,343
Expenditures:				
Instruction	12,711,231	12,425,958	12,181,415	12,221,482
Support services	7,909,722	7,737,957	7,191,583	7,154,775
Sixteenth section	64,073	85,691	125,717	115,707
Facilities acquisition and construction	338,456	847,715	1,042,698	63,185
Debt service:				
Other	-	-	28,085	-
Total Expenditures	21,023,482	21,097,321	20,569,498	19,555,149
Excess (Deficiency) of Revenues over (under) Expenditures	3,933,609	1,539,512	1,050,219	770,194
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	3,100,000	-
Insurance recovery	38,440	59,221	-	-
Sale of transportation equipment	-	-	7,392	-
Sale of other property	-	-	775	-
Operating transfers in	-	234,950	17,484	774,090
Operating transfers out	(1,093,024)	(1,330,396)	(2,154,997)	(1,532,192)
Total Other Financing Sources (Uses)	(1,054,584)	(1,036,225)	970,654	(758,102)
Net Change in Fund Balances	2,879,025	503,287	2,020,873	12,092
Fund Balances:				
Beginning of period, as previously reported	6,197,427	5,694,140	3,673,267	3,661,175
Residual Equity Transfers In	105,997			
Beginning of period, as restated	6,303,424	5,694,140	3,673,267	3,661,175
End of Period	\$ 9,182,449	\$ 6,197,427	\$ 5,694,140	\$ 3,673,267

*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

	2020	2019*	2018*	2017*
Revenues:				
Local sources	\$ 8,204,902	\$ 8,381,304	\$ 7,616,209	\$ 6,902,690
Intermediate sources	-	-	-	34,510
State sources	15,096,346	14,942,631	14,446,168	14,574,841
Federal sources	6,544,979	4,732,328	4,906,158	5,597,921
Sixteenth section sources	520,017	191,621	436,696	204,918
Total Revenues	30,366,244	28,247,884	27,405,231	27,314,880
Expenditures:				
Instruction	15,026,645	14,611,974	14,332,148	14,539,958
Support services	9,705,081	9,593,874	11,685,497	8,978,155
Noninstructional services	2,002,898	2,154,688	2,146,758	2,506,192
Sixteenth section	64,073	86,529	129,817	163,619
Facilities acquisition and construction	338,456	847,715	1,042,698	867,607
Debt service:				
Principal	375,000	295,000	1,040,000	190,000
Interest	149,811	132,887	93,069	44,706
Other	-	-	70,500	-
Total Expenditures	27,661,964	27,722,667	30,540,487	27,290,237
Excess (Deficiency) of Revenues over (under) Expenditures	2,704,280	525,217	(3,135,256)	24,643
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	5,385,000	-
Insurance recovery	38,440	59,221	-	-
Sale of transportation equipment	-	-	7,392	-
Sale of other property	-	-	1,210	-
Operating transfers in	1,093,024	1,565,346	2,172,481	2,306,283
Operating transfers out	(1,093,024)	(1,565,346)	(2,172,481)	(2,306,283)
Total Other Financing Sources (Uses)	38,440	59,221	5,393,602	-
Net Change in Fund Balances	2,742,720	584,438	2,258,346	24,643
Fund Balances:				
Beginning of period, as previously reported	8,694,674	8,095,086	5,832,382	5,840,194
Prior period adjustments	-	-	(8,515)	-
Residual equity transfers in	105,997	-	-	-
Beginning of period, as restated	8,800,671	8,095,086	5,823,867	5,840,194
Increase (Decrease) in reserve for inventory	91,822	15,150	12,873	(32,455)
End of Period	\$ 11,635,213	\$ 8,694,674	\$ 8,095,086	\$ 5,832,382

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
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Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA
Edward A. Maxwell, CPA

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, 2020, 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 September 17, 2021.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item **Finding 2020-001** that we consider to be a material weakness.

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*.

Louisville Municipal School District's Response to Findings

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

September 17, 2021

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
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Certified Public Accountants

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

To the Superintendent and School Board
Louisville Municipal School District

Report on Compliance for Each Major Federal Program

We have audited the Louisville Municipal School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Louisville Municipal School District's major federal programs for the year ended June 30, 2020. Louisville Municipal School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Louisville Municipal School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Louisville Municipal School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Louisville Municipal School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Louisville Municipal School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Louisville Municipal School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Louisville Municipal School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

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
September 17, 2021

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, 2020

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| 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? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 97.030 | Community Disaster Loans |
| 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

Material Weakness

Finding 2020-001 The District Should Strengthen Controls Over Access To Student Daily Attendance Records

Criteria: School Districts' should implement adequate internal controls over access to student daily attendance records to ensure that attendance census amounts reported to the Mississippi Department of Education are representative of actual student attendance records.

Condition: During our interviews with School District personnel it was noted that there were some potential discrepancies in census reporting of student daily attendance to the Mississippi Department of Education. The discrepancies occurred due to the former Superintendent allegedly changing attendance rolls for students who were absent to report them as present. We reviewed the change logs during this time period and did note that the former Superintendent was able to access and change student attendance records. This matter has been turned over to the Office of the State Auditor for investigation and has not been resolved as of the date of this report.

Effect: Lack of adequate controls over access to student attendance records could result in incorrect attendance census amounts being reported to the Mississippi Department of Education which directly affects the allocation of Mississippi Adequate Education Funding the District receives from the state. This funding represents the majority of the funding the District receives to maintain the School District's operations.

Cause: The District did not have adequate controls in place over access to student attendance census data.

Recommendation

We recommend the district implement controls to restrict access to student attendance census data. These restrictions should allow Managerial or Administrative personnel access to only view student attendance data and not be able to make any changes to the student attendance data.

Views of Responsible Officials of the Auditee

We will implement controls and procedures to ensure that access to student attendance census data is restricted. These restrictions will allow Managerial or Administrative personnel access to only view student attendance data and not be able to make any changes to the student attendance data.

Section III: Federal Award Findings and Questioned Costs

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

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



Louisville Municipal School District

David Luke , 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, 2020

Finding 2020-001: The District Should Strengthen Controls Over Access To Student Daily Attendance Records.

District Response:

- A. What Corrective Action will be taken? We will establish internal control policies that restricts managerial or administrative staff from changing student attendance records.
- B. Who is responsible? Jeffrey Woodward, IT Director
- C. When will the plan be implemented? Immediately



Louisville Municipal School District

David Luke , Superintendent
P.O. BOX 909 - 891 S. COLUMBUS AVE.
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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, 2020:

<u>Finding</u>	<u>Status</u>
2019-001	Corrected

Sincerely,

David Luke, Superintendent