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**CITY OF LOUISVILLE, MISSISSIPPI**

**TABLE OF CONTENTS**

<b>FINANCIAL SECTION</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION</b>	<b>2</b>
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	<b>11</b>
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Government Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>45</b>
Budgetary Comparison Schedule – General Fund	46
Budgetary Comparison Schedule – Polo Building Lease Fund	47
Budgetary Comparison Schedule – CDBG Natron Fund	48
Budgetary Comparison Schedule – Disaster Projects Fund	49
Notes to the Required Supplementary Information	50
<b>SUPPLEMENTAL INFORMATION</b>	<b>51</b>
Schedule of Expenditures of Federal Awards	52
Combining Financial Statements – Component Units	53
Statement of Net Assets	54
Statement of Revenues, Expenses and Changes in Net Assets	55
Schedule of Reconciling Original Ad Valorem Tax Rolls to Fund Collections	56
Schedule of Surety Bonds for Elected Officials	57
<b>SPECIAL REPORTS</b>	<b>58</b>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	59
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133	61
Independent Auditor's Report on Compliance with State Laws and Regulations	63
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>65</b>

**CITY OF LOUISVILLE, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**RECEIVED  
JAN 05 2016**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF LOUISVILLE, MISSISSIPPI**

**FINANCIAL SECTION**



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

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Alderman  
 City of Louisville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Electric System and the Louisville Water System which represents 100 percent, respectively, of the assets, net position, and revenues of the discretely presented proprietary component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Louisville, Mississippi, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-10 and 46-50 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 and other auditors 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 City of Louisville, Mississippi's basic financial statements. The combining financial statements – component units, schedule reconciling ad valorem rolls to fund collections, and schedule of surety bonds for elected officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisville, Mississippi's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the City of Louisville, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Louisville, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
December 18, 2015

*Watkins Ward and Stafford, PLLC*



200 SOUTH CHURCH AVENUE  
P.O. DRAWER 510  
LOUISVILLE, MS 39339  
*"WHERE PEOPLE MAKE THE DIFFERENCE"*

William A. (Will) Hill  
Mayor

Telephone: (662) 773-9201  
Fax: (662) 773-4045

December 28, 2015

Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

RE: Annual Municipal Audit

Accompanying this letter is one hard copy of the annual audit of the City of Louisville, Mississippi, for the fiscal year ended September 30, 2014. One electronic copy is being sent today also.

In connection with this audit, a separate management letter was written by the city. You will find a copy of this management letter along with the audit reports.

Sincerely,

  
Will Hill  
Mayor

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**CITY OF LOUISVILLE, MISSISSIPPI**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY OF LOUISVILLE**  
200 SOUTH CHURCH AVENUE  
P. O. DRAWER 510  
LOUISVILLE, MISSISSIPPI 39339

**CITY OF LOUISVILLE, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2014**

The discussion and analysis of the City of Louisville's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. It should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Louisville exceeded its liabilities at the close of the fiscal year ending September 30, 2014 by \$15,398,060 (net position).
- Total net position increased \$10,935,130. Net position of governmental activities increased \$10,801,097 which represents a 433% increase from 2013. Net position of business-type activities increased \$134,033, or 7% over 2013. The primary reason for the increase is due to insurance reimbursement and FEMA funding to assist in the disaster recovery of the city.
- As of September 30, 2014, the City of Louisville's governmental funds reported combined ending fund balances of \$10,967,168, an increase of \$9,310,075.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the City of Louisville's basic financial statements. The City of Louisville's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Louisville's finances, in a manner similar to a private-sector business. The Statement of Net position presents information on all of the City of Louisville's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Louisville is improving or deteriorating. The Statement of Net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both the Statement of Net position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the police, fire, public works, culture and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sanitation and landfill system is reported here.
- **Component Units** – The City includes three separate legal entities in its report – The Housing Authority of the City of Louisville, the Louisville Electric System and the Louisville Water System.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state laws and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- **Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Louisville maintains several individual governmental funds. 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 the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated nonmajor fund presentation.

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- The City of Louisville maintains two individual enterprise funds. The City uses enterprise funds to account for its sanitation fund and landfill fund. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitation and landfill funds, both of which are considered to be major funds of the City.

## 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.

### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary comparative information for the general fund and each major special revenue fund.

### THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net position were \$15,398,060 as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental activities net position are \$13,296,059 and the business type activities net position are \$2,102,001. This analysis focuses on the net position (table 1) and changes in net position (table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (62%) is restricted for economic development. These are primarily insurance proceeds set aside to reconstruct an industrial property owned by the City. The next largest portion (37%) reflects its investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1**  
**Summary of Net position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 13,584,905	3,720,339	2,114,379	1,237,573	15,699,284	4,957,912
Capital Assets	5,161,156	3,740,039	1,003,171	1,605,141	6,164,327	5,345,180
Total Assets	18,746,061	7,460,378	3,117,550	2,842,714	21,863,611	10,303,092
Current and other liabilities	2,684,783	2,277,970	1,009,958	869,152	3,694,741	3,147,122
Long-term liabilities	2,765,219	2,687,446	5,591	5,594	2,770,810	2,693,040
Total Liabilities	5,450,002	4,965,416	1,015,549	874,746	6,465,551	5,840,162
Deferred inflows of resources	1,045,250	0	0	0	1,045,250	0
Net position:						
Net Investment in capital assets	4,731,623	3,349,902	1,003,171	1,541,053	5,734,794	4,890,955
Restricted	9,887,536	641,960	1,098,830	518,138	10,986,366	1,160,098
Unrestricted	(1,323,100)	(1,496,900)	(0)	(91,223)	(1,323,100)	(1,588,123)
Total Net position	\$ 13,296,059	2,494,962	2,102,001	1,967,968	15,398,060	4,462,930

**Table 2**  
**Changes in Net position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 584,968	673,237	1,723,387	955,376	2,308,355	1,628,613
Operating grants and contributions	5,938,402	661,900	1,092,779	0	7,031,181	661,900
Capital grants and contributions	0	396,603	0	0	0	396,603
<b>General revenues:</b>						
Taxes	1,662,237	1,542,808	0	0	1,662,237	1,542,808
Grants and contributions not restricted to specific programs	2,030,806	2,000,321	0	0	2,030,806	2,000,321
Unrestricted interest income	24,330	25,167	3,433	4,834	27,763	30,001
Miscellaneous	91,698	109,174	0	0	91,698	109,174
Transfers In	42,500	0	0	340,970	42,500	340,970
Extraordinary Items	10,399,564	0	0	0	10,399,564	0
<b>Total Revenues</b>	<b>20,774,505</b>	<b>5,409,210</b>	<b>2,819,599</b>	<b>1,301,180</b>	<b>23,594,104</b>	<b>6,710,390</b>
<b>Expenses:</b>						
General government	3,721,769	864,562	0	0	3,721,769	864,562
Public safety	2,540,937	2,550,014	0	0	2,540,937	2,550,014
Public works	1,777,909	2,498,051	0	0	1,777,909	2,498,051
Culture and recreation	459,935	430,477	0	0	459,935	430,477
Economic development and assistance	2,008,316	64,143	0	0	2,008,316	64,143
Interest on long-term debt	120,088	91,795	0	0	120,088	91,795
Sanitation	0	0	503,035	423,073	503,035	423,073
Landfill	0	0	1,484,485	508,359	1,484,485	508,359
Railspur	0	0	0	8,112	0	8,112
Transfers Out	0	340,970	42,500	0	42,500	340,970
<b>Total Expenses</b>	<b>10,628,954</b>	<b>6,840,012</b>	<b>2,030,020</b>	<b>939,544</b>	<b>12,658,974</b>	<b>7,779,556</b>
<b>Increase (Decrease) in net position</b>	<b>10,145,551</b>	<b>(1,430,802)</b>	<b>789,579</b>	<b>361,636</b>	<b>10,935,130</b>	<b>(1,069,166)</b>
<b>Net position, October 1</b>	<b>2,494,962</b>	<b>3,917,366</b>	<b>1,967,968</b>	<b>1,543,132</b>	<b>4,462,930</b>	<b>5,460,498</b>
<b>Net Asset Reclassification</b>	<b>655,546</b>	<b>0</b>	<b>(655,546)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>8,398</b>	<b>0</b>	<b>63,200</b>	<b>0</b>	<b>71,598</b>
<b>Net position, September 30</b>	<b>\$ 13,296,059</b>	<b>2,494,962</b>	<b>2,102,001</b>	<b>1,967,968</b>	<b>15,398,060</b>	<b>4,462,930</b>

The most significant governmental expense for the City was incurred in regards to general government activities (\$3,721,769). The majority of these expenses in the current year were related to disaster recovery. The next largest governmental expense was incurred providing for public safety, which incurred expenses of \$2,540,937. These expenses were offset by revenues collected from a variety of sources, with the largest being from FEMA reimbursement and the next largest fines and forfeitures. The major components of public safety are police and fire. Other significant governmental expenses for the City include public works (\$1,777,909).

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### Business-type Activities

- Revenues of the City's business-like activities were \$2,819,599 for the fiscal year ending September 30, 2014. Expenses for the City's business-type activities were \$2,030,020 for the year. There was also a fund reclassification of the railspur fund from a business type activity to a governmental activity totaling (\$655,546). The total net increase in net position is \$134,033.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of the fiscal year 2014 the City had \$6,164,327 invested in a broad range of capital assets, including police and fire equipment, buildings and park facilities. (See Table 3 below). This amount represents a net increase (including additions and deductions) of \$1,003,171 or 21% increase over the prior fiscal year.

**Table 3**  
**Capital Assets and Year End**  
**Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,417,074	\$ 1,056,745	\$ 144,000	\$ 144,000	\$ 1,561,074	\$ 1,200,745
Construction in progress	1,001,261	0	0	546,670	1,001,261	546,670
Infrastructure	338,583	346,841	0	0	338,583	346,841
Buildings and improvements	1,303,248	1,379,414	0	0	1,303,248	1,379,414
Improvements other than buildings	305,820	184,248	236,010	576,729	541,830	760,977
Equipment	319,735	326,938	623,161	90,586	942,896	417,524
Leased property under capital lease	475,435	445,853	0	247,156	475,435	693,009
<b>Totals</b>	<u>5,161,156</u>	<u>3,740,039</u>	<u>1,003,171</u>	<u>1,605,141</u>	<u>6,164,327</u>	<u>5,345,180</u>

This year's major additions includes (4) Police Cars, (1) CAT Bulldozer, (1) CAT Track-hoe and construction related to the Winston Plywood Plant which was destroyed in the April 28,2014 Tornado.

#### Debt

At year-end, the City had \$3,252,843 in general obligation bond debt, capital leases and other loans outstanding as compared to \$3,609,819 at the end of the prior fiscal year, an decrease of 10% as shown in table 4.

**Table 4**  
**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
GO Bonds Payable	\$ 1,715,000	\$ 1,860,000	\$ 0	\$ 0	\$ 1,715,000	\$ 1,860,000
Capital Leases	429,533	390,137	0	39,088	429,533	429,225
Other loans	1,108,310	1,142,438	0	25,000	1,108,310	1,167,438
Compensated Absences	150,347	147,562	5,591	5594	155,938	153,156
<b>Totals</b>	<u>3,403,190</u>	<u>3,540,137</u>	<u>5,591</u>	<u>69,682</u>	<u>3,408,781</u>	<u>3,609,819</u>

## **THE CITY'S FUNDS**

At the close of the City's fiscal year on September 30, 2014 the governmental funds of the City reported a combined fund balance of \$10,967,168. This ending balance includes an increase in fund balance of \$9,310,075, with no fund balance reclassification this year. The primary reason for the General Fund's increase is from the extraordinary proceeds of the Sandy Recovery Act from tornado and rebuilding plywood plant.

### **Budgetary Highlights**

Over the course of the year, the City revised the annual operating budget.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for the governmental and business-type activities. One of these factors is the economy. The largest sources of revenues in the general fund are sales tax and property tax revenues which are anticipated to remain consistent with the current year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk at the City of Louisville, P. O. Drawer 510, Louisville, Mississippi 39339.

**CITY OF LOUISVILLE, MISSISSIPPI**

**FINANCIAL STATEMENTS**

City Of Louisville, Mississippi  
Statement of Net Position  
September 30, 2014

**Exhibit 1**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
<b>ASSETS</b>				
Cash	\$ 8,148,540	725,136	8,873,676	10,146,967
Investments	-	-	-	230,367
Accrued interest receivable	-	-	-	2,418
Property tax receivable	1,045,250	-	1,045,250	-
Accounts receivable (net of allowance for uncollectibles of \$1,792)	-	169,768	169,768	1,186,227
Fines receivable (net of allowance for uncollectibles of \$554,169)	96,374	-	96,374	-
Capital leases receivable	497,004	-	497,004	-
Intergovernmental receivables	3,550,643	1,067,780	4,618,423	-
Other receivables	8,198	-	8,198	39,559
Internal balances	238,896	(238,896)	-	-
Inventories and prepaid items	-	-	-	1,431,493
CSA stockholder loan	-	-	-	13,633
Restricted assets	-	390,591	390,591	15,450
Capital assets:				
Land and construction in progress	2,418,335	144,000	2,562,335	1,668,432
Other capital assets, net	2,742,821	859,171	3,601,992	28,224,490
<b>Total Assets</b>	<b>18,746,061</b>	<b>3,117,550</b>	<b>21,863,611</b>	<b>42,959,036</b>
<b>LIABILITIES</b>				
Claims payable	961,518	151,007	1,112,525	1,863,298
Liabilities payable from restricted assets	-	-	-	15,450
Intergovernmental payables	17,591	77,180	94,771	50,981
Accrued interest payable	22,453	-	22,453	-
Unearned revenue	-	-	-	1,207
Customer deposits	-	-	-	649,746
Other current liabilities	-	-	-	4,078
Liability for closure/post closure costs	-	781,771	781,771	-
Long-term liabilities				
Due within one year:				
Capital debt	112,050	-	112,050	90,531
Non-capital debt	525,921	-	525,921	2,523
Due in more than one year:				
Capital debt	317,483	-	317,483	1,960,281
Non-capital debt	2,447,736	5,591	2,453,327	7,568
<b>Total Liabilities</b>	<b>4,404,752</b>	<b>1,015,549</b>	<b>5,420,301</b>	<b>4,645,663</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax for future reporting period	1,045,250	-	1,045,250	-
<b>Total Deferred Inflows of Resources</b>	<b>1,045,250</b>	<b>-</b>	<b>1,045,250</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,731,623	1,003,171	5,734,794	27,842,110
Restricted for:				
Expendable:				
General government	60,517	-	60,517	
Debt service	1,771	-	1,771	
Public safety	124,837	-	124,837	
Public works	-	1,098,830	1,098,830	
Culture and recreation	69,702	-	69,702	
Economic development	9,619,187	-	9,619,187	
Unemployment compensation	11,522	-	11,522	
Unrestricted	(1,323,100)	-	(1,323,100)	10,471,263
<b>Total Net Position</b>	<b>\$ 13,296,059</b>	<b>2,102,001</b>	<b>15,398,060</b>	<b>38,313,373</b>

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

City Of Louisville, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities			Total
					Business-type Activities	Total		
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 3,721,769	226,666	3,015,980	-	(479,123)	(479,123)		
Public safety	2,540,937	358,302	189,868	-	(1,992,767)	(1,992,767)		
Public works	1,777,909	-	761,564	-	(1,016,345)	(1,016,345)		
Culture and recreation	458,935	-	34,630	-	(425,305)	(425,305)		
Economic development and assistance	2,008,316	-	1,936,360	-	(71,956)	(71,956)		
Interest on long-term debt	120,088	-	-	-	(120,088)	(120,088)		
<b>Total Governmental Activities</b>	<b>10,628,954</b>	<b>584,968</b>	<b>5,938,402</b>	<b>-</b>	<b>(4,105,584)</b>	<b>(4,105,584)</b>		
<b>Business-type activities:</b>								
Landfill	1,484,485	1,206,366	1,027,909	-	749,790	749,790		
Sanitation	503,035	517,021	64,870	-	78,856	78,856		
<b>Total Business-type Activities</b>	<b>1,987,520</b>	<b>1,723,387</b>	<b>1,092,779</b>	<b>-</b>	<b>828,646</b>	<b>828,646</b>		
<b>Total Primary Government</b>	<b>12,616,474</b>	<b>2,308,355</b>	<b>7,031,181</b>	<b>-</b>	<b>(4,105,584)</b>	<b>(3,276,938)</b>		
<b>Component units:</b>								
The Housing Authority of the City Of Louisville	\$ 1,003,357	286,977	393,670	287,870			(34,840)	
Louisville Electric System	9,234,902	9,438,023					203,121	
Louisville Water System	2,591,407	2,447,626					(143,781)	
<b>Total Component Units</b>	<b>12,829,666</b>	<b>12,172,626</b>	<b>393,670</b>	<b>287,870</b>			<b>24,500</b>	
<b>General revenues:</b>								
Property taxes	\$ 1,543,032				1,543,032			
Road & bridge privilege taxes	119,205				119,205			
Grants and contributions not restricted to specific programs	2,030,806				2,030,806			
Unrestricted interest income	24,330				27,763		48,237	
Miscellaneous	91,696				91,698		1,412	
Special item (Loan Forgiveness)							625,987	
Extraordinary item (Insurance loss recovery from tornado damage)					10,399,564		4	
<b>Transfers</b>	<b>42,500</b>				<b>(42,500)</b>			
<b>Total General Revenues, Special Item, Extraordinary Item and Transfers</b>	<b>14,251,135</b>				<b>14,212,068</b>		<b>675,640</b>	
<b>Changes in Net Position</b>	<b>10,145,551</b>				<b>789,579</b>		<b>700,140</b>	
<b>Net Position - Beginning</b>							<b>37,613,233</b>	
<b>Fund reclassification</b>								
<b>Net Position - Beginning, as restated</b>							<b>37,613,233</b>	
<b>Net Position - Ending</b>							<b>38,313,373</b>	

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

City Of Louisville, Mississippi  
 Balance Sheet - Governmental Funds  
 September 30, 2014

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Polo Building Lease Fund	CDBG Natron Fund	Disaster Projects Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 1,781,598	-	30	5,675,971	690,941	8,148,540
Property tax receivable	867,000	-	-	-	178,250	1,045,250
Fines receivable (net of allowance for uncollectibles of \$ 554,169)	96,374	-	-	-	-	96,374
Capital lease receivable	-	497,004	-	-	-	497,004
Intergovernmental receivables	3,441,320	-	-	-	109,323	3,550,643
Other receivables	8,119	-	-	-	-	8,119
Due from other funds	255,686	-	-	4,000,000	-	4,255,686
<b>Total Assets</b>	<b>\$ 6,450,097</b>	<b>497,004</b>	<b>30</b>	<b>9,675,971</b>	<b>978,514</b>	<b>17,601,616</b>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 395,123	-	-	454,591	111,804	961,518
Intergovernmental payables	17,591	-	-	-	-	17,591
Due to other funds	4,000,000	-	-	-	16,711	4,016,711
Unearned revenue	-	497,004	-	-	-	497,004
<b>Total Liabilities</b>	<b>\$ 4,412,714</b>	<b>497,004</b>	<b>-</b>	<b>454,591</b>	<b>128,515</b>	<b>5,492,824</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	867,000	-	-	-	178,250	1,045,250
Unavailable revenue - fines	96,374	-	-	-	-	96,374
<b>Total Deferred Inflows of Resources</b>	<b>963,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,250</b>	<b>1,141,624</b>
<b>Fund balances:</b>						
Restricted for:						
General government	-	-	-	-	60,517	60,517
Public safety	45,605	-	-	-	79,232	124,837
Culture and recreation	-	-	-	-	69,702	69,702
Economic development and assistance	-	-	30	9,221,380	397,777	9,619,187
Debt service	-	-	-	-	1,771	1,771
Unemployment compensation	11,522	-	-	-	-	11,522
Assigned to:						
General government	-	-	-	-	136,109	136,109
Unassigned	1,016,882	-	-	-	(73,359)	943,523
<b>Total Fund Balances</b>	<b>\$ 1,074,009</b>	<b>-</b>	<b>30</b>	<b>9,221,380</b>	<b>671,749</b>	<b>10,967,168</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,450,097</b>	<b>497,004</b>	<b>30</b>	<b>9,675,971</b>	<b>978,514</b>	<b>17,601,616</b>

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

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**City of Louisville, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**September 30, 2014**

**Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,967,168
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,761,246.	5,161,156
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines Receivable	96,374
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,403,190)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(22,453)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>497,004</u>
Total Net Position - Governmental Activities	<u>\$ 13,296,059</u>

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

City Of Louisville, Mississippi  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2014**

**Exhibit 4**

	Major Funds					Total Governmental Funds
	General Fund	Polo Building Lease Fund	CDBG Natron Fund	Disaster Recovery Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 1,343,781	-	-	-	199,252	1,543,033
Road and bridge privilege taxes	119,205	-	-	-	-	119,205
Licenses and permits	129,551	-	-	-	-	129,551
Fines and forfeitures	161,201	-	-	-	-	161,201
Intergovernmental revenues	5,819,816	-	1,909,715	-	178,084	7,907,615
Charges for services	126,036	-	-	-	300,116	426,152
Interest income	1,284	20,494	-	2,195	357	24,330
Miscellaneous revenues	21,342	-	-	100	2,954	24,396
<b>Total Revenues</b>	<b>7,722,216</b>	<b>20,494</b>	<b>1,909,715</b>	<b>2,295</b>	<b>680,763</b>	<b>10,335,483</b>
<b>EXPENDITURES</b>						
Current:						
General government	3,553,981	-	-	-	170,767	3,724,748
Public safety	2,128,733	-	-	-	407,153	2,535,886
Public works	1,457,338	-	-	-	319,433	1,776,771
Culture and recreation	319,601	-	-	-	120,301	439,902
Economic development and assistance	56,945	4,008	1,924,274	824,920	3,645	2,813,792
Debt service:						
Principal	8,719	28,262	-	-	241,887	278,868
Interest	75	15,026	-	-	68,089	83,190
<b>Total Expenditures</b>	<b>7,525,392</b>	<b>47,296</b>	<b>1,924,274</b>	<b>824,920</b>	<b>1,331,275</b>	<b>11,653,157</b>
Excess of Revenues over (under) Expenditures	196,824	(26,802)	(14,559)	(822,625)	(650,512)	(1,317,674)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	114,136	-	-	-	-	114,136
Proceeds from sale of capital assets	300	-	-	-	-	300
Transfers in	42,500	-	14,589	-	337,843	394,932
Transfers out	(352,432)	-	-	-	-	(352,432)
Lease principal payments	-	28,802	-	-	-	26,802
<b>Total Other Financing Sources and Uses</b>	<b>(195,496)</b>	<b>26,802</b>	<b>14,589</b>	<b>-</b>	<b>337,843</b>	<b>183,738</b>
<b>EXTRAORDINARY ITEM (Insurance loss recovery from tornado damage)</b>						
Net Changes in Fund Balances	1,328	-	30	10,044,005	395,559	10,439,564
Fund Balances - Beginning	1,072,681	-	-	-	584,412	1,657,093
Fund reclassification	-	-	-	-	4,447	4,447
Fund Balances - Beginning, as restated	1,072,681	-	-	-	588,859	1,661,540
<b>Fund Balances - Ending</b>	<b>\$ 1,074,009</b>	<b>-</b>	<b>30</b>	<b>9,221,380</b>	<b>671,749</b>	<b>10,967,168</b>

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

**City Of Louisville, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

**Exhibit 4-1**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 9,305,628
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$983,645 exceeded depreciation of \$194,132 in the current period.	789,513
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net (loss) of \$44,495 and the proceeds from the sale of \$0 in the current period.	(44,495)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(3,342)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt service principal payments of \$278,868 exceeded debt proceeds of \$114,136.	164,732
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Compensated absences	(2,785)
Accrued interest payable	1,354
Amortization of bond issue costs	(38,252)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(26,802)
Change in Net Position of Governmental Activities	\$ <u>10,145,551</u>

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

City of Louisville, Mississippi  
 Statement of Net Position - Proprietary Fund  
 September 30, 2014

Exhibit 5

Business-type Activities - Enterprise Funds

	<u>Landfill Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 374,529	350,607	725,136
Accounts receivable (net of allowance for uncollectibles of \$ 1,792)	86,808	82,960	169,768
Intergovernmental receivables	1,002,909	64,871	1,067,780
Due from other funds	-	115,000	115,000
Total Current Assets	<u>1,464,246</u>	<u>613,438</u>	<u>2,077,684</u>
Noncurrent assets:			
Restricted assets	390,591	-	390,591
Capital assets:			
Land and construction in progress	144,000	-	144,000
Other capital assets, net	809,476	49,695	859,171
Total Noncurrent Assets	<u>1,344,067</u>	<u>49,695</u>	<u>1,393,762</u>
Total Assets	<u>2,808,313</u>	<u>663,133</u>	<u>3,471,446</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	106,963	44,044	151,007
Intergovernmental payables	77,180	-	77,180
Due to other funds	349,443	4,453	353,896
Total Current Liabilities	<u>533,586</u>	<u>48,497</u>	<u>582,083</u>
Noncurrent liabilities:			
Liability for closure/post closure costs	781,771	-	781,771
Non-capital debt:			
Compensated absences payable	3,738	1,853	5,591
Total Noncurrent Liabilities	<u>785,509</u>	<u>1,853</u>	<u>787,362</u>
<b>NET POSITION</b>			
Net investment in capital assets	953,476	49,695	1,003,171
Restricted for:			
Public works	535,742	563,088	1,098,830
Total Net Position	<u>\$ 1,489,218</u>	<u>612,783</u>	<u>2,102,001</u>

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

City Of Louisville, Mississippi  
 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
 For the Year Ended September 30, 2014

Exhibit 6

<u>Business-type Activities - Enterprise Funds</u>			
	<u>Landfill Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 1,206,366	517,021	1,723,387
Total Operating Revenues	<u>1,206,366</u>	<u>517,021</u>	<u>1,723,387</u>
Operating Expenses			
Personal services	191,601	79,020	270,621
Contractual services	527,614	249,873	777,487
Materials and supplies	359,770	79,083	438,853
Utilities	8,665	54,053	62,718
Fuel	85,577	28,505	114,082
Depreciation expense	262,369	12,501	274,870
Closure and postclosure expense	48,270	-	48,270
Total Operating Expenses	<u>1,483,866</u>	<u>503,035</u>	<u>1,986,901</u>
Operating Income (Loss)	<u>(277,500)</u>	<u>13,986</u>	<u>(263,514)</u>
Nonoperating Revenues (Expenses)			
Interest income	2,894	539	3,433
Intergovernmental grants	1,027,909	75,673	1,103,582
Interest expense	(619)		(619)
Net Nonoperating Revenue (Expenses)	<u>1,030,184</u>	<u>76,212</u>	<u>1,106,396</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	752,684	90,198	842,882
Transfers out	-	(42,500)	(42,500)
Changes in Net Position	<u>752,684</u>	<u>47,698</u>	<u>800,382</u>
Net Position - Beginning	736,534	565,085	1,301,619
Net Position - Ending	<u>\$ 1,489,218</u>	<u>612,783</u>	<u>2,102,001</u>

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

**City of Louisville, Mississippi**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2014**

**Exhibit 7**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Landfill Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,167,723	522,003	1,689,726
Payments to suppliers	(831,132)	(409,395)	(1,240,527)
Payments to employees	(186,648)	(78,552)	(265,200)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>149,943</u>	<u>34,056</u>	<u>183,999</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash received from other funds:			
Loans from other funds	451,148	2,253	453,401
Intergovernmental receipts	25,000		25,000
Cash paid to other funds:			
Operating transfers out	-	(42,500)	(42,500)
Loans made to other funds		(150,000)	(150,000)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>476,148</u>	<u>(190,247)</u>	<u>285,901</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(349,000)		(349,000)
Principal paid on long-term debt	(39,088)		(39,088)
Interest paid on debt	(619)		(619)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(388,707)</u>	<u>-</u>	<u>(388,707)</u>
<b>Cash Flows From Investing Activities</b>			
Interest on deposits	160	539	699
Purchase of investment securities	(11,000)		(11,000)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(10,840)</u>	<u>539</u>	<u>(10,301)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>226,544</u>	<u>(155,652)</u>	<u>70,892</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>147,985</u>	<u>506,259</u>	<u>654,244</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 374,529</u>	<u>350,607</u>	<u>725,136</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (277,500)	13,986	(263,514)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	262,370	12,501	274,871
Closure and postclosure expense	48,270		48,270
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(38,642)	4,981	(33,661)
Increase (decrease) in claims payable	155,445	2,591	158,036
Increase (decrease) in compensated absences liability	-	(3)	(3)
<b>Total Adjustments</b>	<u>427,443</u>	<u>20,070</u>	<u>447,513</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 149,943</u>	<u>34,056</u>	<u>183,999</u>

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

City Of Louisville, Mississippi  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 81
Total Assets	<u>\$ 81</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	
Other liabilities	
Intergovernmental payables	\$ 2
Due to other funds	79
Total Liabilities	<u>\$ 81</u>

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

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Louisville, Mississippi is a municipal corporation governed by an elected mayor and a five-member board. It provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation and landfill, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable.

Government Accounting Standards Board ("GASB") has set forth criteria to be considered in determining financial accountability. "Financial accountability" is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of the primary government.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

**Blended Component Unit:** The Louisville Coliseum is governed by an eight-member board. The City appoints the five voting board members. The Louisville Coliseum is not a legally separate entity, and it is reported as a part of the primary government since it exists solely to oversee activities and projects involving the coliseum owned by the City of Louisville.

**Discretely Presented Component Units:** The component units columns in the combined financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separated from the City. The governing bodies of all of these component units are appointed by the City board.

1. The Housing Authority of the City of Louisville was created by the City to provide public housing in accordance with federal legislation.
2. Louisville Utilities provide water, sewer and electric service to residents of the City. The City has issued a significant amount of general obligations bonds to finance Louisville Utilities' purchase of capital assets.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**A. Financial Reporting Entity (Continued)**

The following pages present condensed financial statements of each of the three discretely presented component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices, or from the city clerk's office at city hall.

Administrative Offices:

The Housing Authority of the City of Louisville  
P. O. Box 175  
Louisville, Mississippi 39339

Louisville Water System  
P. O. Box 849  
Louisville, Mississippi 39339

Louisville Electric System  
P. O. Box 849  
Louisville, Mississippi 39339

**Condensed Financial Statements -  
Discretely Presented Component Units  
Statement of Net position  
September 30, 2014**

	The Housing Authority of the City of Louisville June 30, 2014	Louisville Electric System June 30, 2014	Louisville Water System September 30, 2014	Total
<b>Assets:</b>				
Current assets	\$ 274,911	\$ 9,286,427	\$ 3,504,776	\$ 13,066,114
Capital assets	4,011,871	11,132,790	14,748,261	29,892,922
<b>Total assets</b>	<u>4,286,782</u>	<u>20,419,217</u>	<u>18,253,037</u>	<u>42,959,036</u>
<b>Liabilities:</b>				
Current Liabilities	81,511	1,777,745	168,812	2,028,068
Other Liabilities	7,568	421,232	2,188,795	2,617,595
<b>Total Liabilities</b>	<u>89,079</u>	<u>2,198,977</u>	<u>2,357,607</u>	<u>4,645,663</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	4,011,871	11,132,790	12,697,449	27,842,110
Unrestricted	185,832	7,087,450	3,197,981	10,471,263
<b>Total Net Position</b>	<u>4,197,703</u>	<u>18,220,240</u>	<u>15,895,430</u>	<u>38,313,373</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 4,286,782</u>	<u>\$ 20,419,217</u>	<u>\$ 18,253,037</u>	<u>\$ 42,959,036</u>

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**A. Financial Reporting Entity (Continued)**

**Condensed Financial Statements -  
Discretely Presented Component Units  
Statement of Revenues, Expenses, and Changes in Net position  
For the Fiscal Year Ended September 30, 2014**

	The Housing Authority of the City of Louisville June 30, 2014	Louisville Electric System June 30, 2014	Louisville Water System September 30, 2014	Total
<b>Operating Revenues</b>	\$ 682,059	\$ 9,438,023	\$ 2,447,626	\$ 12,567,708
<b>Operating expenses:</b>				
Depreciation	263,922	659,662	681,400	1,604,984
Other	739,435	8,571,336	1,876,914	11,187,685
	<u>1,003,357</u>	<u>9,230,998</u>	<u>2,558,314</u>	<u>12,792,669</u>
<b>Operating Income (Loss)</b>	<u>(321,298)</u>	<u>207,025</u>	<u>(110,688)</u>	<u>(224,961)</u>
Other Income	19,127	21,148	7,962	48,237
Other Expenses	-	(3,904)	(33,093)	(36,997)
	<u>19,127</u>	<u>17,244</u>	<u>(25,131)</u>	<u>11,240</u>
Special Item	-	-	625,987	625,987
Extraordinary Item	-	-	4	4
Capital Grants	287,870	-	-	287,870
	<u>287,870</u>	<u>-</u>	<u>625,991</u>	<u>913,861</u>
<b>Change in Net Position</b>	(14,301)	224,269	490,172	700,140
<b>Net Position - Beginning</b>	<u>4,212,004</u>	<u>17,995,971</u>	<u>15,405,258</u>	<u>37,613,233</u>
<b>Net Position - Ending</b>	<u>\$ 4,197,703</u>	<u>\$ 18,220,240</u>	<u>\$ 15,895,430</u>	<u>\$ 38,313,373</u>

Financial statements for the three discretely presented component units were audited by other auditors, as noted in our opinion letter dated December 18, 2015. It was noted that the fiscal year end for the financial statements for the Louisville Electric System and Housing Authority for the City of Louisville was June 30, 2014, instead of September 30, 2014. For further information on the three discretely presented component units see the combining schedules listed as supplemental information in the table of contents.

**B. Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information concerning the city as a whole. The statements include all nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues—and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**B. Government-Wide Financial Statements (Continued):**

The Statement of Net Position presents the financial condition of the governmental activities—and business-type activities of the city at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities—and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the city, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the city.

**Fund Financial Statements:**

Fund financial statements of the city are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the city. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as non-operating.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):**

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Polo Building Lease Fund is the fund that accounts for the capital lease of a commercial building to Polo Industries, Inc.

The CDBG Natron fund is the fund that accounts for the CDBG grant received to complete the renovation related to the Georgia Pacific Property.

The Disaster Projects Fund is the fund that accounts for the insurance proceeds received and disbursed in relation to the April 28, 2014 tornado.

The City reports the following major proprietary funds:

The landfill fund accounts for operations of solid waste disposal services

The sanitation fund accounts for all resources the City receives for solid waste collection.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Additionally, the City reports the following fund types:

**GOVERNMENTAL FUND TYPES**

**Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):**

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

Capital Projects Funds - These 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.

**PROPRIETARY FUND TYPES**

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the city has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as non-operating.

**FIDUCIARY FUND TYPES**

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the city, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**D. Use of Estimates In the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Deposits and Investments**

Cash includes the following: cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

**F. Receivables.**

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**G. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. Any outstanding balances between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

**H. Restricted Assets**

Certain investments in the City's enterprise funds are reserved for payments associated with closure and post closure costs of landfill cells at the Louisville/Winston City Landfill. As of September 30, 2014, the City has set aside \$390,591 for this purpose.

**I. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital asset's costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Louisville meets this criteria and has so elected. Therefore the major general infrastructure assets acquired prior to October 1, 2003 are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the city's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**I. Capital Assets (Continued)**

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and business-type activities. Depreciation is calculated on the straight-line basis for all assets, except land. Also, the City does not depreciate landfill cells in the landfill fund on the straight-line basis but on a ratio of capacity filled during the period compared to the total landfill capacity. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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	*	*

\* Leased property capitalization policy will correspond with the amounts for the asset classification as listed above.

**J. 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. There were no deferred outflows of resources required to be reported on the city's financial statements as of September 30, 2014.

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.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**K. Long-term Liabilities**

Long-term liabilities are the unmatured principal bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**L. Equity Classifications**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

In the government-wide and proprietary fund financial statements, the City reports net position in the following three categories:

**Net invested in capital assets** – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** – consists of net position that are not classified as invested in capital assets, net of related debt or restricted net position.

**Net Position Flow Assumption:**

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When 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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**L. Equity Classifications (Continued):**

**FUND FINANCIAL STATEMENTS**

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 Board of Aldermen, the City's highest level of decision-making authority. This formal action is a resolution approved by the board of aldermen. There are no committed fund balances as of September 30, 2014.

*Assigned fund balance* includes amounts that are constrained by the City'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 board of aldermen pursuant to authorization established by the City's fund balance policy.

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

**Fund Balance Flow Assumption:**

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures 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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**M. Property Tax Revenues**

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the municipality. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

**N. Intergovernmental Revenue in Governmental Funds**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**O. Compensated Absences**

The municipality has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

**P. Changes In Accounting Standards**

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

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**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**2. Fund Reclassification**

The Railspur Fund's beginning fund balance of \$666,349 was reclassified from Enterprise Funds to a beginning fund balance in a special revenue fund. For reporting purposes this fund is combined with all other non-major funds in other governmental funds. The purpose for the railspur changed at the beginning of the fiscal year. The Railspur is not being operated in a manner that is similar to a private business enterprise and for reporting purposes would be reported as a special revenue fund. Since a portion of the fund balance of the Railspur fund that was reported in the enterprise fund related to capital assets and related capital debt only a portion of the fund balance was reclassified to a special revenue fund. None of the capital assets and related debt associated with the railspur was reclassified since these would only be reported on the government-wide statements as a reclassification from business activities to governmental activities.

**3. Deposits and Investments**

The carrying amount of the city's total deposits with financial institutions at September 30, 2014, was \$8,873,757, and the bank balance was \$8,867,245. The collateral for public entities' 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 Depository Insurance Corporation.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. 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 city.

**Investments:**

Investment balances at September 30, 2014, are as follows and are reported as restricted assets on Exhibits 1 and 5:

<u>Investment Type</u>	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Treasury Obligation	Less than 1 year	\$ 2,591	2,591
Money Market Funds			
Certificates of Deposit	Less than 1 year	<u>388,000</u>	<u>388,000</u>
Total		<u>\$ 390,591</u>	<u>390,591</u>

**Interest Rate Risk.** The city 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 authorized by Section 21-33-323, Miss. Code Ann. (1972). The city does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**3. Deposits and Investments (Continued):**

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. Of the city's \$390,591 investment in U.S. Government Securities, none of the underlying securities were held by the investment's counterparty, not in the name of the city.

**4. Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Fund	\$ 16,711
General Fund	Sanitation Fund	4,453
General Fund	Landfill Fund	234,443
General Fund	Agency Fund	79
Sanitation Fund	Landfill Fund	115,000
Disaster Projects Fund	General Fund	4,000,000
Total		<u>\$ 4,370,686</u>

The loans from the General fund to other funds represent amounts due to cover operating expenses and payroll liabilities. The loan from the Sanitation Fund to the Landfill Fund represents a loan to pay for additional equipment purchased for the landfill. The loan from the Disaster Fund due to the General Fund represents a temporary loan to cover disaster related costs until the city receives FEMA funds.

B. Transfers In/Out

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 42,500
Other Governmental Funds	General Fund	337,843
CDBG Natron Fund	General Fund	14,589
Total		<u>\$ 394,932</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**5. Restricted Assets**

The restricted assets represent the investment balance of the closure and post closure trust accounts that are reported in the landfill fund. The total amount of the investments reported at September 30, 2014 is \$390,591. These funds are held in trust to comply with Department of Environmental Quality regulations and may not be used for any other purpose.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**6. Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2014, consisted of the following:

Governmental Activities:

Description	Amount
FEMA/MEMA Grant	\$ 3,012,097
Department of Justice – DUI Grant Sales Tax	18,958
Sales Tax	163,729
ARC grant	65,391
Airport Grant	183,741
Tax equivalent payments due	42,124
E911 reimbursement	16,038
Motor vehicle ad valorem tax – Sept. 14	10,668
State of MS – Hotel Tax Sept 14	3,909
Homeland Security Computer Grant	9,100
Louisville Housing Authority Reimbursement	24,888
Total Governmental Activities	\$ <u>3,550,643</u>

Business-Type Activities

Description	Amount
FEMA/MEMA Grant	\$ <u>1,067,780</u>
Total Business-Type Activities	\$ <u>1,067,780</u>

**7. Loans Receivable**

Loans receivable balances at September 30, 2014, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Superior Wood Products, Inc.	7/23/86	10.0%	8/01/96	\$ 227,671
Liberty Transportation, Inc.	8/22/96	6.0%	5/01/12	340,933
Less: Allowance for uncollectible accounts				( <u>568,604</u> )
Total				\$ <u>0</u>

The amount reported in allowance for uncollectible accounts is the balance payable reported for the loans described as Superior Wood Products, Inc., and Liberty Transportation, Inc. There have been no payments on these loans for several years with both companies filing for bankruptcy in previous years.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**8. Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2014:

**Governmental activities:**

	Balance October 1, 2013	Additions	Deletions	*Adjustments	Balance September 30, 2014
<b>Non-depreciable capital assets:</b>					
Land	\$ 1,056,745	\$ 360,329	\$ -	\$ -	\$ 1,417,074
Construction in Progress	-	454,591	-	546,670	1,001,261
Total non-depreciable capital assets	<u>1,056,745</u>	<u>814,920</u>	<u>-</u>	<u>546,670</u>	<u>2,418,335</u>
<b>Depreciable capital assets:</b>					
Infrastructure	412,906	-	-	-	412,906
Buildings	2,278,345	-	(200,000)	-	2,078,345
Improvements other than buildings	307,129	-	-	159,354	466,483
Equipment	1,960,883	43,002	(44,951)	(108,023)	1,850,911
Leased property under capital lease	569,699	125,723	-	-	695,422
Total depreciable capital assets	<u>5,528,962</u>	<u>168,725</u>	<u>(244,951)</u>	<u>51,331</u>	<u>5,504,067</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	66,065	8,258	-	-	74,323
Buildings	898,931	36,166	(160,000)	-	775,097
Improvements other than buildings	122,881	18,659	-	19,123	160,663
Equipment	1,633,945	34,908	(40,456)	(97,221)	1,531,176
Leased property under capital lease	123,846	96,141	-	-	219,987
Total accumulated depreciation	<u>2,845,668</u>	<u>194,132</u>	<u>(200,456)</u>	<u>(78,098)</u>	<u>2,761,246</u>
Total depreciable capital assets, net	<u>2,683,294</u>	<u>(25,407)</u>	<u>(44,495)</u>	<u>129,429</u>	<u>2,742,821</u>
Governmental activities, assets, net	<u>\$ 3,740,039</u>	<u>\$ 789,513</u>	<u>\$ (44,495)</u>	<u>\$ 676,099</u>	<u>\$ 5,161,156</u>

**Business-type activities**

<b>Non-depreciable capital assets</b>					
Land	\$ 144,000	\$ -	\$ -	\$ -	\$ 144,000
Construction in Progress	546,670	-	-	(546,670)	-
Total non-depreciable capital assets	<u>690,670</u>	<u>-</u>	<u>-</u>	<u>(546,670)</u>	<u>144,000</u>
<b>Depreciable capital assets:</b>					
Improvements other than buildings	2,529,330	-	-	(159,354)	2,369,976
Equipment	530,814	349,000	-	446,593	1,326,407
Leased property under capital lease	338,570	-	-	(338,570)	-
Total depreciable capital assets	<u>3,398,714</u>	<u>349,000</u>	<u>-</u>	<u>(51,331)</u>	<u>3,696,383</u>
<b>Less accumulated depreciation for:</b>					
Improvements other than buildings	1,952,601	200,488	-	(19,123)	2,133,966
Equipment	440,228	74,383	-	188,635	703,246
Leased property under capital lease	91,414	-	-	(91,414)	-
Total accumulated depreciation	<u>2,484,243</u>	<u>274,871</u>	<u>-</u>	<u>78,098</u>	<u>2,837,212</u>
Total depreciable capital assets, net	<u>914,471</u>	<u>74,129</u>	<u>-</u>	<u>(129,429)</u>	<u>859,171</u>
Business-type activities capital assets, net	<u>\$ 1,605,141</u>	<u>\$ 74,129</u>	<u>\$ -</u>	<u>\$ (676,099)</u>	<u>\$ 1,003,171</u>

\* The adjustments column consists of reclassifications of Railcar fund assets from a business-type activity to a governmental activity

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**8. Capital Assets (Continued)**

**Depreciation expense was charged to the following functions:**

**Governmental Activities:**

General Government	\$ 5,489
Public Safety	119,407
Public Works	23,045
Economic Development	9,444
Culture and Recreation	<u>36,747</u>
<b>Total governmental activities depreciation expense</b>	<b><u>\$ 194,132</u></b>

**Business-Type Activities:**

Landfill	\$ 262,370
Sanitation	<u>12,501</u>
<b>Total business type activities depreciation expense</b>	<b><u>\$ 274,871</u></b>

**9. Claims and Judgments.**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance to protect against these and other types of risks. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the General Fund as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal year 2014 from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums.

**10. Capital Leases.**

**As Lessor:**

The city leases the following property with varying terms and options as of September 30, 2014:

<u>Classes of Property</u>	<u>Amount</u>
Building	\$ 650,000
<b>Total</b>	<b><u>\$ 650,000</u></b>

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**10. Capital Leases (Continued)**

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 27,894	\$ 19,372
2016	29,031	18,235
2017	30,213	17,053
2018	31,444	15,822
2019	32,725	14,541
2020-2024	184,745	51,587
2025-2029	160,952	12,358
<b>Total</b>	<b>\$ 497,004</b>	<b>\$ 148,968</b>

As Lessee:

The city is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ 695,422
Total	695,422
Less: Accumulated Depreciation	(219,987)
<b>Leased Property Under Capital Leases</b>	<b>\$ 475,435</b>

The following is a schedule by years of the total payments due as of September 30, 2014:

Governmental Activities:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 112,050	\$ 13,508
2016	115,655	9,903
2017	116,409	6,163
2018	24,362	3,262
2019	19,840	2,473
2020-2024	41,217	2,503
	-	-
<b>Total</b>	<b>\$ 429,533</b>	<b>\$ 37,812</b>

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**11. Long-term Debt**

Debt outstanding as of September 30, 2014, consisted of the following:

Description and purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
		2.375%-	
FTN Financial Capital Markets- Series 2012 General Obligation Bonds	\$ 1,715,000	3.375%	6/1/2024
Total General Obligation Bonds	<u>\$ 1,715,000</u>		
B. Capital Leases			
Wells Fargo Equipment Finance- 2009 Rescue Fire Truck	\$ 132,988	4.05%	10/15/2020
AT&T E911 Radio Equipment	185,261	3.764%	10/1/2017
GE Capital Dept. Mower	14,471	0.910%	3/5/2017
BancorpSouth - 4 Police Cars	96,813	2.110%	4/15/2017
Total Capital Leases	<u>\$ 429,533</u>		
C. Other Loans			
Mississippi Development Authority- CDBG Loan Polo Industries	\$ 484,512	4.00%	6/1/2028
Mississippi Development Authority- CDBG Grant Repayment (TMW)	3,334	N/A	8/1/2016
Mississippi Development Authority- CDBG Loan (Liberty)	340,933	6.00%	5/1/2012
Mississippi Development Authority- Louisville Brick Loan	279,531	3.00%	1/1/2015
Total Other Loans	<u>\$ 1,108,310</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 150,000	48,393	375,922	14,137
2016	155,000	43,310	35,874	13,251
2017	160,000	38,099	35,120	12,339
2018	165,000	32,699	36,060	11,398
2019	165,000	27,130	37,449	10,429
2020-2024	920,000	66,975	203,309	36,546
2025-2029	-	-	175,945	8,589
2030-2034			28,510	
2035-2039			31,361	
2040-2044			34,497	
2045-2049			37,947	
2050-2054			76,316	
Total	<u>\$ 1,715,000</u>	<u>256,606</u>	<u>1,108,310</u>	<u>106,689</u>

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**11. Long-term Debt (Continued):**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	*Adjustments	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities</b>						
General Obligation Bonds Payable	\$ 1,860,000		(145,000)		1,715,000	150,000
Capital Leases	390,137	114,136	(74,740)		429,533	112,050
Other Loans	1,142,438	-	(59,128)	25,000	1,108,310	375,921
Compensated Absences	147,562	2,785	-		150,347	-
<b>Total</b>	<b>3,540,137</b>	<b>116,921</b>	<b>(278,868)</b>	<b>25,000</b>	<b>3,403,190</b>	<b>637,971</b>
<b>Business-type Activities:</b>						
Capital Leases	39,088	-	(39,088)		-	-
Other Loans	25,000	-	-	(25,000)	-	-
Compensated Absences	5,594	-	(3)		5,591	-
<b>Total</b>	<b>69,682</b>	<b>-</b>	<b>(39,091)</b>	<b>(25,000)</b>	<b>5,591</b>	<b>-</b>

**12. Deficit Fund Balances of Individual Funds**

The following fund reported a deficit in fund balance at September 30, 2014:

Fund	Deficit Amount
E911 Fund	\$ 73,359

**13. Contingencies**

**Federal Grants** – The City 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability to the City. No provision for any liability that may result has been recognized in the city's financial statements.

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

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**14. Joint Venture**

The city participates in the following joint ventures:

The City of Louisville is a participant with Winston County in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: the City of Louisville, two, Winston County, two; jointly, one. By contractual agreement, the city's appropriation to the joint venture was \$7,500 in fiscal year 2014. Complete financial statements can be obtained from the Louisville/Winston City Airport Authority at P. O. Box 1022, Louisville, MS 39339.

The City of Louisville is a participant with Winston County, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Winston City Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the city and is governed by a seven member board of trustees appointed as follows: City of Louisville, two; Winston City Board of Supervisors, two; Town of Noxapater, one; Louisville Chamber of Commerce, one; jointly, one. By contractual agreement, the city's appropriation to the joint venture was \$25,000 in fiscal year 2014. Complete financial statements can be obtained from the Winston City Economic Development District at P. O. Box 551, Louisville, MS 39339.

**15. Defined Benefit Pension Plan**

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

**Funding Policy:** At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the city is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2014, 2013, and 2012, were \$355,369, \$ 323,626, \$ 291,669, respectively, which equaled the required contributions for each year.

**16. Municipal Solid Waste Landfill Closure and Postclosure Care Costs**

As of September 30, 2014, the municipality is operating the Winston City-City of Louisville Landfill. The landfill has site costs with a net book value of \$236,010 at September 30, 2014. These site costs are reported as a component of net capital assets. The municipality is responsible for all closure and postclosure liabilities in accordance with United States Environmental Protection Agency regulations.

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**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**16. Municipal Solid Waste Landfill Closure and Postclosure Care Costs (Continued):**

The municipality performs surveys on an annual basis to estimate the disposal capacity at the landfill. The municipal landfill's depletion rates are based on the remaining disposal capacity. Based on the remaining permitted capacity as of September 30, 2014 and projected annual disposal volumes and the fact that the municipality has received approval of lateral expansion of the landfill, the total life of the landfill site is anticipated to exceed 100 years. A calculation of the total estimated capacity of the landfill along with remaining capacity of the landfill is listed below.

Total landfill usage through September 30, 2014	252,168 tons
Total remaining capacity as of September 30, 2014	33,584 tons
Total estimated capacity of landfill	285,752 tons

Below is a breakdown of the total estimated closure and postclosure costs for the landfill site:

		Old Cell		Cell 1,2,3 & 4
Estimated Closure Costs	\$		\$	152,544
Estimated Post Closure Costs		70,000		683,979
Total		70,000		836,523

The calculation of the liability for the closure and postclosure costs of the landfill as of September 30, 2014 is derived from dividing the capacity of the landfill used by the total capacity of the landfill and multiplying this ratio by the total estimated closure and postclosure costs of the landfill. Based on this calculation the total liability for the closure and postclosure costs at September 30, 2014 is \$781,771. with the current year closure and postclosure expense calculated to be \$48,270.

As of September 30, 2014, the municipality has established a trust account with BancorpSouth to settle future closure postclosure liabilities. The municipality has set aside \$390,591 in these trust accounts to settle this future liability. These amounts have been recorded in restricted assets within the landfill fund.

**17. Insurance Loss Recoveries**

The city received \$10,044,005 in insurance loss recoveries during the 2013-2014 fiscal year related to tornado damage to industrial property owned by the city. In the government-wide Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds the insurance loss recoveries are reported as an extraordinary item. See related Note 16.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**18. Extraordinary Items**

The city was significantly impacted by the tornado that severely damaged an industrial property owned by the city on April 28, 2014. The tornado totally destroyed an industrial property owned by the city that was undergoing a significant renovation at the time. The city received insurance proceeds for the loss of the building from the insurance carrier. The city also received the proceeds from the sale of material that was salvaged during the cleanup of the damaged property. The property that was destroyed also was reported on the city's financial statements and the loss on the disposition was also reported as an extraordinary item. A breakdown of the extraordinary item that reconciles to the applicable financial is listed below:

**Exhibit 2 - Statement of Activities**

Insurance proceeds received	\$	10,044,005
Proceeds from the sale of salvage materials		395,559
Loss on disposition of damaged city industrial property		(40,000)
Total Extraordinary Item		<u><u>10,399,564</u></u>

**Exhibit 4 - Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds**

Insurance proceeds received	\$	10,044,005
Proceeds from the sale of salvage materials		395,559
Total Extraordinary Item		<u><u>10,439,564</u></u>

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS**

**19. 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 City of Louisville evaluated the activity of the city through December 18, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

The City has received a grant through the FAA and MDOT for improvements to be made to the Louisville/Winston County Airport. In accordance with these grants the City has disbursed \$503,254 on this project from September 30, 2014 through the date of the audit report.

During the April 28, 2014 tornado the city experienced substantial damage. One of the properties damaged was an industrial property owned by the City. The City has received funding to reconstruct the property and an industry will be moving into the property. The facility is expected to begin operations in the Spring of 2016. The city has incurred \$20,747,630 in construction costs from September 30, 2014 through the date of the audit report.

The City closed on a taxable grant anticipation note (revolving line of credit) on August 14, 2015. The note is not to exceed \$5,000,000 and is financed through Trustmark National Bank. The loan accrues interest at the 3 month London Interbank Offered Rate plus 225 basis points. The rate is currently accruing interest at an annual rate of 2.53%. The term of the loan is 2 years and the loan will mature August 14, 2017. The revolving line of credit is secured by a grant anticipation note confirmed in a letter from FEMA dated February 20, 2015 in reference to FEMA-4175-DR-MS – City of Louisville, #159-42280-00 PAAP for PW 104 – Destroyed Plywood Facility, Category E. The City also approved a resolution of intent to issue General Obligation Bonds to retire any remaining balance of the line of credit at maturity at an amount not to exceed \$4,000,000.

The City also received approval for a Community Disaster Loan through the U.S. Department of Homeland Security. The City qualified for this due to the April 28, 2014 tornado that devastated the area. The promissory note is dated June 29, 2015 and accrues interest at an annual rate of 1.625%. The loan is similar to a line of credit and will be repaid within 5 years. The loan maturity date will be June 29, 2020.

On October 20, 2015, the board adopted an order that the City agrees to be a guarantor on a \$450,000 loan with Renasant Bank for the Louisville/Winston County Airport Authority. The loan accrues interest at an annual rate of 3.21% and is to be repaid over 20 years. The proceeds of the loan will be used to construct a commercial hanger at the Louisville/Winston County Airport.

**CITY OF LOUISVILLE, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**City Of Louisville, Mississippi  
 Budgetary Comparison Schedule -  
 Budget and Actual  
 General Fund  
 For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,389,950	1,368,366	1,343,781	(24,585)
Road & Bridge Privilege Taxes	110,000	116,880	119,205	325
Licenses, commissions and other revenue	95,000	105,690	129,551	23,861
Fines and forfeitures	252,500	154,481	161,201	6,720
Intergovernmental revenues	2,940,900	4,549,468	5,819,816	1,270,348
Charges for services	122,000	126,986	126,036	(950)
Interest income	-	1,280	1,284	4
Miscellaneous revenues	134,600	432,579	21,342	(411,237)
<b>Total Revenues</b>	<u>5,044,950</u>	<u>6,857,730</u>	<u>7,722,216</u>	<u>864,486</u>
<b>EXPENDITURES</b>				
Current:				
General government	993,545	5,604,262	3,553,981	2,050,281
Public safety	2,031,900	2,218,010	2,128,733	89,277
Public works	1,666,900	1,666,518	1,457,338	209,180
Culture and recreation	367,700	333,716	319,601	14,115
Economic development and assistance	-	-	56,945	(56,945)
Debt service:				
Principal	-	-	8,719	(8,719)
Interest	-	-	75	(75)
<b>Total Expenditures</b>	<u>5,060,045</u>	<u>9,822,506</u>	<u>7,525,392</u>	<u>2,297,114</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(15,095)</u>	<u>(2,964,776)</u>	<u>196,824</u>	<u>3,161,600</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	114,386	114,136	(250)
Proceeds from sale of capital assets	-	-	300	300
Transfers in	237,500	72,500	42,500	(30,000)
Transfers out	(311,500)	(622,000)	(352,432)	269,568
<b>Total Other Financing Sources and Uses</b>	<u>(74,000)</u>	<u>(435,114)</u>	<u>(195,496)</u>	<u>239,618</u>
<b>Net Change in Fund Balance</b>	<u>(89,095)</u>	<u>(3,399,890)</u>	<u>1,328</u>	<u>3,401,218</u>
Fund Balances - Beginning	831,216	1,072,681	1,072,681	-
<b>Fund Balances - Ending</b>	<u>\$ 742,121</u>	<u>(2,327,209)</u>	<u>1,074,009</u>	<u>3,401,218</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**Polo Building Lease Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ -	-	20,494	20,494
Total Revenues	<u>-</u>	<u>-</u>	<u>20,494</u>	<u>20,494</u>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	-	4,008	(4,008)
Debt service:				
Principal	43,258	43,258	28,262	14,996
Interest	-	-	15,026	(15,026)
Total Expenditures	<u>43,258</u>	<u>43,258</u>	<u>47,296</u>	<u>(4,038)</u>
Excess of Revenues over (under) Expenditures	<u>(43,258)</u>	<u>(43,258)</u>	<u>(26,802)</u>	<u>16,456</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal payments	43,258	43,258	26,802	(16,456)
Total Other Financing Sources and Uses	<u>43,258</u>	<u>43,258</u>	<u>26,802</u>	<u>(16,456)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**CBDG Natron Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	1,915,868	1,909,715	(6,153)
Total Revenues	<u>-</u>	<u>1,915,868</u>	<u>1,909,715</u>	<u>(6,153)</u>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	1,915,838	1,924,274	(8,436)
Total Expenditures	<u>-</u>	<u>1,915,838</u>	<u>1,924,274</u>	<u>(8,436)</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>30</u>	<u>(14,559)</u>	<u>(14,589)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	14,589	14,589
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>14,589</u>	<u>14,589</u>
Net Change in Fund Balance	<u>-</u>	<u>30</u>	<u>30</u>	<u>-</u>
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>30</u>	<u>30</u>	<u>-</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual**  
**Disaster Projects Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ -	-	2,195	2,195
Miscellaneous revenues	-	-	100	100
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>2,295</b>	<b>2,295</b>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	-	824,920	(824,920)
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>824,920</b>	<b>(824,920)</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>(822,625)</b>	<b>(822,625)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXTRAORDINARY ITEM (April 28, 2014 Tornado)</b>	<b>-</b>	<b>-</b>	<b>10,044,005</b>	<b>10,044,005</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>9,221,380</b>	<b>9,221,380</b>
Fund Balances - Beginning	-	-	-	-
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>-</b>	<b>9,221,380</b>	<b>9,221,380</b>

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The accompanying notes to the Required Supplementary Information are an integral part of this statement.

**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2014**

**Notes to the Required Supplementary Information**

**A. Budgetary Information**

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that the budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the modified accrual basis of accounting. All appropriations lapse at year end.

**B. Basis of Presentation**

The Budgetary Comparison Schedule – Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual is a part of required supplemental information.

**C. Excess of Actual Expenditures Over Budget In Individual Funds**

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2014:

<u>Fund</u>	<u>Excess</u>
CDBG Natron Fund	<u>\$8,436</u>

The excess expenditures over budget occurred after adjustments made by the auditor and is not violation of state law. The City has no liability associated with the excess expenditures over budgeted expenditures.

**D. Unbudgeted Funds**

The following fund was not budgeted for the year ended September 30, 2014:

Special Revenue Funds:  
Disaster Recovery Fund

The unbudgeted funds are in violation of state law. However the City has no liability associated with the violation.

**CITY OF LOUISVILLE, MISSISSIPPI**

**SUPPLEMENTAL INFORMATION**

**City of Louisville, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>United States Department of Housing and Urban Development</b>			
Passed through Mississippi Development Authority			
Community Development Block Grants/State's Program and Non-Entitlement Grants In	14.228	1129-12-238-ED-01	\$ 1,909,715
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	1128-11-238-PF-01	203,886
Total United States Department of Housing and Urban Development			<u>2,113,601</u>
<b>Appalachian Regional Commission</b>			
Passed through Mississippi Development Authority			
Appalachian Area Development	23.002		15,391
Appalachian Area Development	23.002		50,000
Total Appalachian Regional Commission			<u>65,391</u>
<b>United States Department of Agriculture</b>			
Direct Program			
Community Facility Loans and Grants	10.766		67,000
Total United States Department of Agriculture			<u>67,000</u>
<b>United States Department of Transportation</b>			
Passed Through the Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607		49,422
Total United States Department of Transportation			<u>49,422</u>
<b>Federal Aviation Administration</b>			
Direct Program			
Airport Improvement Program	20.106	3-28-0043-013-2013	656,552
Airport Improvement Program	20.106	3-28-0043-014-2014	57,631
Total Federal Aviation Administration			<u>714,183</u>
<b>United States Department Of Homeland Security</b>			
Direct Program			
Homeland Security Grant Program	97.067	11LE238	9,100
Passed Through Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disaster Areas)	97.036	FEMA 4175	4,079,877
Total United States Department of Homeland Security			<u>4,088,977</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>7,098,574</u></b>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**CITY OF LOUISVILLE, MISSISSIPPI**

**COMBINING FINANCIAL STATEMENTS – COMPONENT UNITS**

**City of Louisville**  
**Combining Schedule-Component Units**  
**Statement of Net Position**  
**September 30, 2014**

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Total
<b>ASSETS</b>				
Cash	\$ 3,975	7,007,468	3,135,524	10,146,967
Investments	230,367	-	-	230,367
Accrued interest receivable	-	1,064	1,354	2,418
Accounts receivable, net	655	977,552	208,020	1,186,227
Other receivables, net	-	39,559	-	39,559
CSA stockholder loan	-	5,999	7,634	13,633
Inventories and prepaid items	24,464	1,254,785	152,244	1,431,493
Restricted assets	15,450	-	-	15,450
Capital asset				
Land and construction in progress	-	1,408,541	259,891	1,668,432
Other capital assets, net	4,011,871	9,724,249	14,488,370	28,224,490
Total Assets	<u>4,286,782</u>	<u>20,419,217</u>	<u>18,253,037</u>	<u>42,959,036</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	7,272	1,777,745	78,281	1,863,298
Liabilities payable from restricted assets	15,450			15,450
Intergovernmental payables	50,981			50,981
Customer deposits		421,232	228,514	649,746
Unearned revenue	1,207			1,207
Other current liabilities	4,078			4,078
Long-term liabilities				
Due within one year:				
Capital related debt			90,531	90,531
Non-capital debt	2,523			2,523
Due in more than one year:				
Capital related debt			1,960,281	1,960,281
Non-capital debt	7,568			7,568
Total Liabilities	<u>89,079</u>	<u>2,198,977</u>	<u>2,357,607</u>	<u>4,645,663</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,011,871	11,132,790	12,697,449	27,842,110
Unrestricted	185,832	7,087,450	3,197,981	10,471,263
Total Net Position	<u>\$ 4,197,703</u>	<u>18,220,240</u>	<u>15,895,430</u>	<u>38,313,373</u>

**City of Louisville, Mississippi**  
**Combining Schedule - Component Units**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2014**

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Totals
Operating Revenues				
Charges for services	\$ -	9,438,023	2,336,224	11,774,247
Rent Income	286,977	-	13,200	300,177
Miscellaneous	1,412	-	98,202	99,614
Total Operating Revenues	<u>286,389</u>	<u>9,438,023</u>	<u>2,447,626</u>	<u>12,174,038</u>
Operating Expenses				
Cost of power		7,152,686	230,590	7,383,276
Uncollectible accounts			2,989	2,989
Operation and maintenance	289,714	330,748	937,935	1,558,397
Sales expense		21,467		21,467
Customer services	22,752	164,771		187,523
Utilities	17,499			17,499
Depreciation expense	263,922	659,662	661,400	1,604,984
Protective services	23,040			23,040
Distribution expense		197,793		197,793
Rent expense			7,428	7,428
Taxes		293,859	50,340	344,199
Administrative and general expense	386,430	410,012	540,887	1,337,329
Insurance premiums			95,818	95,818
Miscellaneous			10,927	10,927
Total Operating Expenses	<u>1,003,357</u>	<u>9,230,998</u>	<u>2,558,314</u>	<u>12,792,669</u>
Operating Income (Loss)	<u>(714,968)</u>	<u>207,025</u>	<u>(110,688)</u>	<u>(618,631)</u>
Nonoperating Revenues (Expenses)				
Interest income	19,127	21,148	7,962	48,237
Operating grants	393,670			393,670
Interest expense			(33,093)	(33,093)
Other income (expenses)		(3,904)		(3,904)
Net Nonoperating Revenue (Expenses)	<u>412,797</u>	<u>17,244</u>	<u>(25,131)</u>	<u>404,910</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(302,171)</u>	<u>224,269</u>	<u>(135,819)</u>	<u>(213,721)</u>
Special Item (Loan Forgiveness)			625,987	625,987
Extraordinary Item (April 28, 2014 Tornado)			4	4
Capital grants	287,870			287,870
Changes in Net Assets	<u>(14,301)</u>	<u>224,269</u>	<u>490,172</u>	<u>700,140</u>
Net Assets - Beginning	4,212,004	17,995,971	15,405,258	37,613,233
Net Assets Ending	<u>\$ 4,197,703</u>	<u>18,220,240</u>	<u>15,895,430</u>	<u>38,313,373</u>

**City Of Louisville, Mississippi**  
**Schedule Reconciling Ad Valorem Tax Rolls To Fund Collections**  
**For The Year Ended September 30, 2014**

	Taxable Assessed Value	Millage	Tax
Adjusted Assessed Valuation			
City:			
Realty	24,027,174	23.00	\$ 552,625
Personal Other Than Auto	16,979,565	23.00	390,530
Public Utilities	4,255,228	23.00	97,870
Personal- Auto (remitted by county)	5,472,913	23.00	125,877
Total			
Less: Homestead Exemption Allowed			(92,592)
			-
Add: Actual Homestead Reimbursement			74,279
Total to be accounted for			\$ 1,148,589

	Taxes	Reimbursement	
Credit:			
Collections Allocated To:			
Municipal General Funds	884,866	61,361	
Library Fund	139,716	9,689	
Memorial Park and Cemetary Fund	46,571	3,229	
	1,071,153	74,279	\$ 1,145,432

Balance Represented By			
Unpaid Property Taxes			3,157
Total Accounted For			\$ 1,148,589

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad Valorem Tax Collections were found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Ann.(1972)

	Actual Collections	
Base Year 2013	1,015,072	
Amount Allowable	101,507 *	
Total	1,116,579	
Year 2014	1,148,589	
Amount Allowable	(1,116,579)	
Amount Over(Under) Limitation	32,010 *	

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\* - the 10% limitation of an ad valorem increase does not apply since the municipality's millage rate for operations does not exceed 20 mills.

**CITY OF LOUISVILLE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS  
SEPTEMBER 30, 2014**

The City of Louisville, Mississippi, covers certain employees under a position surety bond. The following list contains various town officials who are covered by a surety bond.

<u>Name</u>	<u>Title</u>	<u>Coverages</u>
Will Hill	Mayor	\$ 50,000
Judy McLeod	Alderwoman	\$ 50,000
Eugene Crosby	Alderman	\$ 50,000
Richard Caperton	Alderman	\$ 50,000
Gwenita Mays	Alderwoman	\$ 50,000
Frances Ball	Alderwoman	\$ 50,000
Babs Fulton	City Clerk	\$ 50,000
Wanda Hudson	Deputy City Clerk	\$ 50,000
Kay Crowson	Deputy City Clerk	\$ 50,000
L.M. Claiborne, JR.	Police Chief	\$ 50,000
Sixteen People	Deputy Police Officers	\$ 25,000 Blanket Bond Coverage
Sue Daniels	Court Clerk	\$ 50,000
Andy Taylor	Deputy Court Clerk	\$ 50,000
Vernon Eichelberger	Deputy Court Clerk	\$ 50,000
Ronnie Graham	Deputy Court Clerk	\$ 50,000
Donnie Graham	Deputy Court Clerk	\$ 50,000
Leslie Loving	Deputy Court Clerk	\$ 50,000
Kenny Morris	Landfill Supervisor	\$ 50,000
Kenneth Lamar Haynes	Landfill Worker	\$ 50,000
Ellis Harrington	Landfill Worker	\$ 50,000

**CITY OF LOUISVILLE, MISSISSIPPI**

**SPECIAL REPORTS**



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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Alderman  
 City of Louisville, Mississippi

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Louisville, Mississippi as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Louisville, Mississippi's basic financial statements, and have issued our report thereon dated December 18, 2015. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of the City of Louisville, the Louisville Electric System and the Louisville Water System, as described in our report on City of Louisville, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Louisville, Mississippi'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 City of Louisville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Louisville, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **Finding 2014-1**

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. **Finding 2014-2, 2014-3 and 2014-4.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Louisville, Mississippi'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*

## **City of Louisville, Mississippi's Response to Findings**

City of Louisville, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Louisville, Mississippi's responses were 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  
December 18, 2015

*Watkins Ward and Stafford, PLLC*



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

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

To the Board of Aldermen  
 City of Louisville, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited City of Louisville, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Louisville, Mississippi's major federal programs for the year ended September 30, 2014. City of Louisville, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Louisville, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Louisville, Mississippi'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 City of Louisville, Mississippi's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Louisville, Mississippi, 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 September 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

## Report on Internal Control over Compliance

Management of City of Louisville, Mississippi, 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 City of Louisville, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Louisville, Mississippi's internal control over compliance.

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

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
December 18, 2015

*Watkins Ward and Stafford, PLLC*



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

To the Board of Aldermen  
City of Louisville, Mississippi

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise City of Louisville, Mississippi's basic financial statements and have issued our report thereon dated December 18, 2015. Our report includes a reference to other auditors who audited three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Electric System, and the Louisville Water System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of compliance with state laws and regulations that are reported on separately by those auditors.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of those procedures performed to test compliance with state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with state laws and regulations:

Finding

Miss. Code Section 21-35-9, Miss. Code Ann. (1972) states, "The budget as finally determined, in addition to setting out separately each item for which any appropriation of expenditures is authorized to be expended and the fund out of which the same is to be paid, shall set out the total amount appropriated and authorized to be expended from each fund, the cash balance in the fund at the close of the present preceding fiscal year, the working cash balance necessary for the next fiscal year, the estimated amount, if any, which will accrue to the fund from sources other than taxation for the current fiscal year, and the amount necessary to be raised for each fund by tax levy during the current fiscal year. The governing authorities of the municipality shall then, by resolution, approve and adopt the budget as finally determined, and enter the same at length and in detail in their official minutes.

During our compliance testing of the final amended budget of the City, we noted that no budget was approved for the Disaster Recovery Fund (Fund #700).

Recommendation

We recommend the City comply with Miss. Code Section 21-35-9, Miss. Code Ann. (1972) and prepare a budget for all funds that is approved and adopted and entered in detail in the official minutes.

City's Response

In future preparation of all city budgets, the city will strive to comply Miss. Code Section 21-35-9, Miss. Code Ann. (1972) for the approval, adoption, and documentation of the applicable budget.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
December 18 , 2015

*Watkins Ward and Stafford, PLLC*

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**CITY OF LOUISVILLE, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CITY OF LOUISVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**Section 1: Summary of Auditors Results**

**Financial Statements:**

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued on the financial statements:                              | Unmodified |
| 2. | Internal control over financial reporting:  |            |
|    | a. Material weakness(es) identified?  | Yes        |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes        |
| 3  | Noncompliance material to the financial statements noted?                                 | No         |

**Federal Awards:**

- |    |   |               |
|----|---|---------------|
| 4. | Internal control over major programs:   |               |
|    | a. Material weakness(es) identified?  | No            |
|    | b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es)                          | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:   | Unmodified    |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____ 510(a) of OMB Circular A-133? | No            |
| 7. | Federal programs identified as major programs:  |               |
|    | a. Disaster Grants – Public Assistance (Presidentially Declared Disaster Area CFDA #97.036                                    |               |
|    | b. Airport Improvement Program CFDA #20.106   |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs   | \$300,000     |
| 9. | Auditee qualified as a low-risk auditee?  | No            |

## Section 2: Financial Statement Findings

### **Material Weakness**

#### **2014-1 Finding**

As discussed in the previous year's audit, Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include the preparation of financial statements after conversion entries to convert the financial statements to the accrual basis of accounting (GASB 34 Conversion).

These financial statements were not prepared as of the beginning of audit field work. We assisted the client with conversion entries and prepared financial statements from the converted information.

#### **Recommendation**

We recommend that the city prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work.

#### **City's Response**

Due to restrictive budgets and personnel, the city was unable to prepare year-end financial statements in accordance with generally accepted accounting principles, but the city accepts the recommendation that these year-end financial statements should be available prior to the commencement of the audit field work.

### **Significant Deficiencies Not Considered to be a Material Weakness**

#### **2014-2 Finding**

During our documentation of internal controls over collection of receipts in the police department we noted a deficiency in the city's internal control system. We noted that the employee who prepares the court docket listing, maintains the accounts receivable ledger for police fines, and submits police department receipts to the city clerk also collects receipts from individuals paying their fines and related fees. The city should segregate the duties so the clerk who receipts the fines from the individuals does not have access to the court docket listing or accounts receivable ledger.

#### **Recommendation**

We recommend the city segregate the duties of the clerk who receipts the fines from the individuals from the clerk who maintains the court docket listing and accounts receivable ledger.

#### **City's Response**

Due to restrictive budgets and personnel, the city was unable to segregate the duties of the court clerk. In the future, the duties of the court clerk will be segregated so that the clerk who receipts the fines from the individuals will be separate from the clerk who maintains the court docket listing and accounts receivable ledger.

## **Significant Deficiencies Not Considered to be a Material Weakness**

### **2014-3 Finding**

During our testing of accounts payable disbursements we noted the following internal control deficiencies:

- We noted five instances where a purchase order was originally issued with no dollar amount and the dollar amounts of the purchase were added to the purchase order after the purchase had actually occurred.
- We noted four instances where a purchase order was dated after the purchase had actually occurred.
- Noted one instance where a purchase order was not approved by the city clerk.
- Noted four instances where a transaction was paid without the proper receiving documentation that the goods or services were actually received.

### **Recommendation**

In order to strengthen controls over accounts payable disbursements we recommend that city personnel insure that a properly authorized purchase order that contains the proper information regarding the goods and/or services purchased and applicable amount charged be issued prior to the purchase. Personnel should also review supporting documentation and determine that adequate receiving documentation exists that the goods and/or services were actually received prior to payment of the applicable invoice.

### **City's Response**

Due to the volume of work added this year because of the tornado on April 28, 2014, some purchase orders were not properly filled out with the correct purchase amount, or were properly authorized and dated. The city clerk and city clerk assistants along with the department heads will strive to handle this process more efficiently in the future.

## **Significant Deficiencies Not Considered to be a Material Weakness**

### **2014-4 Finding**

During our testing of payroll disbursements we noted the following internal control deficiencies:

- We noted that with the exception of the police and fire departments, the supervisors of the applicable departments are not approving employees' time cards on a consistent basis.
- We noted two instances where a W-4 form and state withholding form for an employee was not signed by that employee.

### **Recommendation**

In order to strengthen internal controls over payroll disbursements we recommend that the applicable department heads approve time-keeping records for employees they supervise prior to preparation of the applicable payroll. We also recommend that all employees have a signed W-4 and state-withholding in their personnel file to document the amount of federal and state income tax to be withheld from their check.

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**City's Response**

The city clerk will strive to check payroll submissions for correct signatures and department head approval. We will review personnel files and determine they include all W-4 and enrollment forms and that the forms are properly signed by the employee.

**Section 3: Federal Award Findings and Questioned Costs**

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

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