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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

November 28, 2016

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, 2015. 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,

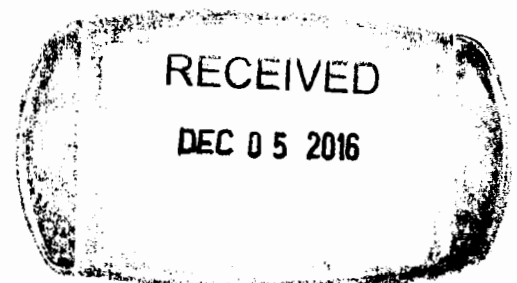
Will Hill  
Mayor

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**CITY OF LOUISVILLE, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**



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



**CITY OF LOUISVILLE, MISSISSIPPI**

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**CITY OF LOUISVILLE, MISSISSIPPI**

**FINANCIAL SECTION**

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







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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
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Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

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

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

**Auditors' Responsibility**

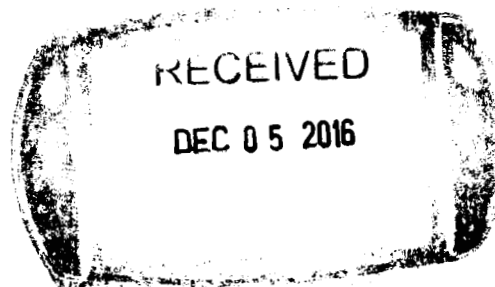
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

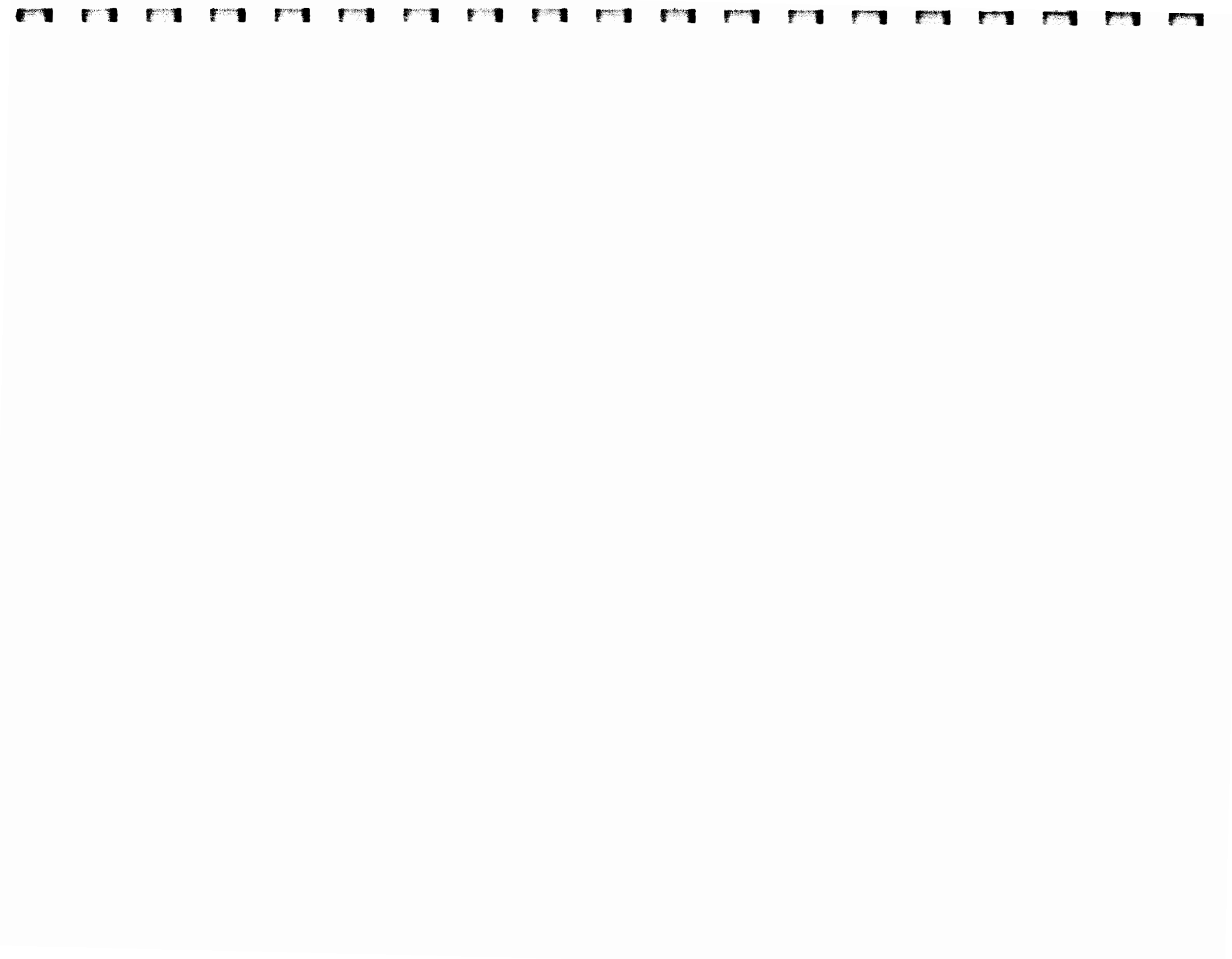
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

**Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Polo Building Lease Fund	Unmodified
CBDG Winston Plywood Fund	Unmodified
Disaster Projects Fund	Unmodified
Landfill Fund	Unmodified
Sanitation Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified





### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information**

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the aggregate discretely presented component units would have been presented as total assets \$42,969,794, deferred inflows of resources \$598,074, liabilities of \$8,192,729, deferred inflows of resources of \$377,570, net position of \$34,997,569, revenues of \$13,001,056 and expenses of \$13,097,800.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Louisville, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Louisville, Mississippi, as of September 30, 2015, 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, budgetary comparison information, schedule of the city's proportionate share of the net pension liability, and schedule of the city's contributions on pages 5-11, 47-50, 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisville, Mississippi's basic financial statements. The schedule reconciling ad valorem tax 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. The 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 also not a required part of the basic financial statements.



The schedule reconciling ad valorem tax rolls to fund collections and schedule of surety bonds for elected officials are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 reconciling ad valorem tax rolls to fund collections and schedule of surety bonds for elected officials and the schedule of expenditures of federal awards are 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 October 31, 2016, 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 the City of Louisville, Mississippi's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
October 31, 2016

*Watkins Ward and Stafford, PLLC*



**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, 2015**

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, 2015. 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, 2015 by \$26,176,065 (net position).
- Total net position increased \$10,778,005, net of a prior period adjustment of (\$4,246,565). Net position of governmental activities increased \$11,014,600, net of a prior period adjustment of (\$4,056,859). This represents an 83% increase from 2014. Net position of business-type activities decreased \$236,595, which includes a prior period adjustment of (\$189,706). This represents an 11% decrease from 2014. The primary reason for the increase in governmental activities is due to FEMA/MEMA funding to construct the Winston Plywood Building. Also the prior period adjustment reported for the current year is due to the implementation of GASB 68 which requires the city to recognize its proportionate of the PERS liability.
- As of September 30, 2015, the City of Louisville's governmental funds reported combined ending fund balances of \$6,872,234, a decrease of \$4,094,934 due primarily to the city spending resources received in the previous year in the Disaster Projects Fund.

**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 two 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.

## **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 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, schedule of the city's proportionate share of the net pension liability and schedule of city contributions.

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

The City's combined net position was \$26,176,065 as of September 30, 2015. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental activities net position was \$24,310,659 and the business type activities net position are \$1,865,406. 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 (95%) 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. The next largest portion (21%) is restricted for economic development. These are primarily insurance proceeds set aside to reconstruct an industrial property owned by the City.

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 12,718,665	13,584,905	2,172,905	2,114,379	14,891,570	15,699,284
Capital Assets	24,404,315	5,161,156	939,492	1,003,171	25,343,807	6,164,327
Total Assets	37,122,980	18,746,061	3,112,397	3,117,550	40,235,377	21,863,611
Deferred outflows of resources	895,203	0	77,420	0	972,623	0
Current and other liabilities	4,895,231	2,684,783	864,041	1,009,958	5,759,272	3,694,741
Long-term liabilities	7,655,255	2,765,219	452,981	5,591	8,108,236	2,770,810
Total Liabilities	12,550,486	5,450,002	1,317,022	1,015,549	13,867,508	6,465,551
Deferred inflows of resources	1,157,068	1,045,250	7,389	0	1,164,457	1,045,250
Net position:						
Net Investment in capital assets	23,991,528	4,731,623	939,492	1,003,171	24,931,020	5,734,794
Restricted	5,915,471	9,887,536	925,914	1,098,830	6,841,385	10,986,366
Unrestricted	(5,596,340)	(1,323,100)	0	0	(5,596,340)	(1,323,100)
Total Net position	\$ 24,310,659	13,296,059	1,865,406	2,102,001	26,176,065	15,398,060



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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 512,975	584,968	1,018,670	1,723,387	1,531,645	2,308,355
Operating grants and contributions	1,829,942	5,938,402	0	1,092,779	1,829,942	7,031,181
Capital grants and contributions	14,489,652	0	0	0	14,489,652	0
General revenues:						
Taxes	1,589,873	1,662,237	0	0	1,589,873	1,662,237
Grants and contributions not restricted to specific programs	2,210,492	2,030,806	0	0	2,210,492	2,030,806
Unrestricted interest income	30,371	24,330	4,573	3,433	34,944	27,763
Miscellaneous	73,095	91,698	0	0	73,095	91,698
Transfers In	0	42,500	0	0	0	42,500
Extraordinary Items	0	10,399,564	0	0	0	10,399,564
<b>Total Revenues</b>	<b>20,736,400</b>	<b>20,774,505</b>	<b>1,023,243</b>	<b>2,819,599</b>	<b>21,759,643</b>	<b>23,594,104</b>
<b>Expenses:</b>						
General government	1,026,267	3,721,769	0	0	1,026,267	3,721,769
Public safety	2,581,140	2,540,937	0	0	2,581,140	2,540,937
Public works	1,067,941	1,777,909	0	0	1,067,941	1,777,909



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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 512,975	584,968	1,018,670	1,723,387	1,531,645	2,308,355
Operating grants and contributions	1,829,942	5,938,402	0	1,092,779	1,829,942	7,031,181
Capital grants and contributions	14,489,652	0	0	0	14,489,652	0
General revenues:						
Taxes	1,589,873	1,662,237	0	0	1,589,873	1,662,237
Grants and contributions not restricted to specific programs	2,210,492	2,030,806	0	0	2,210,492	2,030,806
Unrestricted interest income	30,371	24,330	4,573	3,433	34,944	27,763
Miscellaneous	73,095	91,698	0	0	73,095	91,698
Transfers In	0	42,500	0	0	0	42,500
Extraordinary Items	0	10,399,564	0	0	0	10,399,564
<b>Total Revenues</b>	<b>20,736,400</b>	<b>20,774,505</b>	<b>1,023,243</b>	<b>2,819,599</b>	<b>21,759,643</b>	<b>23,594,104</b>
<b>Expenses:</b>						
General government	1,026,267	3,721,769	0	0	1,026,267	3,721,769
Public safety	2,581,140	2,540,937	0	0	2,581,140	2,540,937
Public works	1,067,941	1,777,909	0	0	1,067,941	1,777,909
Culture and recreation	487,241	459,935	0	0	487,241	459,935
Economic development and assistance	384,175	2,008,316	0	0	384,175	2,008,316
Interest on long-term debt	118,177	120,088	0	0	118,177	120,088
Sanitation	0	0	412,358	503,035	412,358	503,035
Landfill	0	0	657,774	1,484,485	657,774	1,484,485
Transfers Out	0	0	0	42,500	0	42,500
<b>Total Expenses</b>	<b>5,664,941</b>	<b>10,628,954</b>	<b>1,070,132</b>	<b>2,030,020</b>	<b>6,735,073</b>	<b>12,658,974</b>
<b>Increase (Decrease) in net position</b>	<b>15,071,459</b>	<b>10,145,551</b>	<b>(46,889)</b>	<b>789,579</b>	<b>15,024,570</b>	<b>10,935,130</b>
<b>Net position, October 1</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>
<b>Prior Period Adjustment</b>	<b>(4,056,859)</b>	<b>0</b>	<b>(189,706)</b>	<b>0</b>	<b>(4,246,565)</b>	<b>0</b>
<b>Net position, September 30</b>	<b>\$ 24,310,659</b>	<b>13,296,059</b>	<b>1,865,406</b>	<b>2,102,001</b>	<b>26,176,065</b>	<b>15,398,060</b>

The most significant governmental expense for the City was incurred in regards to public safety activities (\$2,581,140). The next largest governmental expense was incurred providing for public works, which incurred expenses of \$1,067,941. These expenses were offset by revenues collected from a variety of sources, with the largest being federal grants 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 general government (\$1,026,267).

**Business-type Activities**

- Revenues of the City's business-like activities were \$1,023,243 for the fiscal year ending September 30, 2015. Expenses for the City's business-type activities were \$1,070,132 for the year. The total net decrease in net position is \$236,595.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2014 the City had \$25,343,807 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 \$19,179,480 or 311% increase over the prior fiscal year.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,417,074	\$ 1,417,074	\$ 144,000	\$ 144,000	\$ 1,561,074	\$ 1,561,074
Construction in progress	19,496,132	1,001,261	0	0	19,496,132	1,001,261
Infrastructure	330,325	338,583	0	0	330,325	338,583
Buildings and improvements	1,267,081	1,303,248	0	0	1,267,081	1,303,248
Improvements other than buildings	869,341	305,820	246,713	236,010	1,116,054	541,830
Equipment	603,556	319,735	548,779	623,161	1,152,335	942,896
Leased property under capital lease	420,806	475,435	0	0	420,806	475,435
<b>Totals</b>	<b>24,404,315</b>	<b>5,161,156</b>	<b>939,492</b>	<b>1,003,171</b>	<b>25,343,807</b>	<b>6,164,327</b>

This year's major additions includes construction in progress related to construction of the Winston Plywood facility, (1) Mack Truck, (1) CAT Backhoe Loader, and (1) Hydraulic Excavator and Shovel.

### Debt

At year-end, the City had \$3,199,003 in general obligation bond debt, capital leases and other loans outstanding as compared to \$3,408,781 at the end of the prior fiscal year, an decrease of 6% from the previous year as shown in table 4.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
GO Bonds Payable	\$ 1,565,000	\$ 1,715,000	\$ 0	\$ 0	\$ 1,565,000	\$ 1,715,000
Capital Leases	362,788	429,533	0	0	362,788	429,533
Other loans	1,120,854	1,108,310	0	0	1,120,854	1,108,310
Compensated Absences	140,346	150,347	10,015	5,591	150,361	155,938
<b>Totals</b>	<b>3,188,988</b>	<b>3,403,190</b>	<b>10,015</b>	<b>5,591</b>	<b>3,199,003</b>	<b>3,408,781</b>



## **THE CITY'S FUNDS**

At the close of the City's fiscal year on September 30, 2015 the governmental funds of the City reported a combined fund balance of \$6,872,234. This ending balance includes a decrease in fund balance of \$4,094,934, with no fund balance reclassification this year. The primary reason for the decrease is due to the city expending disaster recovery proceeds received in the previous year.

### **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 2015 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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 4,624,006	786,563	5,410,569
Property tax receivable	1,071,625	-	1,071,625
Accounts receivable (net of allowance for uncollectibles of \$1,802)	-	156,124	156,124
Fines receivable (net of allowance for uncollectibles of \$589,566)	88,301	-	88,301
Capital leases receivable	466,735	-	466,735
Intergovernmental receivables	7,092,061	197,945	7,290,006
Other receivables	3,513	-	3,513
Internal balances	(627,576)	627,576	-
Restricted assets	-	404,697	404,697
Capital assets:			
Land and construction in progress	20,913,206	144,000	21,057,206
Other capital assets, net	3,491,109	795,492	4,286,601
<b>Total Assets</b>	<b>37,122,980</b>	<b>3,112,397</b>	<b>40,235,377</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	895,203	77,420	972,623
<b>Total Deferred Outflows of Resources</b>	<b>895,203</b>	<b>77,420</b>	<b>972,623</b>
<b>LIABILITIES</b>			
Claims payable	4,213,897	51,403	4,265,300
Intergovernmental payables	5,873	21,947	27,820
Accrued interest payable	19,774	-	19,774
Liability for closure/post closure costs	-	790,691	790,691
Long-term liabilities			
Due within one year:			
Capital debt	126,346	-	126,346
Non-capital debt	529,341	-	529,341
Due in more than one year:			
Capital debt	286,441	-	286,441
Non-capital debt	2,246,860	10,015	2,256,875
Net pension liability	5,121,924	442,966	5,564,890
<b>Total Liabilities</b>	<b>12,550,456</b>	<b>1,317,022</b>	<b>13,867,478</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	1,071,625	-	1,071,625
Deferred inflows - pensions	85,443	7,389	92,832
<b>Total Deferred Inflows of Resources</b>	<b>1,157,068</b>	<b>7,389</b>	<b>1,164,457</b>
<b>NET POSITION</b>			
Net investment in capital assets	23,991,528	939,492	24,931,020
Restricted for:			
Expendable:			
General government	57,790	-	57,790
Debt service	1,779	-	1,779
Public safety	189,267	-	189,267
Public works	-	925,914	925,914
Culture and recreation	54,438	-	54,438
Economic development	5,600,675	-	5,600,675
Unemployment compensation	11,522	-	11,522
Unrestricted	(5,596,340)	-	(5,596,340)
<b>Total Net Position</b>	<b>\$ 24,310,659</b>	<b>1,865,406</b>	<b>26,176,065</b>

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

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City Of Louisville, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,026,267	186,590	-	38,100	(801,577)		(801,577)
Public safety	2,581,140	326,385	268,892	-	(1,985,863)		(1,985,863)
Public works	1,067,941	-	451,126	-	(616,815)		(616,815)
Culture and recreation	487,241	-	39,993	-	(447,248)		(447,248)
Economic development and assistance	384,175	-	1,069,931	14,451,552	15,137,308		15,137,308
Interest on long-term debt	118,177	-	-	-	(118,177)		(118,177)
Total Governmental Activities	5,664,941	512,975	1,829,942	14,489,652	11,167,628		11,167,628
Business-type activities:							
Landfill	657,774	517,417	-	-		(140,357)	(140,357)
Sanitation	412,358	501,253	-	-		88,895	88,895
Total Business-type Activities	1,070,132	1,018,670	-	-		(51,462)	(51,462)
Total Primary Government	\$ 6,735,073	1,531,645	1,829,942	14,489,652	11,167,628	(51,462)	11,116,166
General revenues:							
Property taxes					\$ 1,478,353	-	1,478,353
Road & bridge privilege taxes					111,520	-	111,520
Grants and contributions not restricted to specific programs					2,210,492	-	2,210,492
Unrestricted interest income					30,371	4,573	34,944
Miscellaneous					73,095	-	73,095
Total General Revenues, Special Item, Extraordinary Item and Transfers					3,903,831	4,573	3,908,404
Changes in Net Position					15,071,459	(46,889)	15,024,570
Net Position - Beginning					13,296,059	2,102,001	15,398,060
Prior period adjustments					(4,056,859)	(189,706)	(4,246,565)
Net Position - Beginning, as restated					9,239,200	1,912,295	11,151,495
Net Position - Ending					\$ 24,310,659	1,865,406	26,176,065

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



**City Of Louisville, Mississippi**  
**Balance Sheet - Governmental Funds**  
**September 30, 2015**

	Major Funds				Other	Total
	General Fund	Polo Building Lease Fund	CDBG Winston Plywood Fund	Disaster Projects Fund	Governmental Funds	Governmental Funds
<b>ASSETS</b>						
Cash	\$ 3,403,957	-	30	359,560	860,459	4,624,006
Property tax receivable	887,000	-	-	-	184,625	1,071,625
Fines receivable (net of allowance for uncollectibles of \$ 589,565)	88,301	-	-	-	-	88,301
Capital lease receivable	-	466,735	-	-	-	466,735
Intergovernmental receivables	757,346	-	902,414	5,405,909	26,392	7,092,061
Other receivables	3,129	-	-	-	-	3,129
Due from other funds	268,662	-	-	2,470,621	32,969	2,772,252
<b>Total Assets</b>	<b>\$ 5,408,395</b>	<b>466,735</b>	<b>902,444</b>	<b>8,236,090</b>	<b>1,104,445</b>	<b>16,118,109</b>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 190,967	-	902,414	3,098,490	22,026	4,213,897
Intergovernmental payables	5,873	-	-	-	-	5,873
Due to other funds	3,373,425	-	-	-	26,019	3,399,444
Unearned revenue	-	466,735	-	-	-	466,735
<b>Total Liabilities</b>	<b>\$ 3,570,265</b>	<b>466,735</b>	<b>902,414</b>	<b>3,098,490</b>	<b>48,045</b>	<b>8,085,949</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	887,000	-	-	-	184,625	1,071,625
Unavailable revenue - fines	88,301	-	-	-	-	88,301
<b>Total Deferred Inflows of Resources</b>	<b>975,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,625</b>	<b>1,159,926</b>
<b>Fund balances:</b>						
Restricted for:						
General government	-	-	-	-	57,790	57,790
Public safety	51,709	-	-	-	137,558	189,267
Culture and recreation	-	-	-	-	54,438	54,438
Economic development and assistance	-	-	30	5,137,600	463,045	5,600,675
Debt service	-	-	-	-	1,779	1,779
Unemployment compensation	11,522	-	-	-	-	11,522
Assigned to:						
General government	-	-	-	-	157,165	157,165
Unassigned	799,598	-	-	-	-	799,598
<b>Total Fund Balances</b>	<b>\$ 862,829</b>	<b>-</b>	<b>30</b>	<b>5,137,600</b>	<b>871,775</b>	<b>6,872,234</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,408,395</b>	<b>466,735</b>	<b>902,444</b>	<b>8,236,090</b>	<b>1,104,445</b>	<b>16,118,109</b>

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



**City of Louisville, Mississippi**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2015**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,872,234
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 \$2,917,626.	24,404,315
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines Receivable	88,301
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,188,988)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(5,121,924)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(19,774)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	895,203
Deferred inflows of resources related to pensions	(85,443)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>466,735</u>
Total Net Position - Governmental Activities	\$ <u><u>24,310,659</u></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, 2015**

	Major Funds				Other	Total
	General	Polo Building	CDBG Winston	Disaster	Governmental	Governmental
	Fund	Lease	Plywood	Projects	Funds	Funds
		Fund	Fund	Fund		
<b>REVENUES</b>						
Property taxes	\$ 1,290,080	-	-	-	188,273	1,478,353
Road and bridge privilege taxes	111,520	-	-	-	-	111,520
Licenses and permits	132,733	-	-	-	-	132,733
Fines and forfeitures	126,039	-	-	-	-	126,039
Intergovernmental revenues	2,610,669	-	902,414	14,414,854	470,591	18,398,528
Charges for services	118,513	-	-	-	275,321	393,834
Interest income	4,044	20,936	-	4,500	892	30,372
Miscellaneous revenues	12,582	-	-	-	56,917	69,499
<b>Total Revenues</b>	<b>4,406,180</b>	<b>20,936</b>	<b>902,414</b>	<b>14,419,354</b>	<b>991,994</b>	<b>20,740,878</b>
<b>EXPENDITURES</b>						
Current:						
General government	896,936	-	-	-	176,753	1,073,689
Public safety	1,967,737	-	-	-	333,477	2,301,214
Public works	1,032,737	-	-	-	2,810	1,035,547
Culture and recreation	317,264	-	-	-	131,790	449,054
Economic development and assistance	28,074	4,342	902,414	18,511,204	263,431	19,709,465
Debt service:						
Principal	43,241	31,588	-	-	234,255	309,084
Interest	2,139	15,275	-	41,930	61,512	120,856
<b>Total Expenditures</b>	<b>4,288,128</b>	<b>51,205</b>	<b>902,414</b>	<b>18,553,134</b>	<b>1,204,028</b>	<b>24,998,909</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>118,052</b>	<b>(30,269)</b>	<b>-</b>	<b>(4,133,780)</b>	<b>(212,034)</b>	<b>(4,258,031)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	-	-	-	50,000	54,883	104,883
Proceeds from sale of capital assets	27,945	-	-	-	-	27,945
Transfers in	-	-	-	-	357,177	357,177
Transfers out	(357,177)	-	-	-	-	(357,177)
Lease principal payments	-	30,269	-	-	-	30,269
<b>Total Other Financing Sources and Uses</b>	<b>(329,232)</b>	<b>30,269</b>	<b>-</b>	<b>50,000</b>	<b>412,060</b>	<b>163,097</b>
<b>Net Changes in Fund Balances</b>	<b>(211,180)</b>	<b>-</b>	<b>-</b>	<b>(4,083,780)</b>	<b>200,026</b>	<b>(4,094,934)</b>
<b>Fund Balances - Beginning</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>Fund Balances - Ending</b>	<b>\$ 862,829</b>	<b>-</b>	<b>30</b>	<b>5,137,600</b>	<b>871,775</b>	<b>6,872,234</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, 2015**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (4,094,934)
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 \$19,512,201 exceeded depreciation of \$252,633 in the current period.	19,259,568
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 \$45,284 and the proceeds from the sale of \$27,945 in the current period.	(17,339)
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.	(8,073)
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 \$309,084 exceeded debt proceeds of \$104,883.	204,201
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	10,001
Accrued interest payable	2,679
Some items reported in the Statement of Activities related to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(336,356)
Recording of contributions made subsequent to the measurement date	81,981
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.	(30,269)
Change in Net Position of Governmental Activities	<u>\$ 15,071,459</u>

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



**City Of Louisville, Mississippi**  
**Statement of Net Position - Proprietary Funds**  
**September 30, 2015**

	Business-type Activities - Enterprise Funds		
	Landfill Fund	Sanitation Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 436,955	349,608	786,563
Accounts receivable (net of allowance for uncollectibles of \$ 1,802)	71,697	84,427	156,124
Intergovernmental receivables	185,919	12,026	197,945
Due from other funds	816,990	167,845	984,835
Total Current Assets	1,511,561	613,906	2,125,467
Noncurrent assets:			
Restricted assets	404,697	-	404,697
Capital assets:			
Land and construction in progress	144,000	-	144,000
Other capital assets, net	758,298	37,194	795,492
Total Noncurrent Assets	1,306,995	37,194	1,344,189
Total Assets	2,818,556	651,100	3,469,656
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	51,646	25,774	77,420
Total Deferred Outflows of Resources	51,646	25,774	77,420
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	18,692	32,711	51,403
Intergovernmental payables	21,947	-	21,947
Due to other funds	350,535	6,724	357,259
Total Current Liabilities	391,174	39,435	430,609
Noncurrent liabilities:			
Liability for closure/post closure costs	790,691	-	790,691
Net pension liability	295,497	147,469	442,966
Non-capital debt:			
Compensated absences payable	7,880	2,135	10,015
Total Noncurrent Liabilities	1,094,068	149,604	1,243,672
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	4,929	2,460	7,389
Total Deferred Outflows of Resources	4,929	2,460	7,389
<b>NET POSITION</b>			
Net investment in capital assets	902,298	37,194	939,492
Restricted for:			
Public works	477,733	448,181	925,914
Total Net Position	\$ 1,380,031	485,375	1,865,406

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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 Fund Net Position - Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Landfill Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 517,417	501,253	1,018,670
Total Operating Revenues	<u>517,417</u>	<u>501,253</u>	<u>1,018,670</u>
Operating Expenses			
Personal services	188,390	95,505	283,895
Contractual services	199,383	247,485	446,868
Materials and supplies	3,668	7,272	10,940
Utilities	9,225	41,795	51,020
Fuel	35,781	7,800	43,581
Depreciation expense	212,407	12,501	224,908
Closure and postclosure expense	8,920	-	8,920
Total Operating Expenses	<u>657,774</u>	<u>412,358</u>	<u>1,070,132</u>
Operating Income (Loss)	<u>(140,357)</u>	<u>88,895</u>	<u>(51,462)</u>
Nonoperating Revenues (Expenses)			
Interest income	4,045	528	4,573
Net Nonoperating Revenue (Expenses)	<u>4,045</u>	<u>528</u>	<u>4,573</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(136,312)</u>	<u>89,423</u>	<u>(46,889)</u>
Transfers in	100,000	-	100,000
Transfers out	-	(100,000)	(100,000)
Changes in Net Position	<u>(36,312)</u>	<u>(10,577)</u>	<u>(46,889)</u>
Net Position - Beginning	1,489,218	612,783	2,102,001
Prior period adjustments	(72,875)	(116,831)	(189,706)
Net Position - Beginning, as restated	<u>1,416,343</u>	<u>495,952</u>	<u>1,912,295</u>
Net Position - Ending	\$ <u>1,380,031</u>	<u>485,375</u>	<u>1,865,406</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, 2015**

	Agency Funds
ASSETS	
Cash and investments	\$ 387
Total Assets	\$ 387
LIABILITIES	
Intergovernmental payables	\$ 384
Due to other funds	3
Total Liabilities	\$ 387

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.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the City. Accordingly, the financial statements do not include the data of all of the City's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- The Housing Authority of the City of Louisville
- Louisville Electric System
- Louisville Water System

**b. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

**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 non-fiduciary activities of the primary government. 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.

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. 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.



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

**1. Summary of Significant Accounting Policies (Continued):**

**b. Basis of Presentation (Continued):**

**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 and Basis of Accounting**

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.

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 Winston Plywood fund is the fund that accounts for the CDBG grant received to complete the renovation related to the Winston Plywood property.



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

**1. Summary of Significant Accounting Policies (Continued):**

**c. Measurement Focus and Basis of Accounting (Continued):**

The Disaster Projects Fund in the fund that accounts for the insurance proceeds and FEMA grants 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.

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.

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.





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

**1. Summary of Significant Accounting Policies (Continued):**

**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.

**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, 2015, the City has set aside \$404,697 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.



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

**1. Summary of Significant Accounting Policies (Continued):**

**i. Capital Assets (Continued):**

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.

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.

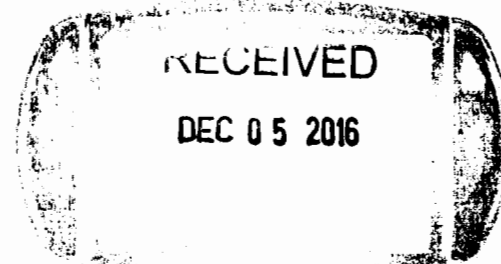
	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* 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.

Deferred outflows related to pensions – This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.





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

**1. Summary of Significant Accounting Policies (Continued):**

**j. Deferred Outflows/Inflows of Resources (Continued):**

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.

Deferred inflows related to pensions – This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 12 for additional details.

**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.



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

**1. Summary of Significant Accounting Policies (Continued):**

**I. 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.

**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, 2015.





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

**1. Summary of Significant Accounting Policies (Continued):**

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

*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.

**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.



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

**1. Summary of Significant Accounting Policies (Continued):**

**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 No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

**2. Prior Period Adjustments**

A summary of the significant fund equity adjustments is as follows:

**Exhibit 2 – Statement of Activities**

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 68 & 71:	
Net pension liability (measurement date)	\$ (4,491,123)
Deferred outflows of resources - contributions	82,399
Items not reported in construction in progress on prior year financial statements	930
Change in estimation of depreciation on landfill cell on prior year financial statements	161,229
Total prior period adjustments	\$ <u>(4,246,565)</u>



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

**2. Prior Period Adjustments (Continued):**

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 68 & 71:	
Net pension liability (measurement date)	\$ (357,494)
Deferred outflows of resources - contributions	6,559
Change in estimation of depreciation of landfill cell on	
prior period financial statements	161,229
Total prior period adjustments	<u>\$ (189,706)</u>

**3. Deposits and Investments**

The carrying amount of the city's total deposits with financial institutions at September 30, 2015, was \$5,410,956, and the bank balance was \$5,435,071. 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.

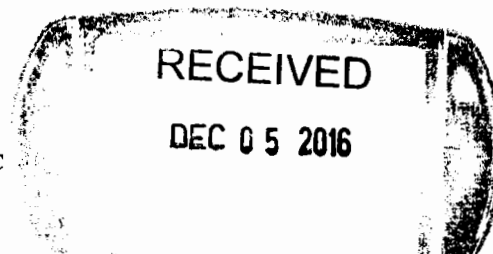
**Investments:**

Investment balances at September 30, 2015, 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	\$ 16,697	16,697
Money Market Funds			
Certificates of Deposit	Less than 1 year	<u>388,000</u>	<u>388,000</u>
Total		<u>\$ 404,697</u>	<u>404,697</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 \$404,697 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, 2015:

**a. Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 26,019
General Fund	Sanitation Fund	6,724
General Fund	Landfill Fund	235,535
General Fund	Agency Fund	384
Other Governmental Funds	General Fund	32,969
Sanitation Fund	General Fund	52,845
Sanitation Fund	Landfill Fund	115,000
Landfill Fund	General Fund	816,990
Disaster Projects Fund	General Fund	2,470,621
Total		<u>\$ 3,757,087</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>
Other Governmental Funds	General Fund	\$ 357,177
Landfill Fund	Sanitation Fund	100,000
Total		<u>\$ 457,177</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, 2015 is \$404,697. 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, 2015, consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
FEMA/MEMA Grant	\$ 4,141,904
ACE Grant Funds	1,801,972
CDBG Grant Funds	902,414
Sales Tax	164,700
Tax equivalent payments due	42,124
E911 reimbursement	15,717
Motor vehicle ad valorem tax – Sept. 15	9,116
Pro-rata road taxes Nov 14 – Sept. 15	5,468
State of MS – Hotel Tax Sept 14	4,276
Louisville Housing Authority Reimbursement	3,425
Louisville Utilities – Storm Shelter Reimbursement	945
Total Governmental Activities	<u>\$ 7,092,061</u>

Business-Type Activities

<u>Description</u>	<u>Amount</u>
FEMA/MEMA Grant	\$ <u>197,945</u>
Total Business-Type Activities	<u>\$ 197,945</u>

**7. Loans Receivable**

Loans receivable balances at September 30, 2015, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
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				( 568,604 )
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, 2015:

**Governmental activities:**

	Balance October 1, 2014	Additions	Deletions	*Adjustments	Balance September 30, 2015
Non-depreciable capital assets:					
Land	\$ 1,417,074	\$ -	\$ -	\$ -	\$ 1,417,074
Construction in Progress	1,001,261	19,100,379	-	(605,508)	19,496,132
Total non-depreciable capital assets	2,418,335	19,100,379	-	(605,508)	20,913,206
Depreciable capital assets:					
Infrastructure	412,906	-	-	-	412,906
Buildings	2,078,345	-	-	-	2,078,345
Improvements other than buildings	466,483	-	-	606,438	1,072,921
Equipment	1,850,911	366,205	(113,592)	-	2,103,524
Leased property under capital lease	695,422	45,617	-	-	741,039
Total depreciable capital assets	5,504,067	411,822	(113,592)	606,438	6,408,735
Less accumulated depreciation for:					
Infrastructure	74,323	8,258	-	-	82,581
Buildings	775,097	36,167	-	-	811,264
Improvements other than buildings	160,663	42,917	-	-	203,580
Equipment	1,531,176	65,045	(96,253)	-	1,499,968
Leased property under capital lease	219,987	100,246	-	-	320,233
Total accumulated depreciation	2,761,246	252,633	(96,253)	-	2,917,626
Total depreciable capital assets, net	2,742,821	159,189	(17,339)	606,438	3,491,109
Governmental activities, assets, net	\$ 5,161,156	\$ 19,259,568	\$ (17,339)	\$ 930	\$ 24,404,315

**Business-type activities**

Non-depreciable capital assets					
Land	\$ 144,000	\$ -	\$ -	\$ -	\$ 144,000
Total non-depreciable capital assets	144,000	-	-	-	144,000
Depreciable capital assets:					
Improvements other than buildings	2,369,976	-	-	-	2,369,976
Equipment	1,326,407	-	-	-	1,326,407
Total depreciable capital assets	3,696,383	-	-	-	3,696,383
Less accumulated depreciation for:					
Improvements other than buildings	2,133,966	150,526	-	(161,229)	2,123,263
Equipment	703,246	74,382	-	-	777,628
Total accumulated depreciation	2,837,212	224,908	-	(161,229)	2,900,891
Total depreciable capital assets, net	859,171	(224,908)	-	161,229	795,492
Business-type activities capital assets, net	\$ 1,003,171	\$ (224,908)	\$ -	\$ 161,229	\$ 939,492

\* The adjustments column consists of reclassifications of construction in progress to a depreciable asset; a correction to a prior year construction in progress entry; and a change in estimate of prior depreciation taken on a landfill cell.



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

**8. Capital Assets (Continued)**

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

**Governmental Activities:**

General Government	\$ 9,825
Public Safety	117,415
Public Works	23,045
Economic Development	64,026
Culture and Recreation	38,322
<b>Total governmental activities depreciation expense</b>	<b><u>\$ 252,633</u></b>

**Business-Type Activities:**

Landfill	\$ 212,407
Sanitation	12,501
<b>Total business type activities depreciation expense</b>	<b><u>\$ 224,908</u></b>

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Winston Plywood Facility	\$ 25,503,868	October 31, 2016

**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 2015 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.



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

**10. Capital Leases.**

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2015:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2015, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 26,655	\$ 16,672
2017	30,213	17,053
2018	31,444	15,822
2019	32,725	14,541
2020	34,059	13,207
2021-2025	192,272	44,060
2026-2029	119,367	6,677
<b>Total</b>	<b>\$ 466,735</b>	<b>\$ 128,032</b>

As Lessee:

The city is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ 741,039
 Total	 741,039
Less: Accumulated Depreciation	(320,233)
<b>Leased Property Under Capital Leases</b>	<b>\$ 420,806</b>

The following is a schedule by years of the total payments due as of September 30, 2015:

Governmental Activities:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 126,346	\$ 10,867
2017	127,358	6,869
2018	35,575	3,704
2019	31,323	2,645
2020	21,612	1,672
2021-2025	20,574	832
	-	-
<b>Total</b>	<b>\$ 362,788</b>	<b>\$ 26,589</b>





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

**11. Long-term Debt**

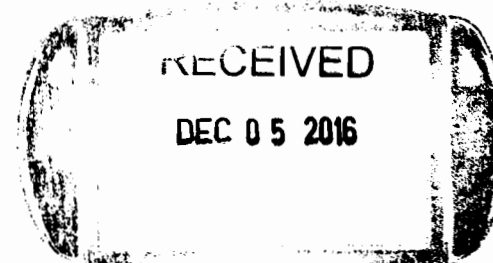
Debt outstanding as of September 30, 2015, consisted of the following:

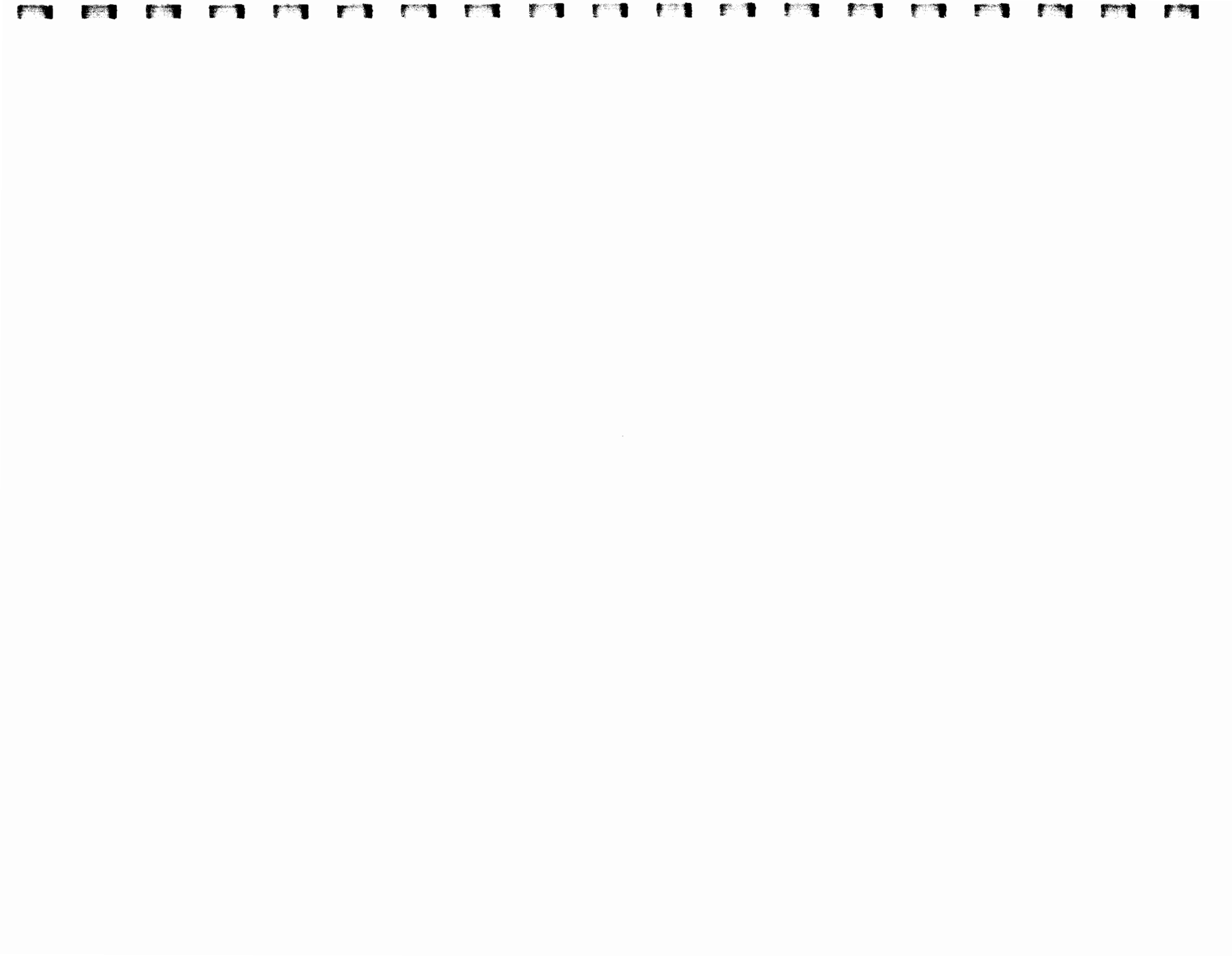
Description and purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
FTN Financial Capital Markets- Series 2012 General Obligation Bonds	\$ 1,565,000	2.375%- 3.375%	6/1/2024
Total General Obligation Bonds	\$ 1,565,000		
B. Capital Leases			
Wells Fargo Equipment Finance- 2009 Rescue Fire Truck	\$ 116,061	4.05%	10/15/2020
AT&T E911 Radio Equipment	127,512	3.764%	10/1/2017
Bancorpsouth - Kubota Tractor and Mower	45,305	2.386%	10/5/2019
GE Capital Dept. Mower	8,723	0.910%	3/5/2017
Bancorpsouth - 4 Police Cars	65,187	2.110%	4/15/2017
Total Capital Leases	\$ 362,788		
C. Other Loans			
Mississippi Development Authority- CDBG Loan Polo Industries	\$ 452,924	4.00%	6/1/2028
Mississippi Development Authority- CDBG Grant Repayment (TMW)	1,666	N/A	8/1/2016
Mississippi Development Authority- CDBG Loan (Liberty)	340,933	6.00%	5/1/2012
Mississippi Development Authority- Louisville Brick Loan	275,331	3.00%	1/1/2080
Trustmark National Bank - Grant Anticipation Note	50,000	2.53%	8/14/2017
Total Other Loans	\$ 1,120,854		

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
2016	\$ 155,000	43,330	374,341	12,113
2017	160,000	38,099	85,120	12,339
2018	165,000	32,699	36,060	11,398
2019	165,000	27,130	37,449	10,429
2020	170,000	21,850	38,448	9,431
2021-2025	750,000	45,125	209,238	31,079
2026-2030	-	-	137,157	4,625
2031-2035			29,069	
2036-2040			31,976	
2041-2045			35,174	
2046-2050			38,691	
2051-2055			68,131	
Total	\$ 1,565,000	208,233	1,120,854	91,414





**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, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 1,715,000		(150,000)	1,565,000	155,000
Capital Leases	429,533	54,883	(121,628)	362,788	126,346
Other Loans	1,108,310	50,000	(37,456)	1,120,854	374,341
Compensated Absences	150,347	-	(10,001)	140,346	-
Total	<u>3,403,190</u>	<u>104,883</u>	<u>(319,085)</u>	<u>3,188,988</u>	<u>655,687</u>
<b>Business-type Activities:</b>					
Compensated Absences	5,591	4,424	-	10,015	-
Total	<u>\$ 5,591</u>	<u>4,424</u>	<u>-</u>	<u>10,015</u>	<u>-</u>

**12. Defined Benefit Pension Plan**

*General Information about the Pension Plan*

**Plan Description.** City of Louisville, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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



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

**12. Defined Benefit Pension Plan (Continued):**

Contributions. At September 30, 2015, 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 employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$353,553, \$355,369 and \$323,626, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the City reported a liability of \$5,564,890 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .036 percent, which was a decrease of .001 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$629,509. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 85,640	-
Net difference between projected and actual earnings on pension plan investments	325,606	-
Changes of assumptions	479,396	-
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	-	92,832
City contributions subsequent to the measurement date	81,981	-
	<u>-</u>	<u>-</u>
Total	<u>\$ 972,623</u>	<u>92,832</u>

\$81,981 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2016	\$ 255,008
2017	255,007
2018	206,394
2019	81,401



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

**12. Defined Benefit Pension Plan (Continued):**

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

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

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.





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

**12. Defined Benefit Pension Plan (Continued):**

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 7,335,035	5,564,890	4,096,001

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

**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. However there is a potential liability involving expenditures related to FEMA Disaster Number 4175-DR-MS that is disclosed the following paragraph.

The City was subject to a performance audit by the Office of Inspector General (OIG). The Office of Inspector General (OIG) reviewed FEMA Project 104, Destroyed Plywood Facility. Based on the findings of the review the OIG has submitted to FEMA a monitoring report that lists \$25,413,721 of the project costs as a questioned cost with the federal share of the questioned costs amounting to \$19,427,862. The monitoring report states that City followed all of the required accounting requirements, however the OIG reported problems in procurement involving compliance with federal procurement standards. The report states that the City did follow state procurement requirements, however, no evidence could be obtained that FEMA had any assurance that disadvantaged firms received sufficient opportunities to bid on federally funded contracts. The report also states there was a duplication of benefits received from the federal government on this project. The City is contesting these findings and is in the process of submitting additional documentation to FEMA to document compliance with these various requirements. The OIG does state in the monitoring report that FEMA could grant an exemption for all or part of the costs involving compliance with procurement standards if it determines that the costs are reasonable. This involves \$23,943,436 of the accumulated costs or a \$17,957,577 federal share. As of the date of the audit report there has not been any resolution of the issue and if there is no clearance of these issues it could result in the City repaying these funds or a loss of future federal funding.

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 2015. Complete financial statements can be obtained from the Louisville/Winston County 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 County 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 County 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 2015. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

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

As of September 30, 2015, the municipality is operating the Winston County-City of Louisville Landfill. The landfill has site costs with a net book value of \$246,714 at September 30, 2015. 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.

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, 2015 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, 2015	287,399 tons
Total remaining capacity as of September 30, 2015	40,254 tons
Total estimated capacity of landfill	327,653 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	\$	\$ 150,627
Estimated Post Closure Costs	70,000	701,146
Total	<u>70,000</u>	<u>851,773</u>

The calculation of the liability for the closure and postclosure costs of the landfill as of September 30, 2015 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, 2015 is \$790,691, with the current year closure and postclosure expense calculated to be \$8,920.



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

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

As of September 30, 2015, the municipality has established a trust account with BancorpSouth to settle future closure postclosure liabilities. The municipality has set aside \$404,697 in these trust accounts to settle this future liability. These amounts have been recorded in restricted assets within the landfill fund.

**16. Subsequent Events**

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the City of Louisville evaluated the activity of the city through October 31, 2016 (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 City Airport. In accordance with these grants the City has disbursed \$647,294 on these projects from September 30, 2015 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 Fall of 2016. The city has reported \$19,496,132 of construction in progress related to this project on the financial statements for the fiscal year ended September 30, 2015. The city has incurred an additional \$21,986,200 in construction costs from September 30, 2015 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 had drawn \$50,000 on this loan as of September 30, 2015. The City has drawn the additional \$4,950,000 on this loan as of the date of this report.

The City closed on another taxable grant anticipation note (revolving line of credit) on April 27, 2016. The note is not to exceed \$3,500,000 and is financed through Trustmark National Bank. The loan accrues interest at the 3 month London Interbank Offered Rate plus 265 basis points. The rate is currently accruing interest at an annual rate of 3.28%. The term of the loan is 2 years and the loan will mature April 26, 2018. 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 has drawn \$3,150,000 on this loan as of the date of this report.



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

**16. Subsequent Events (Continued):**

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 repaid within 5 years. The loan maturity date will be June 29, 2020. The city had not drawn any of these funds as of the date of the audit report.

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 City 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 City Airport.

The City has received a hazardous mitigation grant through the Department of Homeland Security to construct a safe room within the city limits. In accordance with this grant the City has disbursed \$172,551 on this project from September 30, 2015 through the date of the audit report.

On June 2, 2016, the City purchased a building on Ivy Avenue for a cost of \$540,836. The building is to be used as a recreational facility at Ivy Park. The project was financed with FEMA/MEMA funds.

On September 20, 2016, the approved the lowest and best bid from Falcon Contracting for street repair and improvements and drainage improvements in the amount \$4,438,397.





**CITY OF LOUISVILLE, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**



**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,325,050	1,238,102	1,290,080	51,978
Road & Bridge Privilege Taxes	110,000	122,205	111,520	(10,685)
Licenses, commissions and other revenue	116,200	110,000	132,733	22,733
Fines and forfeitures	184,000	121,856	126,039	4,183
Intergovernmental revenues	3,111,700	2,627,899	2,610,669	(17,230)
Charges for services	121,000	121,000	118,513	(2,487)
Interest income	2,000	3,930	4,044	114
Miscellaneous revenues	38,100	46,045	12,582	(33,463)
Total Revenues	<u>5,008,050</u>	<u>4,391,037</u>	<u>4,406,180</u>	<u>15,143</u>
<b>EXPENDITURES</b>				
Current:				
General government	934,745	1,063,185	896,936	166,249
Public safety	2,068,750	2,035,617	1,967,737	67,880
Public works	1,609,200	1,434,300	1,032,737	401,563
Culture and recreation	308,600	1,058,826	317,264	741,562
Economic development and assistance	-	-	28,074	(28,074)
Debt service:				
Principal	-	-	43,241	(43,241)
Interest	-	-	2,139	(2,139)
Total Expenditures	<u>4,921,295</u>	<u>5,591,928</u>	<u>4,288,128</u>	<u>1,303,800</u>
Excess of Revenues over (under) Expenditures	<u>86,755</u>	<u>(1,200,891)</u>	<u>118,052</u>	<u>1,318,943</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	-	-	-
Proceeds from sale of capital assets	1,000	-	27,945	27,945
Transfers in	122,500	57,900	-	(57,900)
Transfers out	(300,000)	(309,138)	(357,177)	(48,039)
Total Other Financing Sources and Uses	<u>(176,500)</u>	<u>(251,238)</u>	<u>(329,232)</u>	<u>(77,994)</u>
Net Change in Fund Balance	<u>(89,745)</u>	<u>(1,452,129)</u>	<u>(211,180)</u>	<u>1,240,949</u>
Fund Balances - Beginning	742,121	1,074,009	1,074,009	-
Fund Balances - Ending	<u>\$ 652,376</u>	<u>(378,120)</u>	<u>862,829</u>	<u>1,240,949</u>

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



**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**Polo Building Lease Fund**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ -	-	20,936	20,936
Total Revenues	-	-	20,936	20,936
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	-	4,342	(4,342)
Debt service:				
Principal	43,258	43,258	31,588	11,670
Interest	-	-	15,275	(15,275)
Total Expenditures	43,258	43,258	51,205	(7,947)
Excess of Revenues over (under) Expenditures	(43,258)	(43,258)	(30,269)	12,989
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease principal payments	43,258	43,258	30,269	(12,989)
Total Other Financing Sources and Uses	43,258	43,258	30,269	(12,989)
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	-	-	-

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



**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**CBDG Winston Plywood Fund**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	-	902,414	902,414
Total Revenues	-	-	902,414	902,414
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	-	902,414	(902,414)
Total Expenditures	-	-	902,414	(902,414)
Excess of Revenues over (under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	30	30	30	-
Fund Balances - Ending	\$ 30	30	30	-

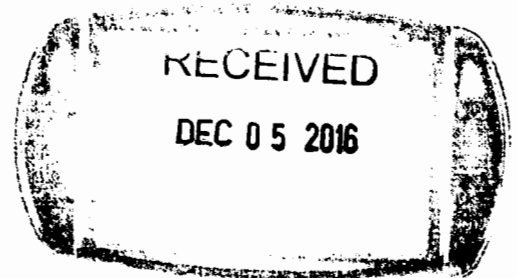
The accompanying notes to Required Supplementary Information are an integral part of this statement.



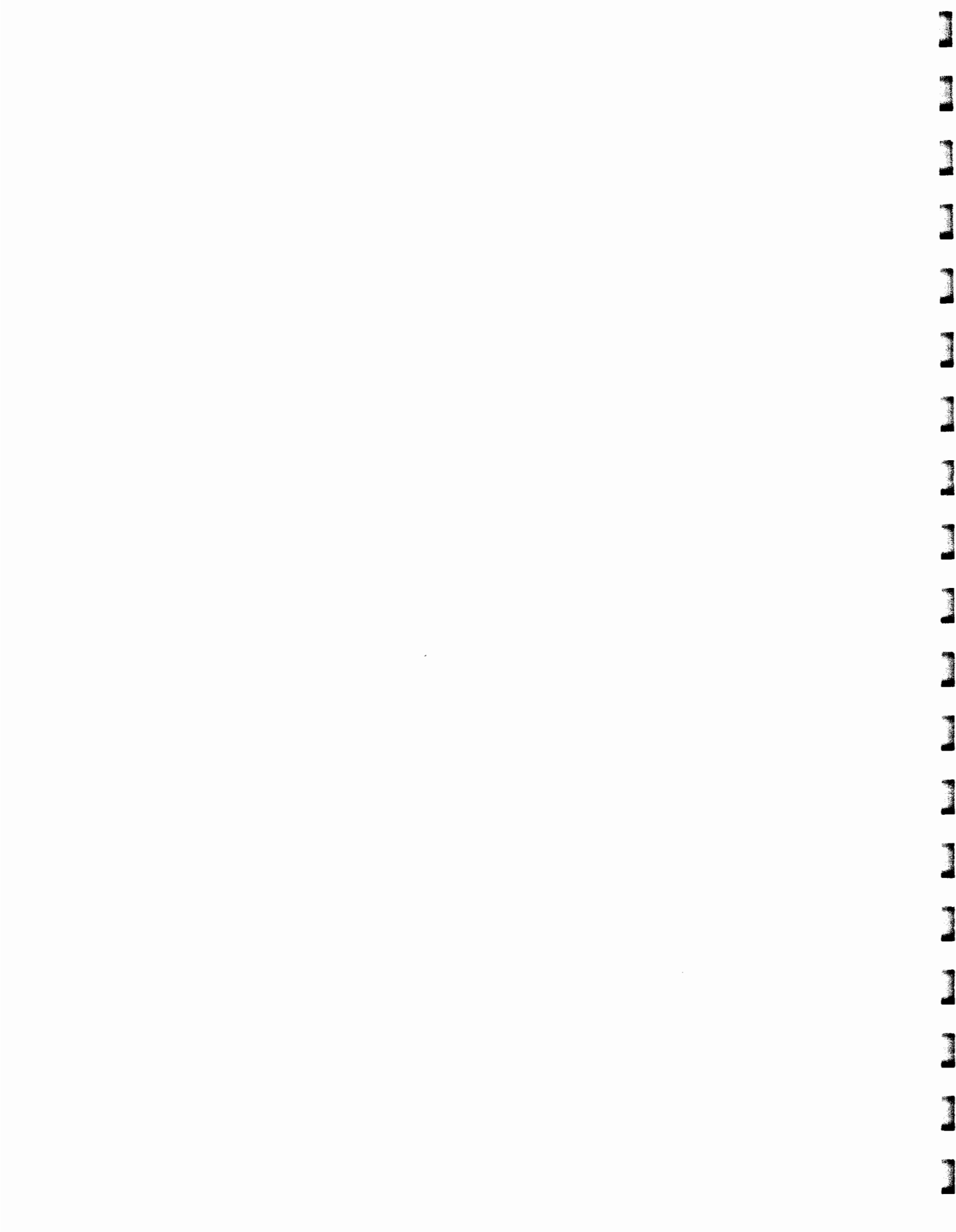


**City Of Louisville, Mississippi**  
**Budgetary Comparison Schedule -**  
**Disaster Projects Fund**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	8,004,800	14,414,854	6,410,054
Interest income	2,000	-	4,500	4,500
Total Revenues	<u>2,000</u>	<u>8,004,800</u>	<u>14,419,354</u>	<u>6,414,554</u>
<b>EXPENDITURES</b>				
Current:				
Economic development and assistance	-	10,000,000	18,511,204	(8,511,204)
Debt service:				
Interest	-	-	41,930	(41,930)
Total Expenditures	<u>-</u>	<u>10,000,000</u>	<u>18,553,134</u>	<u>(8,553,134)</u>
Excess of Revenues over (under) Expenditures	<u>2,000</u>	<u>(1,995,200)</u>	<u>(4,133,780)</u>	<u>(2,138,580)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	-	50,000	50,000
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balance	<u>2,000</u>	<u>(1,995,200)</u>	<u>(4,083,780)</u>	<u>(2,088,580)</u>
Fund Balances - Beginning	-	9,221,380	9,221,380	-
Fund Balances - Ending	<u>\$ 2,000</u>	<u>7,226,180</u>	<u>5,137,600</u>	<u>(2,088,580)</u>



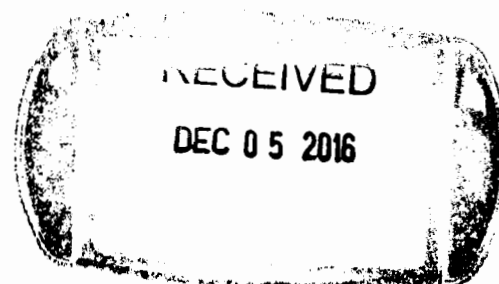
The accompanying notes to Required Supplementary Information are an integral part of this statement.



**City of Louisville, Mississippi**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**For the Year Ended September 30, 2015**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.036%	0.037%
City's proportionate share of the net pension liability (asset)	\$ 5,664,890	4,491,123
City's covered-employee payroll	\$ 2,244,771	2,256,312
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252.36%	199.05%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The amounts presented for each fiscal year were determined as of the measurement date of June 30 year presented. This schedule is presented to illustrate the requirement to show information for 10 GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a is compiled, the City has only presented information for the years in which information is available.



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



**City of Louisville, Mississippi**  
**Schedule of City Contributions**  
**For the Year Ended September 30, 2015**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 353,553	\$ 355,369
Contributions in relation to the contractually required contribution	<u>353,553</u>	<u>355,369</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
City's covered-employee payroll	\$ 2,244,771	\$ 2,256,312
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

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



**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to 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, 2015:

Fund	Excess
Transload CDBG Fund	4,001
Railspur Fund	12,746
CDBG Winston Plywood Fund	902,414
Disaster Projects Fund	8,553,134

The excess expenditures over budget occurred after adjustments proposed by the auditor in the CDBG Winston Plywood Fund and is not violation of state law. The City has no liability associated with the excess expenditures over budgeted expenditures in the CDBG Winston Plywood Fund. The excess expenditures over budget occurred due to additional capital outlay expenditures in the Disaster Projects Fund and is not a violation of state law. The excess expenditures over budget in the Transload CDBG Fund and the Railspur Fund are in violation of state law.

**D. Unbudgeted Funds**

There were no unbudgeted funds for the year ended September 30, 2015





**CITY OF LOUISVILLE, MISSISSIPPI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Pension Schedules**

**A. Changes in benefit terms**

There were no changes in benefit terms for the fiscal year ended September 30, 2015.

**B. Changes of assumptions**

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



**CITY OF LOUISVILLE, MISSISSIPPI**

**SUPPLEMENTAL INFORMATION**



**City of Louisville, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2015**

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	\$ 902,414
Community Development Block Grants/State's Program and Non-Entitlement Grants In	14.228	1127-10-238-ED-01	148,917
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	1128-11-238-PF-01	234,927
Total United States Department of Housing and Urban Development			<u>1,286,258</u>
<b>Appalachian Regional Commission</b>			
Passed through Tennessee Valley Authority			
Appalachian Area Development	23.002		66,009
Total Appalachian Regional Commission			<u>66,009</u>
<b>Federal Aviation Administration</b>			
Direct Program			
Airport Improvement Program	20.106	3-28-0043-013-2013	1,543
Airport Improvement Program	20.106	3-28-0043-014-2014	327,913
Total Federal Aviation Administration			<u>329,456</u>
<b>United States Department Of Homeland Security</b>			
Passed Through Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disaster Areas)	97.036	FEMA 4175	12,647,849
Total United States Department of Homeland Security			<u>12,647,849</u>
Total Expenditures of Federal Awards			\$ <u>14,329,572</u>

**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.



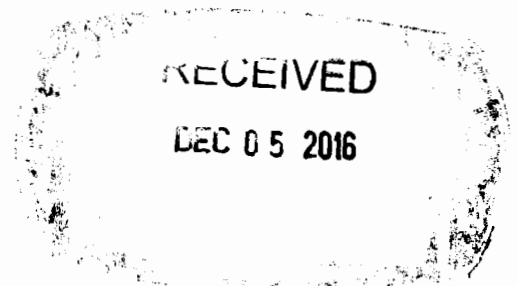
**City Of Louisville, Mississippi**  
**Schedule Reconciling Original Ad Valorem Tax Rolls To Fund Collections**

		Taxable Assessed Value	Millage	Tax	
<hr/>					
Adjusted Assessed Valuation					
City:					
	Realty	27,592,886	23.00	\$	634,636
	Personal Other Than Auto	10,654,043	23.00		245,043
	Public Utilities	4,255,228	23.00		97,870
	Personal- Auto (remitted by county)	5,472,913	23.00		126,933
	Total				
Less:	Homestead Exemption Allowed			(84,975)	
				<hr/>	
				-	(84,975)
Add:	Actual Homestead Reimbursement				81,562
Total to be accounted for				\$	<u>1,101,069</u>
		Taxes	Reimbursement		
		<hr/>			
Credit:	Collections Allocated To:				
	Municipal General Funds	834,960	67,377		
	Library Fund	131,836	10,639		
	Memorial Park and Cemetary Fund	43,945	3,546		
		<hr/>	<hr/>		
		1,010,741	81,562	\$	1,092,303
Balance Represented By					
	Unpaid Property Taxes				8,766
Total Accounted For				\$	<u>1,101,069</u>

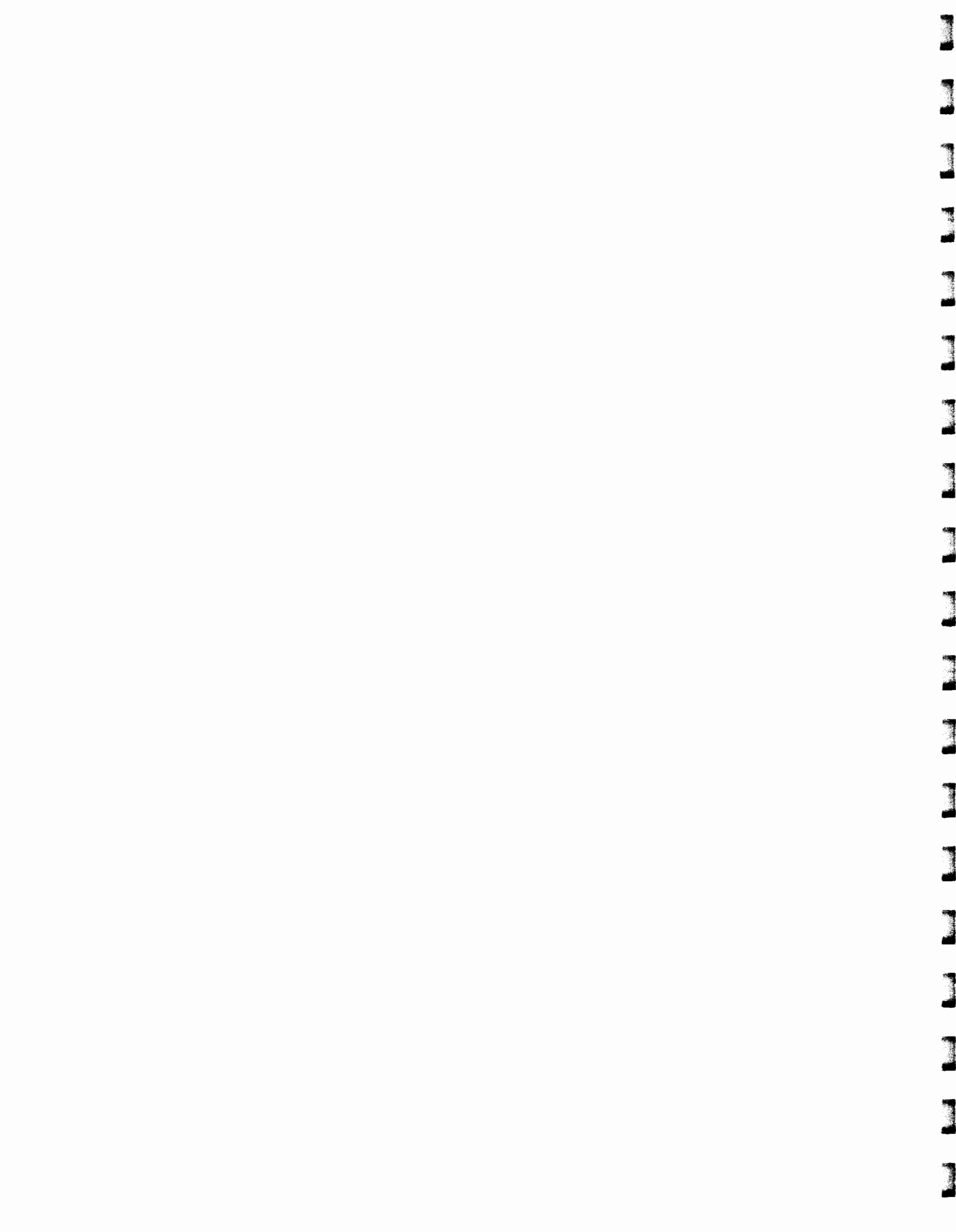
The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

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 2014	1,148,589
Amount Allowable	114,859 *
Total	<u>1,263,448</u>
Year 2015	1,101,069
Amount Allowable	(1,263,448)
Amount Over(Under) Limitation	<u>(162,379) *</u>



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

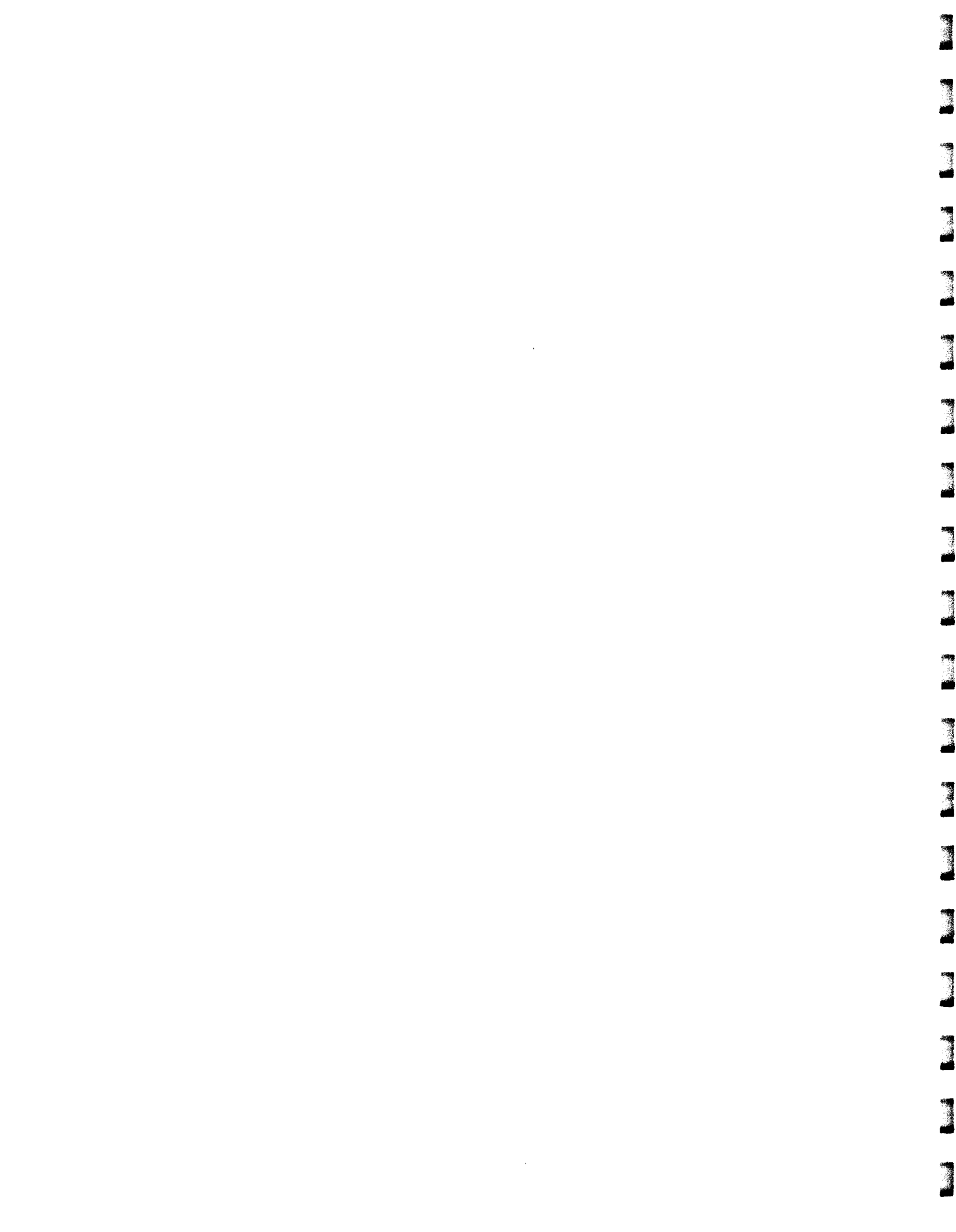




**CITY OF LOUISVILLE, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS**

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	Aldерwoman	\$ 50,000
Eugene Crosby	Alderman	\$ 50,000
Richard Caperton	Alderman	\$ 50,000
Gwenita Mays	Aldерwoman	\$ 50,000
Frances Ball	Aldерwoman	\$ 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
Kayla Rogers	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
Robert Eaves	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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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the 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, each major fund, and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the City of Louisville, Mississippi's basic financial statements and have issued our report thereon dated October 31, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Louisville, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.. **Finding 2015-1**

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 accompanying schedule of findings and questioned costs to be significant deficiencies. **Finding 2015-2 and Finding 2015-3.**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Louisville, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

October 31, 2016

*Watkins Ward and Stafford, PLLC*







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

To the Board of Alderman  
City of Louisville, Mississippi

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

We have audited the 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 the City of Louisville, Mississippi's major federal program for the year ended September 30, 2015. The City of Louisville, Mississippi's major federal program is 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City of Louisville, Mississippi's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the City of Louisville, Mississippi's compliance.

***Opinion on the Major Federal Program***

In our opinion, the 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 its major federal program for the year ended September 30, 2015.

**Report on Internal Control over Compliance**

Management of the 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 the City of Louisville, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the City of Louisville, Mississippi's internal control over compliance.



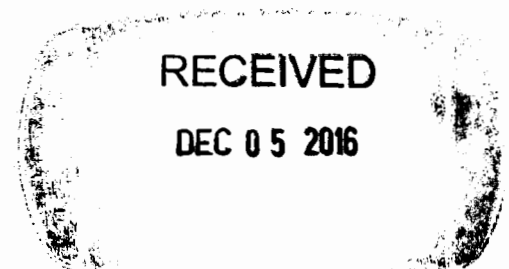
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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  
October 31, 2016

*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, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the City of Louisville, Mississippi's basic financial statements and have issued our report thereon dated October 31, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

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:

**1. Finding**

Miss. Code Section 21-35-15 Miss. Code Ann. (1972) states, "Expenditures shall not exceed estimated budget, measured at the lowest level adopted in the budget, except for capital outlay, elections expenses and payment of emergency warrants"

During our compliance testing of the final amended budget of the City, we noted that expenditures exceeded the final amended budget in three funds. The funds along with related over expenditure are detailed below:

- E911 Fund \$6,565
- Transload CDBG Fund \$4,001
- Rail Spur Fund \$12,746

**Recommendation**

We recommend the City comply with Miss. Code Section 21-35-15, Miss. Code Ann. (1972) and limit expenditures to the amount approved on the final amended budget.

**City's Response**

In the future, the city will strive to comply Miss. Code Section 21-35-15, Miss. Code Ann. (1972) and limit expenditures to the amount approved in the final amended budget.

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## 2. Finding

Miss Code Section 27-105-5(6)(b) requires every public depositor to notify the State Treasurer's office no later than thirty days following the fiscal year end of its name, address, tax identification number and listing of deposit accounts.

During our compliance testing we noted that city personnel did not send the report to the State Treasurer's office within the 30 day deadline. The report was submitted on November 23, 2015.

### Recommendation

We recommend the City comply with Miss. Code Section 27-105-5(6)(b) and notify the State Treasurer's Office no later no later than thirty days following the fiscal year end of its name, address, tax identification number and listing of deposit accounts.

### City's Response

We will comply with Miss. Code Section 27-105-5(6)(b) and notify the State Treasurer's Office no later no later than thirty days following the fiscal year end of its name, address, tax identification number and listing of deposit accounts.

The City's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of 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  
October 31, 2016

*Watkins Ward and Stafford, PLLC*





**CITY OF LOUISVILLE, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**CITY OF LOUISVILLE, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section1: Summary of Auditors Results**

**Financial Statements:**

1. Type of auditor's report issued on the financial statements:
 

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
Each major fund	Unmodified
Aggregate remaining fund information	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)
  
8. The dollar threshold used to distinguish between type A and type B programs \$429,887
  
9. Auditee qualified as a low-risk auditee? No



## Section 2: Financial Statement Findings

### **Material Weakness**

#### **2015-1 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**

#### **2015-2 Finding**

As discussed in the previous year's audit 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**

### **2015-3 Finding**

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

- We noted three 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 seven 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 since the tornado on April 28, 2014, some purchase orders were not properly filled out with the correct purchase amount. The city clerk and city clerk assistants along with the department heads will strive to handle this process more efficiently in the future.

### **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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WILLIAM A. (WILL) HILL  
MAYOR

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## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

### Financial and Compliance Audit Division

As required by Section \_\_\_\_\_.315(b) of OMB Circular A-133, City Of Louisville, Mississippi prepared and hereby submits the following summary schedule of prior audit findings as of September 30, 2015:

<u>Finding</u>	<u>Status</u>
2014-1	Not Corrected
2014-2	Not Corrected
2014-3	Not Corrected
2014-4	Corrected

Sincerely,

William A. (Will) Hill, Mayor

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