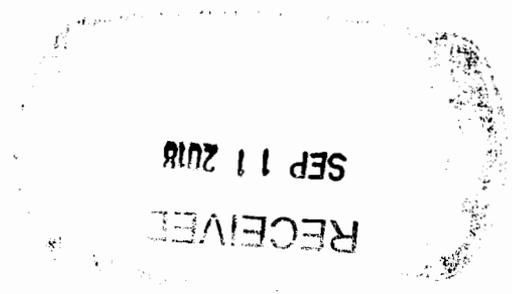




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**CITY OF LOUISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



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

CITY OF LOUISVILLE, MISSISSIPPI

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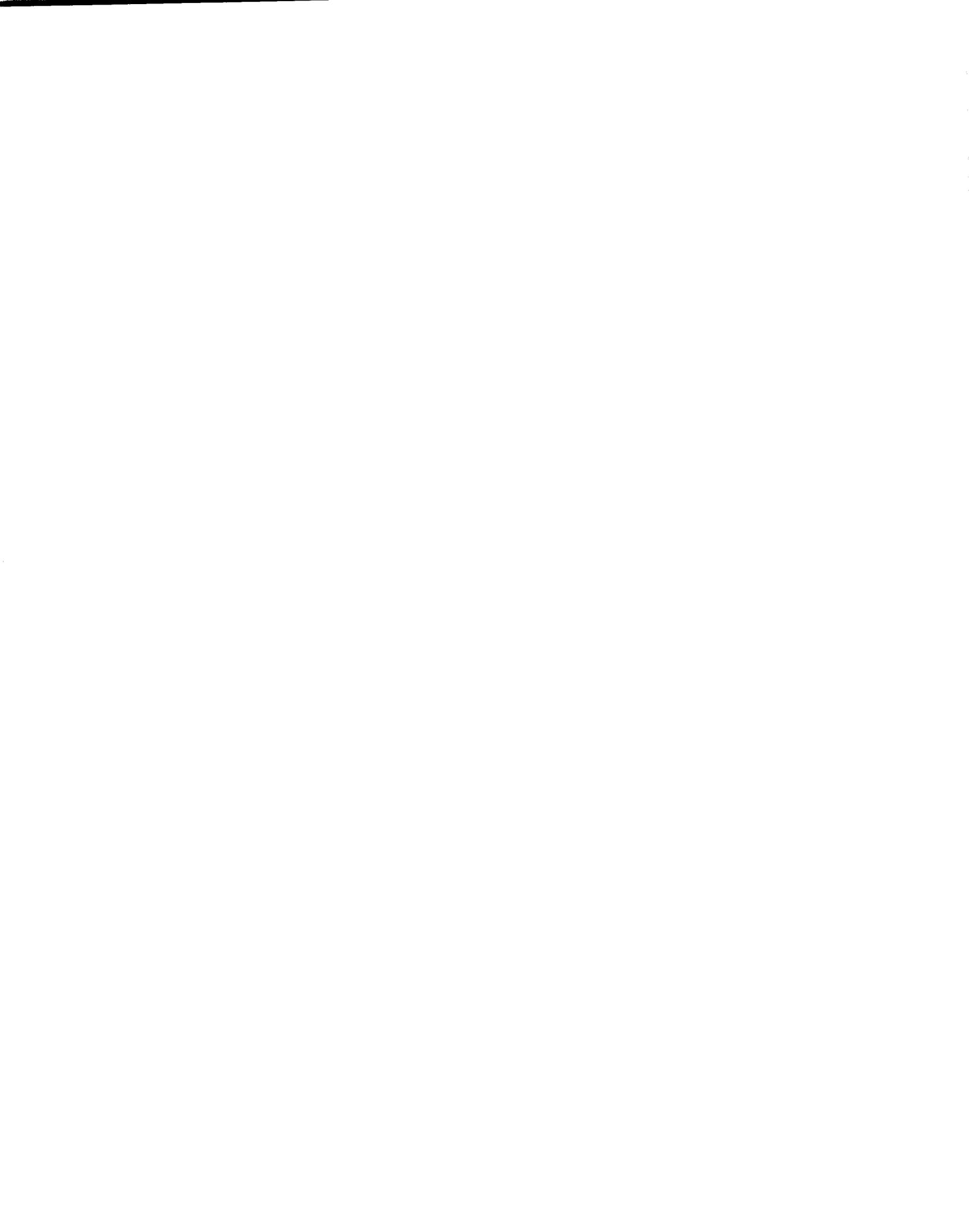
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CITY OF LOUISVILLE, MISSISSIPPI

FINANCIAL SECTION

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





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INDEPENDENT AUDITORS' REPORT

To the Board of Alderman
City of Louisville, Mississippi

We have audited the accompanying basic 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, 2017, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

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 \$43,288,222, deferred outflows of resources \$1,048,956, liabilities of \$9,444,510, deferred inflows of resources of \$336,179, net position of \$34,916,489, revenues of \$14,840,880 and expenses of \$15,099,410.



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" 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, 2017, 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, 2017, 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 5–15, 52–54, 55 and 56 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 and employees 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule reconciling ad valorem tax rolls to fund collections and schedule of surety bonds for elected officials and employees 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018, 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
July 25, 2018

Watkins Ward and Stafford, PLLC

CITY OF LOUISVILLE, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS



**CITY OF LOUISVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017. 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, 2017 by \$46,805,386 (net position).
- Total net position increased \$646,123 net of a prior period adjustment of \$945,853. Net position of governmental activities decreased \$232,909, net of a prior period adjustment of 148,810. This represents a 1% decrease from 2016. Net position of business-type activities increased \$879,032, which includes a prior period adjustment of \$797,043. This represents a 43% increase from 2016. The primary reason for the decrease in governmental activities is due to various ongoing FEMA/MEMA projects that require the city to match funding. The increase in net position for the business-type activities is due primarily to a prior period adjustment related to changes in estimates associated with the calculation of depreciation on the landfill and closure/post-closure costs related to the landfill.
- The City had \$10,716,311 and \$26,423,780 in total revenues in governmental activities, respectively for 2017 and 2016. Program revenues account for \$7,008,132 or 65% of total revenues in 2017 and \$22,693,087 or 86% of total revenues in 2016. General revenues account for \$3,708,179 or 35% of total revenues in 2017 and \$3,730,693 or 14% of total revenues in 2016.
- The City had \$11,098,030 and \$6,604,159 in total expenses in governmental activities, respectively for 2017 and 2016. \$7,008,132 for 2017 and \$22,693,087 for 2016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,708,179 for 2017 were not adequate to provide for the city's various programs. \$3,730,693 for 2016 were adequate to provide for the city's various programs.
- The City had \$971,626 and \$1,027,856 in total revenues in business-type activities, respectively for 2017 and 2016. Charges for services account for \$889,517 or 92% of total revenues in 2017 and \$964,384 or 94% of total revenues in 2016. The City had \$889,637 and \$1,000,917 in total expenses in business type activities, respectively for 2017 and 2016. Total revenues of \$971,626 for 2017 and \$1,027,856 for 2016 were adequate to provide for the expenses related to the city's business-type activities.
- Among major funds, the General Fund had \$4,123,393 in revenues and \$4,126,315 in expenditures in 2017. The General Fund's fund balance decreased \$287,247 from 2016. The General Fund had \$4,666,095 in revenues and \$4,693,617 in expenditures in 2016. The General Fund's fund balance decreased \$256,277 from 2015.
- Capital assets in governmental activities, net of accumulated depreciation, increased by \$1,007,112 in 2017. The primary reason for this increase is due to construction related to various FEMA/MEMA funded projects. Capital assets in governmental activities, net of accumulated depreciation, increased by \$26,365,529 in 2016. The primary reason for this increase is due to additional construction related to the Winston Plywood building.
- Capital assets in business-type activities, net of accumulated depreciation, increased by \$2,281,719 in 2017. Capital assets in business-type activities, net of accumulated depreciation, decreased by \$13,984 in 2016.



- Long-term debt in governmental activities decreased by \$314,571 in 2017. The primary reason for the decrease was due the city paying principal due on outstanding debt. Long-term debt in governmental activities increased by \$7,783,381 in 2016. The primary reason the increase was due the city borrowing additional funds to assist in the construction of the Winston Plywood building until the additional funds from MEMA are obtained.
- As of September 30, 2017, the City of Louisville’s governmental funds reported combined ending fund balances of \$7,550,275 a decrease of \$1,115,061 due primarily to ongoing FEMA/MEMA projects that require the city to provide 12.5% matching funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the City’s Annual Report

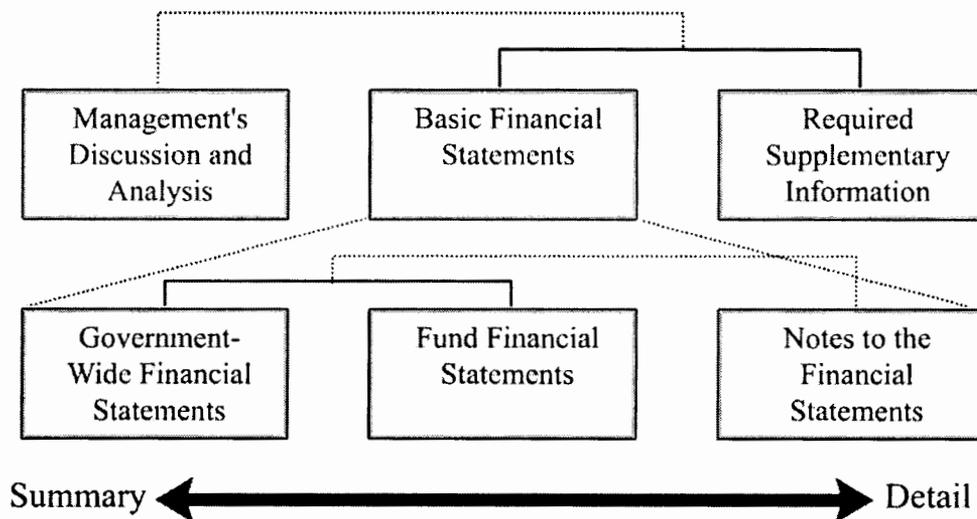


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the City financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the City Government-Wide and Fund Financial Statements

| | Government-Wide Financial Statements | Fund Financial Statements | | |
|---|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire City government (except fiduciary funds) and component units | All activities of the City that are not business-type or fiduciary in nature | Activities of the City that operate similar to private businesses | The City is the trustee or agent for someone else's resources |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances | <ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset, deferred outflow, liability, deferred inflow information | All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term | Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included | All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term | All assets, deferred outflows, liabilities, and deferred inflows, both short and long term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

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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 \$46,805,386 as of September 30, 2017. Analyzing the net position and net expenses of governmental and business-type activities separately, the governmental activities net position was \$43,887,431 and the business type activities net position are \$2,917,955. 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 (99.8%) 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 (14.2%) is restricted for economic development. These are grant resources set aside to reconstruct an industrial property owned by the City and other disaster recovery projects.

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.

**Table 1
Summary of Net position**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|-------------|--------------------------|-----------|--------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 10,245,088 | 12,879,047 | 958,059 | 2,389,222 | 11,203,147 | 15,268,269 |
| Capital Assets | 51,776,956 | 50,769,844 | 3,207,227 | 925,508 | 54,984,183 | 51,695,352 |
| Total Assets | 62,022,044 | 63,648,891 | 4,165,286 | 3,314,730 | 66,187,330 | 66,963,621 |
| Deferred outflows of resources | 787,537 | 1,204,081 | 80,285 | 106,127 | 867,822 | 1,310,208 |
| Current and other liabilities | 1,208,904 | 2,683,613 | 771,208 | 842,740 | 1,980,112 | 3,526,353 |
| Long-term liabilities | 15,977,284 | 16,881,998 | 511,053 | 532,745 | 16,488,337 | 17,414,743 |
| Total Liabilities | 17,186,188 | 19,565,611 | 1,282,261 | 1,375,485 | 18,468,449 | 20,941,096 |
| Deferred inflows of resources | 1,735,962 | 1,167,021 | 45,355 | 6,449 | 1,781,317 | 1,173,470 |
| Net position: | | | | | | |
| Net Investment in capital assets | 43,508,953 | 42,383,404 | 3,207,227 | 925,508 | 46,716,180 | 43,308,912 |
| Restricted | 7,013,388 | 7,877,584 | 0 | 1,113,415 | 7,013,388 | 8,990,999 |
| Unrestricted | (6,634,910) | (6,140,648) | (289,272) | 0 | (6,924,182) | (6,140,648) |
| Total Net position | \$ 43,887,431 | 44,120,340 | 2,917,955 | 2,038,923 | 46,805,386 | 46,159,263 |

Table 2
Changes in Net position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|-------------------|--------------------------|------------------|--------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 401,907 | 446,203 | 889,517 | 964,384 | 1,291,424 | 1,410,587 |
| Operating grants and contributions | 4,998,025 | 1,506,768 | 75,000 | 32,594 | 5,073,025 | 1,539,362 |
| Capital grants and contributions | 1,608,200 | 20,740,116 | 0 | 25,000 | 1,608,200 | 20,765,116 |
| General revenues: | | | | | | |
| Taxes | 1,647,829 | 1,588,440 | 0 | 0 | 1,647,829 | 1,588,440 |
| Grants and contributions not restricted to specific programs | 2,006,625 | 2,071,158 | 0 | 0 | 2,006,625 | 2,071,158 |
| Unrestricted interest income | 24,141 | 24,630 | 7,109 | 5,878 | 31,250 | 30,508 |
| Miscellaneous | 29,584 | 46,465 | 0 | 0 | 29,584 | 46,465 |
| Total Revenues | <u>10,716,311</u> | <u>26,423,780</u> | <u>971,626</u> | <u>1,027,856</u> | <u>11,687,937</u> | <u>27,451,636</u> |
| Expenses: | | | | | | |
| General government | 1,062,209 | 1,037,869 | 0 | 0 | 1,062,209 | 1,037,869 |
| Public safety | 2,792,712 | 2,899,240 | 0 | 0 | 2,792,712 | 2,899,240 |
| Public works | 5,455,235 | 1,849,804 | 0 | 0 | 5,455,235 | 1,849,804 |
| Culture and recreation | 492,171 | 458,770 | 0 | 0 | 492,171 | 458,770 |
| Economic development and assistance | 1,240,180 | 266,210 | 0 | 0 | 1,240,180 | 266,210 |
| Interest on long-term debt | 55,523 | 92,266 | 0 | 0 | 55,523 | 92,266 |
| Sanitation | 0 | 0 | 489,104 | 426,053 | 489,104 | 426,053 |
| Landfill | 0 | 0 | 400,533 | 574,864 | 400,533 | 574,864 |
| Total Expenses | <u>11,098,030</u> | <u>6,604,159</u> | <u>889,637</u> | <u>1,000,917</u> | <u>11,987,667</u> | <u>7,605,076</u> |
| Increase (Decrease) in net position | (381,719) | 19,819,621 | 81,989 | 26,939 | (299,730) | 19,846,560 |
| Net position, October 1 | 44,120,340 | 24,310,659 | 2,038,923 | 1,865,406 | 46,159,263 | 26,176,065 |
| Prior Period Adjustment | 148,810 | (9,940) | 797,043 | 146,578 | 945,853 | 136,638 |
| Net position, September 30 | <u>\$ 43,887,431</u> | <u>44,120,340</u> | <u>2,917,955</u> | <u>2,038,923</u> | <u>46,805,386</u> | <u>46,159,263</u> |

The most significant governmental expense for the City was incurred in regards to public works activities (\$5,455,235). The next largest governmental expense was incurred providing for public safety, which incurred expenses of \$2,792,712. 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 (\$1,062,209) and economic development (\$1,240,180).

Business-type Activities

- Revenues of the City's business-type activities were \$971,626 for the fiscal year ending September 30, 2017. Expenses for the City's business-type activities were \$889,637 for the year. The total net increase in net position is \$879,032, including a prior period adjustment of \$797,043.

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Governmental Activities – The following table presents the cost of the six major functional activities of the City: General Government, Public Safety, Public Works, Culture & Recreation, Economic Development and Interest on Long Term Debt.

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on City’s taxpayers by each of these functions.

| | 2017 | | 2016 | |
|----------------------------|-------------|-----------|-------------|--------------|
| | Total Costs | Net Costs | Total Costs | Net Costs |
| General Government | 1,062,209 | 864,139 | 1,037,869 | 696,991 |
| Public Safety | 2,792,712 | 2,182,187 | 2,899,240 | 2,308,167 |
| Public Works | 5,455,235 | 798,684 | 1,849,804 | 716,898 |
| Culture & Recreation | 492,171 | (3,529) | 458,770 | (121,755) |
| Economic Development | 1,240,180 | 192,894 | 266,210 | (19,781,495) |
| Interest on Long Term Debt | 55,523 | 55,523 | 92,266 | 92,266 |

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental funds – At the close of the fiscal year, the city’s governmental funds reported a combined fund balance of \$7,550,275, a decrease of \$1,115,061. The primary reasons for this decrease was due to ongoing FEMA/MEMA funds projects that required the city to provide 12.5% matching funds. \$259,580 (3%) of the governmental fund balance of \$7,550,275 is unassigned and not restricted in any manner. The remaining \$7,290,695 (97%) is restricted or assigned for other purposes. The largest portion of restricted fund balance is for economic development and assistance \$6,718,221. The funds are mainly set aside for construction of Winston Plywood and other disaster recovery projects.

The General Fund is the principal operating fund of the City. The decrease in the fund balance of the General Fund for the fiscal year was \$287,247. This decrease was primarily due to transfers to other funds to fund other projects.

Business-type funds – Charges for services from the Landfill Fund decreased by 17% or \$76,596 to \$378,157 and expenses decreased by 15% or \$85,760 to \$489,104. The city received interest income of \$6,229 and grants of \$75,000. Charges for services from the Sanitation Fund increased by less than 1% or \$1,729 to \$511,360 and expenses decreased by 6% or \$25,520 to \$400,533. The city received interest income of \$880 in the sanitation fund.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2017 the City had \$54,984,183 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 \$3,288,831 or 6% increase over the prior fiscal year.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|----------------------------|-------------------|-----------------------------|----------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 2,637,610 | \$ 1,555,609 | \$ 144,000 | \$ 144,000 | \$ 2,781,610 | \$ 1,699,609 |
| Construction in progress | 1,161,731 | 45,885,575 | 1,828,453 | 28,395 | 2,990,184 | 45,913,970 |
| Infrastructure | 313,809 | 322,067 | 0 | 0 | 313,809 | 322,067 |
| Buildings and improvements | 42,134,281 | 1,236,758 | 0 | 0 | 42,134,281 | 1,236,758 |
| Improvements other than buildings | 4,736,135 | 826,424 | 822,259 | 278,717 | 5,558,394 | 1,105,141 |
| Equipment | 618,896 | 638,322 | 412,515 | 474,396 | 1,031,411 | 1,112,718 |
| Leased property under capital lease | 174,494 | 305,089 | 0 | 0 | 174,494 | 305,089 |
| Totals | <u>51,776,956</u> | <u>50,769,844</u> | <u>3,207,227</u> | <u>925,508</u> | <u>54,984,183</u> | <u>51,695,352</u> |

This year's major additions includes construction in progress related to various disaster recovery projects and a new landfill cell.

Debt

At year-end, the City had \$10,670,149 in general obligation bond debt, capital leases and other loans outstanding as compared to \$10,984,244 at the end of the prior fiscal year, a decrease of 3% from the previous year as shown in table 4. The primary reason for the increase is the city borrowed funds through a grant anticipation note to finance construction on the Winston Plywood facility and other disaster recovery projects until grant funding was received from MEMA.

**Table 4
Outstanding Debt**

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------|----------------------------|-------------------|-----------------------------|---------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| GO Bonds Payable | \$ 1,250,000 | \$ 1,410,000 | \$ 0 | \$ 0 | \$ 1,250,000 | \$ 1,410,000 |
| Capital Leases | 118,003 | 236,440 | 0 | 0 | 118,003 | 236,440 |
| Other loans | 9,149,708 | 9,186,572 | 0 | 0 | 9,149,708 | 9,186,572 |
| Compensated Absences | 140,087 | 139,357 | 12,351 | 11,875 | 152,438 | 151,232 |
| Totals | <u>10,657,798</u> | <u>10,972,369</u> | <u>12,351</u> | <u>11,875</u> | <u>10,670,149</u> | <u>10,984,244</u> |

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 2018 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.

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CITY OF LOUISVILLE, MISSISSIPPI

FINANCIAL STATEMENTS

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SEP 11 2018



**City Of Louisville, Mississippi
Statement of Net Position
September 30, 2017**

Exhibit 1

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Cash | \$ 1,996,466 | 489,138 | 2,485,604 |
| Property tax receivable | 1,117,375 | - | 1,117,375 |
| Accounts receivable (net of allowance for uncollectibles of \$965) | - | 121,373 | 121,373 |
| Fines receivable (net of allowance for uncollectibles of \$679,792) | 48,883 | - | 48,883 |
| Capital leases receivable | 407,294 | - | 407,294 |
| Intergovernmental receivables | 6,363,509 | 206,093 | 6,569,602 |
| Other receivables | 13,766 | - | 13,766 |
| Internal balances | 297,796 | (297,796) | - |
| Restricted assets | - | 439,250 | 439,250 |
| Capital assets: | | | |
| Land and construction in progress | 3,799,341 | 1,972,453 | 5,771,794 |
| Other capital assets, net | 47,977,615 | 1,234,774 | 49,212,389 |
| Total Assets | 62,022,045 | 4,165,285 | 66,187,330 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 787,537 | 80,285 | 867,822 |
| Total Deferred Outflows of Resources | 787,537 | 80,285 | 867,822 |
| LIABILITIES | | | |
| Claims payable | 1,115,495 | 216,436 | 1,331,931 |
| Intergovernmental payables | 5,767 | 16,938 | 22,705 |
| Accrued interest payable | 87,643 | - | 87,643 |
| Liability for closure/post closure costs | - | 537,833 | 537,833 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital debt | 8,189,040 | - | 8,189,040 |
| Non-capital debt | 539,375 | - | 539,375 |
| Due in more than one year: | | | |
| Capital debt | 78,963 | - | 78,963 |
| Non-capital debt | 1,850,420 | 12,351 | 1,862,771 |
| Net pension liability | 5,319,486 | 498,702 | 5,818,188 |
| Total Liabilities | 17,186,189 | 1,282,260 | 18,468,449 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax for future reporting period | 1,117,375 | - | 1,117,375 |
| Deferred inflows - pensions | 618,587 | 45,355 | 663,942 |
| Total Deferred Inflows of Resources | 1,735,962 | 45,355 | 1,781,317 |
| NET POSITION | | | |
| Net investment in capital assets | 43,508,953 | 3,207,227 | 46,716,180 |
| Restricted for: | | | |
| Expendable: | | | |
| General government | 3 | - | 3 |
| Debt service | 1,688 | - | 1,688 |
| Public safety | 133,778 | - | 133,778 |
| Culture and recreation | 221,675 | - | 221,675 |
| Economic development | 6,644,722 | - | 6,644,722 |
| Unemployment compensation | 11,522 | - | 11,522 |
| Unrestricted | (6,634,910) | (289,272) | (6,924,182) |
| Total Net Position | \$ 43,887,431 | 2,917,955 | 46,805,386 |

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

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



City Of Louisville, Mississippi
Statement of Activities
For the Year Ended September 30, 2017

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 1,062,209 | 173,395 | 16,275 | 8,400 | (864,139) | | (864,139) |
| Public safety | 2,792,712 | 228,512 | 222,085 | 159,928 | (2,182,187) | | (2,182,187) |
| Public works | 5,455,235 | - | 4,656,551 | - | (798,684) | | (798,684) |
| Culture and recreation | 492,171 | - | 27,021 | 468,679 | 3,529 | | 3,529 |
| Economic development and assistance | 1,240,180 | - | 76,093 | 971,193 | (192,894) | | (192,894) |
| Interest on long-term debt | 55,523 | - | - | - | (55,523) | | (55,523) |
| Total Governmental Activities | 11,098,030 | 401,907 | 4,998,025 | 1,608,200 | (4,089,898) | | (4,089,898) |
| Business-type activities: | | | | | | | |
| Landfill | 489,104 | 378,157 | 75,000 | - | | (35,947) | (35,947) |
| Sanitation | 400,533 | 511,360 | - | - | | 110,827 | 110,827 |
| Total Business-type Activities | 889,637 | 889,517 | 75,000 | - | | 74,880 | 74,880 |
| Total Primary Government | \$ 11,987,667 | 1,291,424 | 5,073,025 | 1,608,200 | (4,089,898) | 74,880 | (4,015,018) |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 1,533,177 | | 1,533,177 |
| Road & bridge privilege taxes | | | | | 114,652 | | 114,652 |
| Grants and contributions not restricted to specific programs | | | | | 2,006,625 | | 2,006,625 |
| Unrestricted interest income | | | | | 24,141 | 7,109 | 31,250 |
| Miscellaneous | | | | | 29,584 | | 29,584 |
| Total General Revenues, Special Item, Extraordinary Item and Transfers | | | | | 3,708,179 | 7,109 | 3,715,288 |
| Changes in Net Position | | | | | (381,719) | 81,989 | (299,730) |
| Net Position - Beginning | | | | | 44,120,340 | 2,038,923 | 46,159,263 |
| Prior period adjustments | | | | | 148,810 | 797,043 | 945,853 |
| Net Position - Beginning, as restated | | | | | 44,269,150 | 2,835,966 | 47,105,116 |
| Net Position - Ending | | | | | \$ 43,887,431 | 2,917,955 | 46,805,386 |

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



**City Of Louisville, Mississippi
Balance Sheet - Governmental Funds
September 30, 2017**

| | Major Funds | | | | Total Governmental Funds |
|---|---------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|
| | General Fund | Polo Building Lease Fund | Disaster Projects Fund | Other Governmental Funds | |
| ASSETS | | | | | |
| Cash | \$ 407,983 | - | 801,014 | 787,469 | 1,996,466 |
| Property tax receivable | 920,000 | - | - | 197,375 | 1,117,375 |
| Fines receivable (net of allowance for uncollectibles of \$ 589,565) | 48,883 | - | - | - | 48,883 |
| Capital lease receivable | - | 407,294 | - | - | 407,294 |
| Intergovernmental receivables | 782,940 | - | 5,464,972 | 115,597 | 6,363,509 |
| Other receivables | 11,400 | - | - | - | 11,400 |
| Due from other funds | 489,614 | - | 1,129,011 | 38,260 | 1,656,885 |
| Total Assets | \$ 2,660,820 | 407,294 | 7,394,997 | 1,138,701 | 11,601,812 |
| LIABILITIES | | | | | |
| Liabilities: | | | | | |
| Claims payable | \$ 122,303 | - | 969,609 | 23,583 | 1,115,495 |
| Intergovernmental payables | 5,767 | - | - | - | 5,767 |
| Due to other funds | 1,244,562 | - | - | 112,161 | 1,356,723 |
| Unearned revenue | - | 407,294 | - | - | 407,294 |
| Total Liabilities | \$ 1,372,632 | 407,294 | 969,609 | 135,744 | 2,885,279 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Unavailable revenue - property taxes | 920,000 | - | - | 197,375 | 1,117,375 |
| Unavailable revenue - fines | 48,883 | - | - | - | 48,883 |
| Total Deferred Inflows of Resources | 968,883 | - | - | 197,375 | 1,166,258 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| General government | - | - | - | 3 | 3 |
| Public safety | 13,437 | - | - | 120,341 | 133,778 |
| Culture and recreation | - | - | - | 221,675 | 221,675 |
| Economic development and assistance | - | - | 6,425,388 | 292,833 | 6,718,221 |
| Debt service | - | - | - | 1,688 | 1,688 |
| Unemployment compensation | 11,522 | - | - | - | 11,522 |
| Assigned to: | | | | | |
| General government | - | - | - | 203,808 | 203,808 |
| Unassigned | 294,346 | - | - | (34,766) | 259,580 |
| Total Fund Balances | \$ 319,305 | - | 6,425,388 | 805,582 | 7,550,275 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,660,820 | 407,294 | 7,394,997 | 1,138,701 | 11,601,812 |

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

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



CITY OF LOUISVILLE, MISSISSIPPI
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2017

| | <u>Amount</u> |
|--|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 7,550,275 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| 1. 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 \$4,343,847. | 51,776,956 |
| 2. Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. Fines receivable | 48,883 |
| 3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (10,657,798) |
| 4. Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (5,319,486) |
| 5. Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (87,643) |
| 6. Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 407,294 |
| 7. 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 Deferred inflows of resources related to pensions | 787,537 <u>(618,587)</u> |
| Total Net Position - Governmental Activities | \$ <u><u>43,887,431</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, 2017

Exhibit 4

| | Major Funds | | | | Total Governmental Funds |
|---|------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|
| | General Fund | Polo Building Lease Fund | Disaster Recovery Fund | Other Governmental Funds | |
| REVENUES | | | | | |
| Property taxes | \$ 1,334,357 | - | - | 198,820 | 1,533,177 |
| Road and bridge privilege taxes | 114,652 | - | - | - | 114,652 |
| Licenses and permits | 92,470 | - | - | - | 92,470 |
| Fines and forfeitures | 80,059 | - | - | - | 80,059 |
| Intergovernmental revenues | 2,342,290 | - | 5,982,395 | 185,144 | 8,509,829 |
| Charges for services | 119,017 | - | - | 221,439 | 340,456 |
| Interest income | 2,228 | 16,952 | 3,967 | 992 | 24,139 |
| Miscellaneous revenues | 38,320 | - | - | 1,122 | 39,442 |
| Total Revenues | 4,123,393 | 16,952 | 5,986,362 | 607,517 | 10,734,224 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 866,251 | - | 28,200 | 94,984 | 989,435 |
| Public safety | 2,100,014 | - | 165,058 | 343,916 | 2,608,988 |
| Public works | 652,501 | - | 4,713,507 | - | 5,366,008 |
| Culture and recreation | 314,997 | - | 518,833 | 147,246 | 981,076 |
| Economic development and assistance | 147,932 | 4,008 | 1,101,081 | 57,115 | 1,310,136 |
| Debt service: | | | | | |
| Principal | 43,409 | 30,997 | - | 251,531 | 325,937 |
| Interest | 1,211 | 12,261 | 254,053 | 44,913 | 312,438 |
| Total Expenditures | 4,126,315 | 47,266 | 6,780,732 | 939,705 | 11,894,018 |
| Excess of Revenues over (under) Expenditures | (2,922) | (30,314) | (794,370) | (332,188) | (1,159,794) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term capital debt issued | 10,636 | - | - | - | 10,636 |
| Proceeds from sale of capital assets | 3,783 | - | - | - | 3,783 |
| Transfers in | - | - | - | 298,744 | 298,744 |
| Transfers out | (298,744) | - | - | - | (298,744) |
| Lease principal payments | - | 30,314 | - | - | 30,314 |
| Total Other Financing Sources and Uses | (284,325) | 30,314 | - | 298,744 | 44,733 |
| Net Changes in Fund Balances | (287,247) | - | (794,370) | (33,444) | (1,115,061) |
| Fund Balances - Beginning | 606,552 | - | 7,219,758 | 839,026 | 8,665,336 |
| Fund Balances - Ending | \$ 319,305 | - | 6,425,388 | 805,582 | 7,550,275 |

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, 2017

| | <u>Amount</u> |
|---|----------------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ (1,115,061) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| 1. 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 \$2,137,862 exceeded depreciation of \$1,264,311 in the current period. | 873,551 |
| 2. 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 \$19,032 and the proceeds from the sale of \$ 3,783 in the current period. | (15,249) |
| 3. 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. | (19,433) |
| 4. 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 repayments of \$325,937 exceeded debt repayments of \$10,636. | 315,301 |
| 5. 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 | (731) |
| Accrued interest payable | (17,967) |
| 6. 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. | (30,314) |
| 7. Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include: | |
| Recording of pension expense for the current period | (460,537) |
| Recording of contributions made subsequent to the measurement date | <u>88,721</u> |
| Change in Net Position of Governmental Activities | \$ <u><u>(381,719)</u></u> |

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



City Of Louisville, Mississippi
Statement of Net Position - Proprietary Fund
September 30, 2017

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|----------------------------|------------------|
| | <u>Landfill Fund</u> | <u>Sanitation Fund</u> | <u>Total</u> |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ - | 489,138 | 489,138 |
| Accounts receivable (net of allowance for uncollectibles of \$ 965) | 36,122 | 85,251 | 121,373 |
| Intergovernmental receivables | 194,067 | 12,026 | 206,093 |
| Due from other funds | 24,446 | 167,845 | 192,291 |
| Total Current Assets | <u>254,635</u> | <u>754,260</u> | <u>1,008,895</u> |
| Noncurrent assets: | | | |
| Restricted assets | 439,250 | - | 439,250 |
| Capital assets: | | | |
| Land and construction in progress | 1,972,453 | - | 1,972,453 |
| Other capital assets, net | 1,210,081 | 24,693 | 1,234,774 |
| Total Noncurrent Assets | <u>3,621,784</u> | <u>24,693</u> | <u>3,646,477</u> |
| Total Assets | <u>3,876,419</u> | <u>778,953</u> | <u>4,655,372</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 54,234 | 26,051 | 80,285 |
| Total Deferred Outflows of Resources | <u>54,234</u> | <u>26,051</u> | <u>80,285</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Claims payable | 186,707 | 29,729 | 216,436 |
| Intergovernmental payables | 16,938 | - | 16,938 |
| Due to other funds | 479,017 | 11,070 | 490,087 |
| Total Current Liabilities | <u>682,662</u> | <u>40,799</u> | <u>723,461</u> |
| Noncurrent liabilities: | | | |
| Liability for closure/post closure costs | 537,833 | - | 537,833 |
| Net pension liability | 332,468 | 166,234 | 498,702 |
| Non-capital debt: | | | |
| Compensated absences payable | 10,841 | 1,510 | 12,351 |
| Total Noncurrent Liabilities | <u>881,142</u> | <u>167,744</u> | <u>1,048,886</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 30,240 | 15,115 | 45,355 |
| Total Deferred Outflows of Resources | <u>30,240</u> | <u>15,115</u> | <u>45,355</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,182,534 | 24,693 | 3,207,227 |
| Restricted for: | | | |
| Public works | (845,925) | 556,653 | (289,272) |
| Total Net Position | <u>\$ 2,336,609</u> | <u>581,346</u> | <u>2,917,955</u> |

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



City Of Louisville, Mississippi
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2017

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|----------------------------|------------------|
| | <u>Landfill Fund</u> | <u>Sanitation Fund</u> | <u>Totals</u> |
| Operating Revenues | | | |
| Charges for services | \$ 378,157 | 511,360 | 889,517 |
| Total Operating Revenues | <u>378,157</u> | <u>511,360</u> | <u>889,517</u> |
| Operating Expenses | | | |
| Personal services | 212,270 | 99,491 | 311,761 |
| Contractual services | 138,071 | 246,118 | 384,189 |
| Materials and supplies | 2,092 | 8,093 | 10,185 |
| Utilities | 7,965 | 39,125 | 47,090 |
| Fuel | 22,442 | 7,706 | 30,148 |
| Depreciation expense | 93,207 | - | 93,207 |
| Closure and postclosure expense | 13,057 | - | 13,057 |
| Total Operating Expenses | <u>489,104</u> | <u>400,533</u> | <u>889,637</u> |
| Operating Income (Loss) | <u>(110,947)</u> | <u>110,827</u> | <u>(120)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Interest income | 6,229 | 880 | 7,109 |
| Intergovernmental grants | 75,000 | - | 75,000 |
| Net Nonoperating Revenue (Expenses) | <u>81,229</u> | <u>880</u> | <u>82,109</u> |
| Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers | <u>(29,718)</u> | <u>111,707</u> | <u>81,989</u> |
| Transfers in | 100,000 | - | 100,000 |
| Transfers out | - | (100,000) | (100,000) |
| Changes in Net Position | <u>70,282</u> | <u>11,707</u> | <u>81,989</u> |
| Net Position - Beginning | 1,469,284 | 569,639 | 2,038,923 |
| Prior period adjustments | 797,043 | - | 797,043 |
| Net Position - Beginning, as restated | <u>2,266,327</u> | <u>569,639</u> | <u>2,835,966</u> |
| Net Position - Ending | \$ <u>2,336,609</u> | <u>581,346</u> | <u>2,917,955</u> |

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

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City of Louisville, Mississippi
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2017

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|----------------------------|--------------------|
| | <u>Landfill Fund</u> | <u>Sanitation Fund</u> | <u>Totals</u> |
| Cash Flows From Operating Activities | | | |
| Receipts from customers | \$ 392,867 | 511,713 | 904,580 |
| Payments to suppliers | (166,765) | (299,947) | (466,712) |
| Payments to employees | (182,677) | (85,490) | (268,167) |
| Net Cash Provided by Operating Activities | <u>43,425</u> | <u>126,276</u> | <u>169,701</u> |
| Cash Flows From Noncapital Financing Activities | | | |
| Cash received from other funds: | | | |
| Operating transfers in | 100,000 | - | 100,000 |
| Loans from other funds | 127,365 | 1,752 | 129,117 |
| Interfund loan repayments | 816,990 | - | 816,990 |
| Cash paid to other funds: | | | |
| Operating transfers out | - | (100,000) | (100,000) |
| Net Cash Provided by Noncapital Financing Activities | <u>1,044,355</u> | <u>(98,248)</u> | <u>946,107</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Capital grants received | 75,000 | - | 75,000 |
| Acquisition and construction of capital assets | (1,667,912) | - | (1,667,912) |
| Net Cash Provided by Capital and Related Financing Activities | <u>(1,592,912)</u> | <u>-</u> | <u>(1,592,912)</u> |
| Cash Flows From Investing Activities | | | |
| Interest on deposits | 2,525 | 880 | 3,405 |
| Purchase of investment securities | (16,000) | - | (16,000) |
| Net Cash Provided (Used) by Investing Activities | <u>(13,475)</u> | <u>880</u> | <u>(12,595)</u> |
| Net Increase in Cash and Cash Equivalents | (518,607) | 28,908 | (489,699) |
| Cash and Cash Equivalents at Beginning of Year | 518,607 | 460,230 | 978,837 |
| Cash and Cash Equivalents at End of Year | <u>\$ -</u> | <u>489,138</u> | <u>489,138</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) | \$ (110,947) | 110,827 | (120) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 93,207 | - | 93,207 |
| Closure and postclosure expense | 13,057 | - | 13,057 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 14,710 | 353 | 15,063 |
| Increase (decrease) in claims payable | 4,194 | 1,245 | 5,439 |
| Increase (decrease) in compensated absences liability | 2,045 | (1,569) | 476 |
| Increase in liabilities and deferred inflows (outflows) related to recognition of PERS liability | 27,159 | 15,420 | 42,579 |
| Total Adjustments | <u>154,372</u> | <u>15,449</u> | <u>169,821</u> |
| Net Cash Provided by Operating Activities | <u>\$ 43,425</u> | <u>126,276</u> | <u>169,701</u> |

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



City Of Louisville, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2017

| | <u>Agency Funds</u> |
|----------------------------|-------------------------|
| ASSETS | |
| Cash | \$ <u>2,368</u> |
| Total Assets | \$ <u><u>2,368</u></u> |
| LIABILITIES | |
| Intergovernmental payables | \$ 2 |
| Due to other funds | <u>2,366</u> |
| Total Liabilities | \$ <u><u>2,368</u></u> |

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

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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.

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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, 2017, the City has set aside \$439,250 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.

| | Capitalization Thresholds | Estimated Useful Life |
|--------------------------------------|------------------------------|--------------------------|
| 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. Pensions

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

L. 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):

M. 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, 2017.

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CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued):

M. 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.

N. 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):

O. 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.

P. 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.

2. Prior Period Adjustments

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

Statement of Activities – Governmental Activities

| <u>Explanation</u> | <u>Amount</u> |
|---|-------------------|
| Unrecorded construction in progress on September 30, 2016 financial statements. | \$ 148,810 |
| Total prior period adjustments | <u>\$ 148,810</u> |

Statement of Activities – Business-type Activities

| <u>Explanation</u> | <u>Amount</u> |
|---|-------------------|
| Changes in estimates for accumulated depreciation on landfill cells reported on September 30, 2016 financial statements | \$ 574,869 |
| Changes in calculation of closure/post closure liability reported on September 30, 2016 financial statements | 222,174 |
| Total prior period adjustments | <u>\$ 797,043</u> |

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

2. Prior Period Adjustments (Continued):

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

| <u>Explanation</u> | <u>Amount</u> |
|---|-------------------|
| Changes in estimates for accumulated depreciation on landfill cells reported on September 30, 2016 financial statements | \$ 574,869 |
| Changes in calculation of closure/post closure liability reported on September 30, 2016 financial statements | 222,174 |
| Total prior period adjustments | <u>\$ 797,043</u> |

3. Deposits and Investments

The carrying amount of the city's total deposits with financial institutions at September 30, 2017, was \$2,487,972 (\$1,996,466 governmental funds, \$489,138 proprietary funds, and \$2,368 fiduciary funds), and the bank balance was \$2,578,074. 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. As of September 30, 2016, none of the city's bank balance of \$2,578,074 was exposed to custodial credit risk.

Investments:

Investment balances at September 30, 2017, are as follows and are reported as restricted assets on Statement of Net Position and Statement of Net Position – Proprietary Funds:

| <u>Investment Type</u> | <u>Maturities</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|--------------------------|-------------------|------------------------|-------------------|
| U.S. Treasury Obligation | Less than 1 year | \$ 1,550 | 1,550 |
| Money Market Funds | | | |
| Certificates of Deposit | Less than 1 year | <u>437,900</u> | <u>437,900</u> |
| Total | | <u>\$ 439,450</u> | <u>439,450</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.

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

3. Deposits and Investments (Continued):

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.

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 \$439,450 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.

Concentration of Credit Risk – The city places no limit on the amount the city may invest in one issuer. More than 5 percent of the city's investments are in certificates of deposit. The investments in certificates of deposit are 99.7% of the city's total investments and are reported in the Landfill fund.

4. Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 112,161 |
| General Fund | Sanitation Fund | 11,070 |
| General Fund | Landfill Fund | 364,017 |
| General Fund | Agency Fund | 2,366 |
| Other Governmental Funds | General Fund | 38,260 |
| Sanitation Fund | General Fund | 52,845 |
| Sanitation Fund | Landfill Fund | 115,000 |
| Landfill Fund | General Fund | 24,446 |
| Disaster Projects Fund | General Fund | 1,129,011 |
| Total | | \$ <u>1,849,176</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 | \$ 298,744 |
| Landfill Fund | Sanitation Fund | 100,000 |
| Total | | \$ <u>398,744</u> |

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

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CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

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, 2017 is \$439,250. These funds are held in trust to comply with Department of Environmental Quality regulations and may not be used for any other purpose.

6. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017, consisted of the following:

Governmental Activities:

| <u>Description</u> | <u>Amount</u> |
|---|---------------------|
| FEMA/MEMA Grant | \$ 5,863,125 |
| HPMG Safe Room Grant | 210,916 |
| Sales Tax | 149,661 |
| Rural Impact Grant | 18,025 |
| Tax equivalent payments due | 42,124 |
| E911 reimbursement | 60,707 |
| Motor vehicle ad valorem tax – Sept. 17 | 9,525 |
| Pro-rata road taxes – Sept. 16 | 1,125 |
| State of MS – Hotel Tax Sept 16 | 2,581 |
| Louisville/Winston County Airport Authority Reimbursement | 3,996 |
| Winston Partnership Reimbursement | <u>1,724</u> |
| Total Governmental Activities | <u>\$ 6,363,509</u> |

Business-Type Activities

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|-------------------|
| FEMA/MEMA Grant | \$ <u>206,093</u> |
| Total Business-Type Activities | <u>\$ 206,093</u> |

7. Loans Receivable

Loans receivable balances at September 30, 2017, 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 | | | | (<u>568,604</u>) |
| Total | | | | <u>\$ 0</u> |

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

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

8. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

| | Balance October 1, 2016 | Additions | Deletions | *Adjustments | Balance September 30, 2017 |
|--|----------------------------|---------------------|--------------------|---------------------|----------------------------------|
| Non-depreciable capital assets: | | | | | |
| Land | \$ 1,555,609 | \$ 1,082,001 | \$ - | \$ - | \$ 2,637,610 |
| Construction in Progress | 45,885,575 | 1,004,252 | - | (45,728,096) | 1,161,731 |
| Total non-depreciable capital assets | <u>47,441,184</u> | <u>2,086,253</u> | <u>-</u> | <u>(45,728,096)</u> | <u>3,799,341</u> |
| Depreciable capital assets: | | | | | |
| Infrastructure | 412,906 | - | - | - | 412,906 |
| Buildings | 2,078,345 | - | - | 41,763,108 | 43,841,453 |
| Improvements other than buildings | 1,072,921 | - | - | 4,113,798 | 5,186,719 |
| Equipment | 2,177,856 | 40,973 | (72,797) | 108,400 | 2,254,432 |
| Leased property under capital lease | 741,039 | 10,636 | (17,323) | (108,400) | 625,952 |
| Total depreciable capital assets | <u>6,483,067</u> | <u>51,609</u> | <u>(90,120)</u> | <u>45,876,906</u> | <u>52,321,462</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | 90,839 | 8,258 | - | - | 99,097 |
| Buildings | 841,587 | 865,585 | - | - | 1,707,172 |
| Improvements other than buildings | 246,497 | 204,087 | - | - | 450,584 |
| Equipment | 1,539,534 | 102,983 | (65,517) | 58,536 | 1,635,536 |
| Leased property under capital lease | 435,950 | 83,398 | (9,354) | (58,536) | 451,458 |
| Total accumulated depreciation | <u>3,154,407</u> | <u>1,264,311</u> | <u>(74,871)</u> | <u>-</u> | <u>4,343,847</u> |
| Total depreciable capital assets, net | <u>3,328,660</u> | <u>(1,212,702)</u> | <u>(15,249)</u> | <u>45,876,906</u> | <u>47,977,615</u> |
| Governmental activities, assets, net | <u>\$ 50,769,844</u> | <u>\$ 873,551</u> | <u>\$ (15,249)</u> | <u>\$ 148,810</u> | <u>\$ 51,776,956</u> |
| Business-type activities | | | | | |
| Non-depreciable capital assets | | | | | |
| Land | \$ 144,000 | \$ - | \$ - | \$ - | \$ 144,000 |
| Construction in Progress | 28,395 | 1,800,058 | - | - | 1,828,453 |
| Total non-depreciable capital assets | <u>172,395</u> | <u>1,800,058</u> | <u>-</u> | <u>-</u> | <u>1,972,453</u> |
| Depreciable capital assets: | | | | | |
| Improvements other than buildings | 2,369,976 | - | - | - | 2,369,976 |
| Equipment | 1,326,407 | - | - | - | 1,326,407 |
| Total depreciable capital assets | <u>3,696,383</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,696,383</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements other than buildings | 2,091,259 | 31,326 | - | (574,868) | 1,547,717 |
| Equipment | 852,011 | 61,881 | - | - | 913,892 |
| Total accumulated depreciation | <u>2,943,270</u> | <u>93,207</u> | <u>-</u> | <u>(574,868)</u> | <u>2,461,609</u> |
| Total depreciable capital assets, net | <u>753,113</u> | <u>(93,207)</u> | <u>-</u> | <u>574,868</u> | <u>1,234,774</u> |
| Business-type activities capital assets, net | <u>\$ 925,508</u> | <u>\$ 1,706,851</u> | <u>\$ -</u> | <u>\$ 574,868</u> | <u>\$ 3,207,227</u> |

* The adjustments column consists of unreported construction in progress at the end of the previous year as well as 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 | \$ 11,790 |
| Public Safety | 135,128 |
| Public Works | 59,776 |
| Economic Development | 1,031,125 |
| Culture and Recreation | 26,492 |
| Total governmental activities depreciation expense | <u>\$ 1,264,311</u> |

Business-Type Activities:

| | |
|--|-------------------------|
| Landfill | \$ 93,207 |
| Sanitation | - |
| Total business type activities depreciation expense | <u>\$ 93,207</u> |

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following as of September 30, 2017:

| <u>Description of Commitment</u> | <u>Remaining Financial Commitment</u> | <u>Expected Date of Completion</u> |
|----------------------------------|---|--|
| Ivy Park Renovation | \$ 995,088 | September 30, 2018 |
| Strand Theatre Renovation | 328,826 | September 30, 2018 |
| Community Safe Room Project | 2,712,426 | September 30, 2018 |
| Landfill Cell Construction | 261,043 | January 31, 2018 |

9. Risk Management

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 2017 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

9. Risk Management (Continued):

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts, theft of, damage to, and the destruction of assets, errors and omissions, injuries to employees, natural disasters at September 30, 2017, therefore no liability has been accrued at this time.

10. Capital Leases

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2017:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

| <u>Years Ending September 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------------|-------------------|------------------|
| 2018 | 28,871 | 14,456 |
| 2019 | 32,725 | 14,541 |
| 2020 | 34,059 | 13,208 |
| 2021 | 35,446 | 11,820 |
| 2022 | 36,890 | 10,376 |
| 2023-2027 | 208,258 | 28,074 |
| 2028-2030 | 31,045 | 467 |
| Total | \$ 407,294 | \$ 92,942 |

As Lessee:

The city is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

| <u>Classes of Property</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| Mobile Equipment | \$ 625,952 |
| Less: Accumulated Depreciation | (451,458) |
| Leased Property Under Capital Leases | \$ 174,494 |

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CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

10. Capital Leases (Continued)

The City enters into capital leases to finance mobile equipment. The capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is the annual requirements to amortize these obligations at September 30, 2017.

Governmental Activities:

| <u>Years Ending September 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------------------------|-------------------|-----------------|
| 2018 | \$ 39,040 | \$ 3,988 |
| 2019 | 34,924 | 2,792 |
| 2020 | 23,465 | 1,693 |
| 2021 | 20,574 | 833 |
| 2022 | - | - |
| Total | \$ 118,003 | \$ 9,306 |

11. Long-term Debt

Debt outstanding as of September 30, 2017, consisted of the following:

| Description and purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|-------------------|------------------------|
| <u>Governmental Activities:</u> | | | |
| A. General Obligation Bonds | | | |
| FTN Financial Capital Markets- Series 2012 General Obligation Bonds | \$ 1,250,000 | 2.375%- 3.375% | 6/1/2024 |
| Total General Obligation Bonds | <u>\$ 1,250,000</u> | | |
| B. Capital Leases | | | |
| Wells Fargo Equipment Finance- 2009 Rescue Fire Truck | \$ 80,124 | 4.05% | 10/15/2020 |
| AT&T E911 Radio Equipment | 5,295 | 3.764% | 10/1/2017 |
| Bancorpsouth - Kubota Tractor and Mower | 23,665 | 2.386% | 10/5/2019 |
| TCF Equipment Finance - Toro Debris Blower | 8,919 | 3.870% | 3/10/2020 |
| Total Capital Leases | <u>\$ 118,003</u> | | |
| C. Other Loans | | | |
| Mississippi Development Authority- CDBG Loan Polo Industries | \$ 391,844 | 4.00% | 6/1/2028 |
| Mississippi Development Authority- CDBG Loan (Liberty) | 340,933 | 6.00% | 5/1/2012 |
| Mississippi Development Authority- Louisville Brick Loan | 266,931 | 3.00% | 1/1/2080 |
| Trustmark National Bank - Grant Anticipation Note Series 2015 | 5,000,000 | 3.57% | 8/14/2018 |
| Trustmark National Bank - Grant Anticipation Note Series 2016 | 3,150,000 | 3.80% | 5/27/2018 |
| Total Other Loans | <u>\$ 9,149,708</u> | | |

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

11. Long-term Debt (Continued)

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

| <u>Year Ending September 30</u> | <u>General Obligation Bonds</u> | | <u>Other Loans</u> | |
|---------------------------------|---------------------------------|-----------------|--------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 165,000 | 32,699 | 8,524,375 | 10,412 |
| 2019 | 165,000 | 27,130 | 37,449 | 10,429 |
| 2020 | 170,000 | 21,850 | 38,448 | 9,431 |
| 2021 | 180,000 | 17,813 | 39,477 | 8,402 |
| 2022 | 185,000 | 13,533 | 40,537 | 7,341 |
| 2023-2027 | 385,000 | 13,775 | 221,600 | 19,641 |
| 2028-2032 | - | - | 55,962 | 320 |
| 2033-2037 | - | - | 30,187 | - |
| 2038-2042 | - | - | 33,206 | - |
| 2043-2047 | - | - | 36,526 | - |
| 2048-2052 | - | - | 40,179 | - |
| 2053-2057 | - | - | 51,762 | - |
| Total | \$ 1,250,000 | 126,800 | 9,149,708 | 65,976 |

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Amount due</u> |
|----------------------------------|---------------------|------------------|-------------------|-----------------------|-------------------|
| | <u>Oct. 1, 2016</u> | | | <u>Sept. 30, 2017</u> | <u>within one</u> |
| | | | | | <u>year</u> |
| Governmental Activities | | | | | |
| General Obligation Bonds Payable | \$ 1,410,000 | - | (160,000) | 1,250,000 | 165,000 |
| Capital Leases | 236,440 | 10,636 | (129,073) | 118,003 | 39,040 |
| Other Loans | 9,186,572 | - | (36,864) | 9,149,708 | 8,524,375 |
| Compensated Absences | 139,357 | 730 | - | 140,087 | - |
| Total | 10,972,369 | 11,366 | (325,937) | 10,657,798 | 8,728,415 |
| Business-type Activities: | | | | | |
| Compensated Absences | 11,875 | 476 | - | 12,351 | - |
| Total | \$ 11,875 | 476 | - | 12,351 | - |

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.

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

12. Defined Benefit Pension Plan (Continued)

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

Contributions. At September 30, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$356,550 \$375,407, and \$353,553, 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, 2017, the City reported a liability of \$5,818,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the City's proportion was .035 percent, which was neither a decrease nor increase from its proportion measured as of June 30, 2016.

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

12. Defined Benefit Pension Plan (Continued)

For the year ended September 30, 2017, the City recognized pension expense of \$770,949. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 85,977 | 42,454 |
| Net difference between projected and actual earnings on pension plan investments | 543,910 | 449,544 |
| Changes of assumptions | 132,840 | 10,198 |
| Changes in the proportion and differences between the City's contributions and proportionate share of contributions | 8,575 | 161,746 |
| City contributions subsequent to the measurement date | 96,520 | - |
| Total | \$ 867,822 | 663,942 |

\$96,520 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

| | |
|-------|------------|
| 2018 | \$ 186,682 |
| 2019 | 43,832 |
| 2020 | (10,769) |
| 2021 | (112,385) |
| Total | \$ 107,360 |

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

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.75 – 18.50 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 2022, with males rates set forward one year.

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

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

12. Defined Benefit Pension Plan (Continued)

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, 2016, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|------------------------------|---|
| U.S. Broad | 27.00 % | 4.60 % |
| International Equity | 18.00 | 4.50 |
| Emerging Markets Equity | 4.00 | 4.75 |
| Global | 12.00 | 4.75 |
| Fixed Income | 18.00 | 0.75 |
| Real Assets | 10.00 | 3.50 |
| Private Equity | 8.00 | 5.10 |
| Emerging Debt | 2.00 | 2.50 |
| Cash | 1.00 | - |
| 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.

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:

| | <u>1% Decrease (6.75%)</u> | <u>Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability | \$ 7,630,942 | 5,818,188 | 4,313,208 |

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

**CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements**

13. Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2017:

| <u>Fund</u> | <u>Deficit Amount</u> |
|-------------|-----------------------|
| E911 Fund | <u>\$ 34,766</u> |

14. Contingencies

Federal Grants – The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability to the City. No provision for any liability that may result has been recognized in the city's financial statements

Litigation – The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate 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.

15. 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 2017. 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 2017. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

16. Municipal Solid Waste Landfill Closure and Postclosure Care Costs

As of September 30, 2017, the municipality is operating the Winston County-City of Louisville Landfill. The landfill has site costs with a net book value of \$822,259 at September 30, 2017. 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, 2017 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, 2017 | 615,058 tons |
| Total remaining capacity as of September 30, 2017 | 426,485 tons |
| Total estimated capacity of landfill | 1,041,543 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 | \$ | \$ | 357,000 |
| Estimated Post Closure Costs | 70,000 | | 480,000 |
| Total | 70,000 | | 837,000 |

The calculation of the liability for the closure and postclosure costs of the landfill as of September 30, 2017 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, 2017 is \$537,833, with the current year closure and postclosure expense calculated to be \$13,057.

As of September 30, 2017, the municipality has established a trust account with BancorpSouth to settle future closure postclosure liabilities. The municipality has set aside \$439,250 in these trust accounts to settle this future liability. These amounts have been recorded in restricted assets within the landfill fund.

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

17. Tax Abatements

The City of Louisville, Mississippi enters into property tax abatement agreements with local businesses under Miss. Code Ann. Sec. 17-21-5 (1). Under the Code, the City has the authority in their discretion to exempt any or all municipal ad valorem taxes, excluding ad valorem taxes for school districts, for a period of not more than seven years for the purpose of attracting or retaining businesses within their jurisdictions. A detailed listing of the property tax abatement agreements the city has entered into for the fiscal year ended September 30, 2017 is listed in the table below:

| <u>Name</u> | <u>Assessed Value</u> | <u>Abatement</u> |
|---|-----------------------|------------------|
| T | | |
| <u>Real Property Tax Abatements</u> | | |
| The Taylor Group | \$ 334,197 | 7,687 |
| Winston Plywood | 32,182 | 740 |
| C | | |
| <u>Personal Property Tax Abatements</u> | | |
| Taylor Machine Works | 121,230 | 2,788 |
| Grayson Blu | 5,811 | 134 |
| Polo Custom Products | 439,087 | 10,099 |
| Total | \$ 932,507 | 21,448 |

The City of Louisville, Mississippi enters into property tax abatement agreements with local businesses under Miss. Code Ann. Sec. 27-31-53 (Free Port Warehouses). Under the Code the City has the authority in their discretion to exempt from property taxes all personal property in transit through this state which is (a) moving in interstate commerce through or over the territory of the State of Mississippi, (b) which was consigned or transferred to a licensed "free port warehouse," public or private, within the State of Mississippi for storage in transit to a final destination outside the State of Mississippi, whether specified when transportation begins or afterward, or (c) manufactured in the State of Mississippi and stored in separate facilities, structures, places or areas maintained by a manufacturer, licensed as a free port warehouse, for temporary storage or handling pending transit to a final destination outside the State of Mississippi, may, in the discretion of the board of supervisors of the county wherein the warehouse or storage facility is located, and in the discretion of the governing authorities of the municipality wherein the warehouse or storage facility is located, as the case may be, and for such period of time as the respective governing body may prescribe, be exempt from all ad valorem taxes imposed by the respective county or municipality and the property exempted therefrom shall not be deemed to have acquired a situs in the State of Mississippi for the purposes of such taxation. Such property shall not be deprived of exemption because while in a warehouse the property is bound, divided, broken in bulk, labeled, relabeled or repackaged. A detailed listing of the Free Port Warehouse property tax abatement agreements the city has entered into for the fiscal year ended September 30, 2017 is listed in the table below:

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CITY OF LOUISVILLE, MISSISSIPPI
Notes to Financial Statements

| <u>Name</u> | <u>Assessed Value</u> | <u>Abatement</u> |
|--------------------------------------|-------------------------|--------------------|
| <u>Free Port Warehouse Exemption</u> | | |
| Taylor Machine Works | \$ 6,369,632 | 146,502 |
| Polo Custom Products | 437,558 | 10,064 |
| Teters Floral Products | 891,075 | 20,495 |
| Total | \$ <u>7,698,265</u> | <u>177,061</u> |

18. 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 July 25, 2018 (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 \$ 417,020 on these projects from September 30, 2017 through the date of the audit report.

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 \$294,438 on this project through September 30, 2017. This balance consists of additional land purchased for the safe room of \$208,229 and construction in progress of \$129,379. The city has expended an additional \$215,449 from September 30, 2017 through the date of the audit report for costs related to the construction of the safe room.

The city has received additional grant funding through the Department of Homeland Security in the form of Disaster Recovery grant funding for various alternate projects. This grant covers various street repairs, various property purchases, industrial development projects and cemetery projects. The city has expended \$1,677,665 from September 30, 2017 through the date of the audit report on these various projects.

The city is in the process of constructing a new landfill cell. The estimated total cost of the new cell is expected to be approximately \$2,300,000. The city has expended \$261,043 from September 30, 2017 through the date of the audit report.

CITY OF LOUISVILLE, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOUISVILLE, MISSISSIPPI
Budgetary Comparison Schedule -
Budget and Actual
General Fund
For the Year Ended September 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|--------------------|------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,299,446 | 1,335,287 | 1,334,357 | (930) |
| Road & Bridge Privilege Taxes | 120,000 | 115,113 | 114,652 | (461) |
| Licenses, commissions and other revenue | 126,200 | 92,044 | 92,470 | 426 |
| Fines and forfeitures | 113,500 | 82,393 | 80,059 | (2,334) |
| Intergovernmental revenues | 3,069,000 | 2,412,574 | 2,342,290 | (70,284) |
| Charges for services | 121,000 | 118,657 | 119,017 | 360 |
| Interest income | 2,500 | 2,500 | 2,228 | (272) |
| Miscellaneous revenues | 14,000 | 30,418 | 38,320 | 7,902 |
| Total Revenues | <u>4,865,646</u> | <u>4,188,986</u> | <u>4,123,393</u> | <u>(65,593)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,316,250 | 1,323,968 | 866,251 | (457,717) |
| Public safety | 2,505,417 | 2,509,904 | 2,100,014 | (409,890) |
| Public works | 2,027,193 | 1,871,214 | 652,501 | (1,218,713) |
| Culture and recreation | 753,650 | 783,650 | 314,997 | (468,653) |
| Economic development and assistance | 189,250 | 283,412 | 147,932 | (135,480) |
| Debt service: | | | | |
| Principal | 41,500 | 41,500 | 43,409 | 1,909 |
| Interest | 1,400 | 1,400 | 1,211 | (189) |
| Total Expenditures | <u>6,834,660</u> | <u>6,815,048</u> | <u>4,126,315</u> | <u>(2,688,733)</u> |
| Excess of Revenues over (under) Expenditures | <u>(1,969,014)</u> | <u>(2,626,062)</u> | <u>(2,922)</u> | <u>(2,623,140)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | - | 28,973 | 10,636 | (18,337) |
| Long-term non-capital debt issued | 3,301,592 | 3,301,592 | - | (3,301,592) |
| Proceeds from sale of capital assets | 1,000 | 3,783 | 3,783 | - |
| Transfers out | (300,000) | (300,000) | (298,744) | 1,256 |
| Total Other Financing Sources and Uses | <u>3,002,592</u> | <u>3,034,348</u> | <u>(284,325)</u> | <u>(3,318,673)</u> |
| Net Change in Fund Balance | <u>1,033,578</u> | <u>408,286</u> | <u>(287,247)</u> | <u>695,533</u> |
| Fund Balances - Beginning | 585,997 | 585,997 | 606,552 | 20,555 |
| Fund Balances - Ending | <u>\$ 1,619,575</u> | <u>994,283</u> | <u>319,305</u> | <u>716,088</u> |

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

CITY OF LOUISVILLE, MISSISSIPPI
Budgetary Comparison Schedule -
Budget and Actual
Polo Building Lease Fund
For the Year Ended September 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|-----------------|---|
| REVENUES | | | | |
| Interest income | \$ - | - | 16,952 | 16,952 |
| Miscellaneous revenues | 43,258 | 43,258 | - | (43,258) |
| Total Revenues | <u>43,258</u> | <u>43,258</u> | <u>16,952</u> | <u>(26,306)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic development and assistance | - | - | 4,008 | (4,008) |
| Debt service: | | | | |
| Principal | 43,258 | 43,258 | 30,997 | 12,261 |
| Interest | - | - | 12,261 | (12,261) |
| Total Expenditures | <u>43,258</u> | <u>43,258</u> | <u>47,266</u> | <u>(4,008)</u> |
| Excess of Revenues over (under) Expenditures | <u>-</u> | <u>-</u> | <u>(30,314)</u> | <u>(30,314)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease principal payments | - | - | 30,314 | 30,314 |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>30,314</u> | <u>30,314</u> |
| Net Change in Fund Balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances - Beginning | - | - | - | - |
| Fund Balances - Ending | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

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CITY OF LOUISVILLE, MISSISSIPPI
Budgetary Comparison Schedule -
Budget and Actual
Disaster Projects Fund
For the Year Ended September 30, 2017

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|------------------|---|
| REVENUES | | | | |
| Intergovernmental revenues | \$ 25,712,474 | 25,712,474 | 5,982,395 | (19,730,079) |
| Interest income | 3,000 | 3,000 | 3,967 | 967 |
| Total Revenues | <u>25,715,474</u> | <u>25,715,474</u> | <u>5,986,362</u> | <u>(19,729,112)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,230,000 | 1,230,000 | 28,200 | 1,201,800 |
| Public safety | 3,080,035 | 3,080,035 | 165,058 | 2,914,977 |
| Public works | 5,932,000 | 5,932,000 | 4,713,507 | 1,218,493 |
| Culture and recreation | 5,250,000 | 5,250,000 | 518,833 | 4,731,167 |
| Economic development and assistance | 6,287,500 | 6,287,500 | 1,101,081 | 5,186,419 |
| Debt service: | | | | |
| Interest | 80,000 | 80,000 | 254,053 | (174,053) |
| Total Expenditures | <u>21,859,535</u> | <u>21,859,535</u> | <u>6,780,732</u> | <u>15,078,803</u> |
| Excess of Revenues over (under) Expenditures | <u>3,855,939</u> | <u>3,855,939</u> | <u>(794,370)</u> | <u>(4,650,309)</u> |
| Net Change in Fund Balance | <u>3,855,939</u> | <u>3,855,939</u> | <u>(794,370)</u> | <u>(4,650,309)</u> |
| Fund Balances - Beginning | 5,355,539 | 5,355,539 | 7,219,758 | 1,864,219 |
| Fund Balances - Ending | <u>\$ 9,211,478</u> | <u>9,211,478</u> | <u>6,425,388</u> | <u>(2,786,090)</u> |

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

CITY OF LOUISVILLE, MISSISSIPPI
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | \$ 5,818,188 | \$ 6,430,499 | \$ 5,664,890 | \$ 4,491,123 |
| City's proportionate share of the net pension liability | 0.035% | 0.036% | 0.036% | 0.037% |
| City's covered payroll | \$ 2,245,794 | 2,304,197 | \$ 2,247,435 | \$ 2,241,289 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 259.07% | 279.08% | 252.06% | 200.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.49% | 57.47% | 61.70% | 67.21% |

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. 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
Required Supplementary Information
Schedule of City Contributions
Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 356,550 | \$ 375,407 | \$ 353,553 | \$ 355,369 |
| Contributions in relation to the contractually required contribution | <u>356,550</u> | <u>375,407</u> | <u>353,553</u> | <u>355,369</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 2,263,807 | \$ 2,384,268 | \$ 2,244,771 | \$ 2,256,312 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 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, 2017:

| Fund | Excess |
|--------------------------|----------|
| Polo Building Lease Fund | \$ 4,008 |
| E911 Fund | 1,012 |
| Tourism Fund | 5,535 |

The excess expenditures over budget occurred after adjustments proposed by the auditor in the Polo Building Lease Fund and E911 fund is not a violation of state law. However, the excess expenditures over budget in the Tourism Fund is a violation of Section 21-35-15 Miss Code Ann. (1972).

D. Unbudgeted Funds

There were no unbudgeted funds for the year ended September 30, 2017

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CITY OF LOUISVILLE, MISSISSIPPI
Notes to Required Supplementary Information

Pension Schedules

A. Changes in benefit terms

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

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.

In 2016 and later, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

In 2017 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF LOUISVILLE, MISSISSIPPI

SUPPLEMENTAL INFORMATION

City of Louisville, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

| Federal Grantor/ Pass-through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Provided to Subrecipient | Federal Expenditures |
|--|---------------------------|--|-----------------------------|-------------------------|
| United States Department of Housing and Urban Development | | | | |
| Passed through Mississippi Development Authority | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants In | 14.228 | 1129-12-238-ED-01 | \$ - | \$ 3,000 |
| Total United States Department of Housing and Urban Development | | | <u>-</u> | <u>3,000</u> |
| Appalachian Regional Commission | | | | |
| Passed through Mississippi Development Authority | | | | |
| Appalachian Area Development | 23.002 | MS 18513 | - | 157,172 |
| Total Appalachian Regional Commission | | | <u>-</u> | <u>157,172</u> |
| United States Department of Agriculture | | | | |
| Direct Program | | | | |
| Emergency Watershed Protection Program | 10.923 | | - | 51,819 |
| Total United States Department of Agriculture | | | <u>-</u> | <u>51,819</u> |
| Federal Aviation Administration | | | | |
| Direct Program | | | | |
| Airport Improvement Program | 20.106 | 3-28-0043-015-2015 | - | 6,075 |
| Total Federal Aviation Administration | | | <u>-</u> | <u>6,075</u> |
| United States Department Of Homeland Security | | | | |
| Passed Through Mississippi Emergency Management Agency | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disaster Areas) | 97.036 | FEMA 4175 | - | 5,833,843 |
| Hazardous Mitigation Grant | 97.039 | 1604-523 | - | 148,553 |
| Total United States Department of Homeland Security | | | <u>-</u> | <u>5,982,396</u> |
| Total Expenditures of Federal Awards | | | \$ <u>-</u> | \$ <u>6,200,462</u> |

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

CITY OF LOUISVILLE, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of the City of Louisville, Mississippi under programs of the federal and state governments for the year ended September 30, 2017. The schedule presents only a selected portion of the operations of the City of Louisville, Mississippi and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

Note 2 – Basis of Accounting

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

Note 3 – Program Costs

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

Note 4 – Indirect Cost Rate

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

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CITY OF LOUISVILLE, MISSISSIPPI
Schedule Reconciling Original Ad Valorem Tax Rolls To Fund Collections

| | Taxable Assessed Value | Millage | Tax |
|-------------------------------------|------------------------------|---------------|--------------|
| Adjusted Assessed Valuation | | | |
| City: | | | |
| Realty | 29,407,764 | 23.00 | \$ 676,379 |
| Personal Other Than Auto | 10,928,411 | 23.00 | 251,353 |
| Public Utilities | 4,265,534 | 23.00 | 98,107 |
| Personal- Auto (remitted by county) | 5,839,783 | 23.00 | 134,315 |
| Total | | | |
| Less: Homestead Exemption Allowed | | (83,082) | (83,082) |
| | | - | |
| Add: Actual Homestead Reimbursement | | | 85,119 |
| Total to be accounted for | | | \$ 1,162,191 |
| | Taxes | Reimbursement | |
| Credit: | | | |
| Collections Allocated To: | | | |
| Municipal General Funds | 885,730 | 70,316 | |
| Library Fund | 136,837 | 11,102 | |
| Memorial Park and Cemetary Fund | 46,562 | 3,701 | |
| | 1,069,129 | 85,119 | \$ 1,154,248 |
| Balance Represented By | | | |
| Unpaid Property Taxes | | | 7,943 |
| Total Accounted For | | | \$ 1,162,191 |

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 2016 | 1,120,949 |
| Maximum Allowable Increase | 112,095 |
| Total | 1,233,044 |
| Year 2017 | 1,162,191 |
| Amount Allowable | (1,233,044) |
| Amount Over(Under) Limitation | (70,853) |

CITY OF LOUISVILLE, MISSISSIPPI
Schedule of Surety Bonds for Elected Officials and Employees

The City of Louisville, Mississippi, covers elected officials and certain employees under a position surety bond. The following is a listing of the City's elected officials and employees who are covered by a surety bond.

| Name | Title | Coverages |
|----------------------|------------------------|------------------------------------|
| Will Hill | Mayor | \$ 50,000 |
| Judy McLeod | Alderwoman | \$ 50,000 |
| Eugene Crosby | Alderman | \$ 50,000 |
| Drew Massey | Alderman | \$ 50,000 |
| Gwenita Mays | Alderwoman | \$ 50,000 |
| Frances Ball | Alderwoman | \$ 50,000 |
| Babs Fulton | City Clerk | \$ 50,000 |
| Wanda Hudson | Deputy City Clerk | \$ 50,000 |
| Kay Crowson | Deputy City Clerk | \$ 50,000 |
| L.M. Claiborne, JR. | Police Chief | \$ 50,000 |
| Sixteen People | Deputy Police Officers | \$ 25,000 Blanket Bond Coverage |
| 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

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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

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

To the 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, 2017, and the related notes to financial statements, which collectively comprise the City of Louisville, Mississippi's primary government financial statements and have issued our report thereon dated July 25, 2018. 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 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.

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 2017-001**

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. **Finding 2017-002.**

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 corrective action plan. 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 them.

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
July 25, 2018

Watkins Ward and Stafford, PLLC



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

| | |
|-----------------------------|----------------------------|
| James L. Stafford, CPA | Thomas J. Browder, CPA |
| Harry W. Stevens, CPA | Stephen D. Flake, CPA |
| S. Keith Winfield, CPA | John N. Russell, CPA |
| William B. Staggers, CPA | Thomas A. Davis, CPA |
| Michael W. McCully, CPA | Anita L. Goodrum, CPA |
| Mort Stroud, CPA | Ricky D. Allen, CPA |
| R. Steve Sinclair, CPA | Jason D. Brooks, CPA |
| Marsha L. McDonald, CPA | Robert E. Cordle, Jr., CPA |
| Wanda S. Holley, CPA | Perry C. Rackley, Jr., CPA |
| Robin Y. McCormick, CPA/PFS | Jerry L. Gammel, CPA |
| J. Randy Scrivner, CPA | Michael C. Knox, CPA |
| Kimberly S. Caskey, CPA | Clifford P. Stewart, CPA |
| Susan M. Lummus, CPA | |

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

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Louisville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each 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, 2017.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
July 25, 2018

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, 2017, and the related notes to financial statements, which collectively comprise the City of Louisville, Mississippi's primary government financial statements and have issued our report thereon dated July 25, 2018. 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 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.

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

1. Finding

Section 21-35-15 Miss Code Ann. (1972) requires that expenditures shall not exceed budget estimated, measured at the lowest level adopted in the budget, except for capital outlay, election expense and payment of emergency warrants. Per review of comparison of final amended budget to actual expenditures we noted the actual expenditures exceeded the final amended budget in the tourism fund by \$5,535.

Recommendation

We recommend the city comply with Section 21-35-15 Miss Code Ann. (1972) which requires that expenditures shall not exceed budget estimated, measured at the lowest level adopted in the budget, except for capital outlay, election expense and payment of emergency warrants.

City's Response

The Tourism Fund was established per House Bill 1595, and Section 6 in it states that the Board of Aldermen authorizes expenditures only after receiving a request from the Tourism Board for such expenditure. Many requests are not foreseen, therefore, in the future, the City will approve a budget amendment with each request received. The city accepts the recommendation that expenditures shall not exceed the budget estimated, measured at the lowest level adopted in the budget, except for capital outlay, election expense and payment of emergency warrants.

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
July 25, 2018

Watkins Ward and Stafford, PLLC

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CITY OF LOUISVILLE, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: 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 auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Disaster Grants – Public Assistance (Presidentially Declared Disaster Areas) CFDA #97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section 2: Financial Statement Findings

Material Weakness

2017-001 Finding

Criteria: 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).

Condition: As noted in the prior year, 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.

Effect: Financial statements that conformed to generally accepted accounting principles were unavailable at the beginning of the audit field work.

Cause: Due to restrictive budgets and personnel, the city was unable to prepare year-end financial statements in accordance with generally accepted accounting principles.

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.

Views of Responsible Officials of the Auditee

Due to restrictive budgets and personnel, the city will be unable to prepare year-end financial statements in accordance with generally accepted accounting principles but will designate an individual with suitable skills, knowledge and experience to oversee the financial statement preparation process by the auditor.

Significant Deficiency Not Considered to be a Material Weakness

2017-002 Finding

Criteria: Management is responsible for establishing proper internal controls to ensure strong financial accountability and safeguarding of assets. This would include proper segregation of duties between employees who maintain custody of city assets and who post the activity to the city's general ledger.

Condition: 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. We did note in our audit field work testing of fine revenue that personnel other than the court clerk are collecting receipts from individuals in the current fiscal year. It was also noted that the court clerk is a couple of months behind in processing the court docket, which in turn is reflected in the aged accounts receivable listing at year end.

Effect: Since the related tickets are not being processed in a timely manner there has been a significant reduction in fine revenue reported. This delay in processing along with the lack of segregation of duties increases the risk of misappropriation of fine revenue.

Cause: Shortage of personnel in police department has led to a lack of segregation of duties.

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. We also recommend the court docket be processed in a timely manner.

Views of Responsible Officials of the Auditee

We hired additional personnel in the police department to assist the court clerk in receipt collection and to assist in processing the court docket in a more timely manner.

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

ALDERMEN:
FRANCES S. BALL
EUGENE CROSBY
DREW MASSEY
GWENITA MAYS
JUDY H. McLEOD

2373 SOUTH CHURCH AVENUE
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"WHERE PEOPLE MAKE THE DIFFERENCE"

www.cityoflouisvillems.com

BABS W. FULTON
CITY CLERK

C. TAYLOR TUCKER
CITY ATTORNEY

Email: louisville@bbimail.net

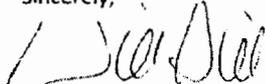
TELEPHONE: (662) 773-9201
FAX: (662) 773-4045

Finance & Compliance Audit Division

As required by Section 2 CFR 200.516(a) of the Uniform Circular, the City of Louisville Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

| Finding | | Corrective Action Plan Details |
|----------|----|--|
| 2017-001 | a. | Name of Contact Person Responsible for Corrective Action |
| | | William A Hill, Mayor and Babs Fulton, City Clerk - 662-773-9201 |
| | b. | Corrective Action Planned: |
| | | Due to restrictive budgets and personnel, the city will be unable to prepare year-end financial statements in accordance with generally accepted accounting principles but will designate an individual with suitable skills, knowledge and experience to oversee the financial statement preparation process by the auditor. |
| | c. | Anticipated Completion Date: |
| | | N/A |
| 2017-002 | a. | Name of Contact Person Responsible for Corrective Action |
| | | William A Hill, Mayor and Babs Fulton, City Clerk - 662-773-9201 |
| | b. | Corrective Action Planned: |
| | | Due to restrictive budgets and personnel, the city was unable to segregate the duties of the court clerk until February 2018, with the hiring of an additional court clerk. The duties of the court department will be segregated so that the clerk who receipts the fines from the public will be separate from the clerk who maintains the court docket listing and accounts receivable ledger. Also with additional new software, the court clerk plans to be more efficient and timely in processing the court docket. |
| | c. | Anticipated Completion Date: |
| | | February 2018 |

Sincerely,


Will Hill, Mayor

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WILLIAM A. (WILL) HILL
MAYOR

ALDERMEN:
FRANCES S. BALL
EUGENE CROSBY
DREW MASSEY
GWENITA MAYS
JUDY H. McLEOD

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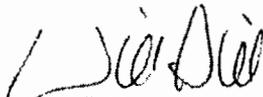
SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section ____ 2 CFR 200.516(a) of the Uniform Guidance, the City of Louisville, Mississippi has prepared and hereby submits the following summary schedule of prior audit findings as of September 30, 2017:

| <u>Finding</u> | <u>Status</u> |
|----------------|---------------|
| 2016-001 | Not Corrected |
| 2016-002 | Not Corrected |

Sincerely,



Will Hill, Mayor