

VILLAGE OF LOUISVILLE
LOUISVILLE, ILLINOIS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2017

Village of Louisville
April 30, 2017

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Village of Louisville
April 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and
Village Trustees
Village of Louisville, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Louisville, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Louisville, Illinois, as of April 30, 2017, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Louisville, Illinois' basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information

The combining nonmajor fund financial statements 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 combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The budgetary comparison information on pages 37-39, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 on our consideration of the Village of Louisville, Illinois' 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 Village of Louisville, Illinois' internal control over financial reporting and compliance.



KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Olney, Illinois
June 30, 2017

VILLAGE OF LOUISVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
APRIL 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 652,574	\$ 951,003	\$ 1,603,577
Inventory	12,288	88,608	100,896
Notes receivable	29,382	-	29,382
Restricted cash	-	98,943	98,943
Capital assets, net of accumulated depreciation	857,650	3,286,741	4,144,391
Internal balances	(419,137)	419,137	-
Total assets	<u>\$ 1,132,757</u>	<u>\$ 4,844,432</u>	<u>\$ 5,977,189</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Payroll liabilities	\$ 86	\$ -	\$ 86
Customer deposits	-	27,745	27,745
Noncurrent liabilities:			
Due within one year			
Bonds payable	-	65,000	65,000
Due in more than one year			
Bonds payable	-	1,220,000	1,220,000
Total liabilities	<u>86</u>	<u>1,312,745</u>	<u>1,312,831</u>
Net Position:			
Net investment in capital assets	857,650	2,001,741	2,859,391
Restricted	285,108	71,198	356,306
Unrestricted	(10,087)	1,458,748	1,448,661
Total net position	<u>1,132,671</u>	<u>3,531,687</u>	<u>4,664,358</u>
Total liabilities and net position	<u>\$ 1,132,757</u>	<u>\$ 4,844,432</u>	<u>\$ 5,977,189</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LOUISVILLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 212,147	\$ 35,271	\$ -	\$ -	\$ (176,876)	\$ -	\$ (176,876)
Public safety	38,615	1,798	-	-	(36,817)	-	(36,817)
Transportation and public works	220,808	-	28,968	-	(191,840)	-	(191,840)
Sanitation	47,686	49,058	-	-	1,372	-	1,372
Total governmental activities	<u>519,256</u>	<u>86,127</u>	<u>28,968</u>	<u>-</u>	<u>(404,161)</u>	<u>-</u>	<u>(404,161)</u>
Business-type activities:							
Waterworks	374,814	335,394	-	508,400	-	468,980	468,980
Gas	281,079	304,985	-	-	-	23,906	23,906
Sewer	149,086	139,404	-	-	-	(9,682)	(9,682)
Total business-type activities	<u>804,979</u>	<u>779,783</u>	<u>-</u>	<u>508,400</u>	<u>-</u>	<u>483,204</u>	<u>483,204</u>
Total primary government	<u>\$ 1,324,235</u>	<u>\$ 865,910</u>	<u>\$ 28,968</u>	<u>\$ 508,400</u>	<u>(404,161)</u>	<u>483,204</u>	<u>79,043</u>
General revenues:							
Taxes:							
Property taxes					226,070	-	226,070
Sales tax					139,387	-	139,387
Income tax					108,447	-	108,447
Replacement tax					14,850	-	14,850
Telecommunications tax					22,292	-	22,292
Interest income					4,297	4,230	8,527
Miscellaneous					2,377	-	2,377
Total general revenues, special items, and transfers					<u>517,720</u>	<u>4,230</u>	<u>521,950</u>
Change in net position					113,559	487,434	600,993
Net position - beginning					1,019,112	3,044,253	4,063,365
Net position - ending					<u>\$ 1,132,671</u>	<u>\$ 3,531,687</u>	<u>\$ 4,664,358</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LOUISVILLE
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2017**

	General	Industrial	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 166,122	\$ 201,344	\$ 285,108	\$ 652,574
Due from other funds	74,055	-	-	74,055
Notes receivable	-	29,382	-	29,382
Inventory	12,288	-	-	12,288
Total assets	\$ 252,465	\$ 230,726	\$ 285,108	\$ 768,299
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Liabilities	\$ 86	\$ -	\$ -	\$ 86
Due to other funds	20,775	467,088	5,329	493,192
Total liabilities	20,861	467,088	5,329	493,278
Fund balances:				
Non-spendable	12,288	23,631	-	35,919
Restricted	-	-	285,108	285,108
Unassigned	219,316	(259,993)	(5,329)	(46,006)
Total fund balances	231,604	(236,362)	279,779	275,021
Total liabilities and fund balances	\$ 252,465	\$ 230,726	\$ 285,108	

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

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

857,650

Net position of governmental activities

\$ 1,132,671

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LOUISVILLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2017

	<u>General</u>	<u>Industrial</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 18,671	\$ -	\$ 207,399	\$ 226,070
Sales tax	139,387	-	-	139,387
Income tax	108,447	-	-	108,447
Replacement tax	14,850	-	-	14,850
Motor fuel tax	-	-	28,968	28,968
Telecommunications tax	22,292	-	-	22,292
Licenses and permits	120	-	-	120
Fees and fines	12,349	-	-	12,349
Interest income	594	2,473	1,230	4,297
Charges for services	49,058	24,600	-	73,658
Miscellaneous	2,377	-	-	2,377
Total revenues	<u>368,145</u>	<u>27,073</u>	<u>237,597</u>	<u>632,815</u>
EXPENDITURES				
Current:				
General government	106,234	2,356	92,556	201,146
Public safety	33,169	-	2,727	35,896
Transportation and public works	124,626	-	81,322	205,948
Sanitation	47,686	-	-	47,686
Capital outlay	53,447	68,726	-	122,173
Total expenditures	<u>365,162</u>	<u>71,082</u>	<u>176,605</u>	<u>612,849</u>
Excess (deficiency) of revenues over (under) expenditures	2,983	(44,009)	60,992	19,966
OTHER FINANCING SOURCES (USES)				
Transfers in	22,771	-	-	22,771
Transfers out	-	-	(22,771)	(22,771)
Total other financing sources (uses)	<u>22,771</u>	<u>-</u>	<u>(22,771)</u>	<u>-</u>
Net change in fund balances	25,754	(44,009)	38,221	19,966
Fund balances - beginning	<u>205,850</u>	<u>(192,353)</u>	<u>241,558</u>	<u>255,055</u>
Fund balances - ending	<u>\$ 231,604</u>	<u>\$ (236,362)</u>	<u>\$ 279,779</u>	<u>\$ 275,021</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF LOUISVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2017**

Net change in fund balances - total governmental funds \$ 19,966

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Capital outlays	122,173	
	Depreciation	(28,580)	93,593

Change in net position of governmental activities \$ 113,559

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LOUISVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2017

	Business-Type Activities -			Totals
	Waterworks	Gas	Sewer	
	Fund	Fund	Fund	
ASSETS				
Current assets:				
Cash	\$ 133,544	\$ 620,243	\$ 197,216	\$ 951,003
Inventory	71,488	12,571	4,549	88,608
Due from other funds	29,264	398,362	-	427,626
Total current assets	<u>234,296</u>	<u>1,031,176</u>	<u>201,765</u>	<u>1,467,237</u>
Noncurrent assets:				
Restricted cash	76,727	16,795	5,421	98,943
Capital assets, net of accumulated depreciation	2,867,847	210,438	208,456	3,286,741
Total noncurrent assets	<u>2,944,574</u>	<u>227,233</u>	<u>213,877</u>	<u>3,385,684</u>
Total assets	<u>\$ 3,178,870</u>	<u>\$ 1,258,409</u>	<u>\$ 415,642</u>	<u>\$ 4,852,921</u>
LIABILITIES				
Current liabilities:				
Customer deposits	\$ 5,529	\$ 16,795	\$ 5,421	\$ 27,745
Bonds payable	65,000	-	-	65,000
Due to other funds	-	-	8,489	8,489
Total current liabilities	<u>70,529</u>	<u>16,795</u>	<u>13,910</u>	<u>101,234</u>
Noncurrent liabilities:				
Bonds payable	1,220,000	-	-	1,220,000
Total liabilities	<u>1,290,529</u>	<u>16,795</u>	<u>13,910</u>	<u>1,321,234</u>
NET POSITION				
Net investment in capital assets	1,582,847	210,438	208,456	2,001,741
Restricted	71,198	-	-	71,198
Unrestricted	234,296	1,031,176	193,276	1,458,748
Total net position	<u>1,888,341</u>	<u>1,241,614</u>	<u>401,732</u>	<u>3,531,687</u>
Total liabilities and net position	<u>\$ 3,178,870</u>	<u>\$ 1,258,409</u>	<u>\$ 415,642</u>	<u>\$ 4,852,921</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LOUISVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2017

	Business-Type Activities -			Totals
	Enterprise Funds			
	Waterworks Fund	Gas Fund	Sewer Fund	
Operating revenues:				
Charges for services	\$ 330,427	\$ 300,657	\$ 136,937	\$ 768,021
Penalties collected	4,755	3,938	2,462	11,155
Miscellaneous revenue	212	390	5	607
Total operating revenues	<u>335,394</u>	<u>304,985</u>	<u>139,404</u>	<u>779,783</u>
Operating expenses:				
Personal services	97,690	80,337	78,162	256,189
Support services	-	16,027	2,500	18,527
Contractual services	66,592	142,396	9,676	218,664
Utilities	6,622	1,690	7,791	16,103
Repairs and maintenance	55,437	18,885	19,069	93,391
Other supplies and materials	3,839	3,086	3,102	10,027
Depreciation	99,460	12,738	26,431	138,629
Miscellaneous expense	3,243	5,920	2,355	11,518
Total operating expenses	<u>332,883</u>	<u>281,079</u>	<u>149,086</u>	<u>763,048</u>
Operating income (loss)	<u>2,511</u>	<u>23,906</u>	<u>(9,682)</u>	<u>16,735</u>
Nonoperating revenues (expenses)				
Capital grant	508,400	-	-	508,400
Interest revenue	924	2,462	844	4,230
Interest expense	(41,931)	-	-	(41,931)
Total nonoperating revenue	<u>467,393</u>	<u>2,462</u>	<u>844</u>	<u>470,699</u>
Change in net position	469,904	26,368	(8,838)	487,434
Total net position - beginning	<u>1,418,437</u>	<u>1,215,246</u>	<u>410,570</u>	<u>3,044,253</u>
Total net position - ending	<u>\$ 1,888,341</u>	<u>\$ 1,241,614</u>	<u>\$ 401,732</u>	<u>\$ 3,531,687</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LOUISVILLE
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2017

	Business-Type Activities -			Totals
	Enterprise Funds			
	Waterworks Fund	Gas Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 335,228	\$ 304,470	\$ 139,318	\$ 779,016
Payments to suppliers	(135,733)	(188,004)	(44,493)	(368,230)
Payments to employees	(97,690)	(80,337)	(78,162)	(256,189)
Net cash provided by operating activities	<u>101,805</u>	<u>36,129</u>	<u>16,663</u>	<u>154,597</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(523,995)	(33,500)	(33,500)	(590,995)
Proceeds from capital grants	508,400	-	-	508,400
Principal paid on capital debt	(65,000)	-	-	(65,000)
Interest paid on capital debt	(41,931)	-	-	(41,931)
Loan repayments to other funds	(78,115)	(14,452)	(5,961)	(98,528)
Loan repayments from other funds	20,000	-	-	20,000
Net cash used by capital and related financing activities	<u>(180,641)</u>	<u>(47,952)</u>	<u>(39,461)</u>	<u>(268,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue	924	2,462	844	4,230
Net cash provided by investing activities	<u>924</u>	<u>2,462</u>	<u>844</u>	<u>4,230</u>
Net decrease in cash	(77,912)	(9,361)	(21,954)	(109,227)
Balances - beginning of year	<u>288,183</u>	<u>646,399</u>	<u>224,591</u>	<u>1,159,173</u>
Balances - end of year	<u>\$ 210,271</u>	<u>\$ 637,038</u>	<u>\$ 202,637</u>	<u>\$ 1,049,946</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,511	\$ 23,906	\$ (9,682)	\$ 16,735
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	99,460	12,738	26,431	138,629
Change in current assets and current liabilities:				
Customer deposits	(166)	(515)	(86)	(767)
Net cash provided by operating activities	<u>\$ 101,805</u>	<u>\$ 36,129</u>	<u>\$ 16,663</u>	<u>\$ 154,597</u>
Cash per Statement of Net Position - Modified Cash Basis:				
Cash	\$ 133,544	\$ 620,243	\$ 197,216	\$ 951,003
Restricted cash	76,727	16,795	5,421	98,943
	<u>\$ 210,271</u>	<u>\$ 637,038</u>	<u>\$ 202,637</u>	<u>\$ 1,049,946</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Louisville, (the “Village”) operates under the Illinois Municipal Code, Chapter 65 of the Illinois Compiled Statutes. It provides for the following services as authorized by statute: public safety and health; maintenance of highways and streets; zoning and planning; public utility services (water, sewer, gas, sanitation); and general administration.

The accounting policies and presentation of the basic financial statements of the Village have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

The Village is considered the primary governmental unit. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village’s financial statements. The Village is financially accountable if it appoints a voting majority of an organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading.

These financial statements include only the primary government of the Village, which consists of all funds, elected offices, and departments that comprise the Village’s legal entity. After applying the concept of financial accountability, scope of public service or special financing relationship criteria, no organizations have been determined to be a part of the reporting entity.

Basis of Presentation

The Village’s basic financial statements consist of government-wide statements including the statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements

The government-wide focus is on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the Village as a whole. These statements include financial activities of the primary government. The effect of interfund activity has been removed from these statements. The government-wide statement of activities reflects both expenses and net cost of each function of the Village's governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as property taxes, are presented as general revenues of the Village. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

The financial transactions of the Village are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that is comprised of its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds; therefore each is displayed in a separate column.

Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of a Village's general activities, including collection and disbursement of earmarked monies (special revenue funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Operating revenues in the proprietary funds are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating.

Measurement Focus

The government-wide statements and proprietary fund financial statements report using the economic resources measurement focus. Governmental fund financial statements utilize the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements' (due mainly to inclusion of capital assets and long-term debt activity in the government-wide presentation) a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Basis of Accounting

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The Village maintains its accounting records for all funds on the modified cash basis of accounting. Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions. Therefore, revenues are recognized when they are received and expenses or expenditures are recognized when paid.

In the governmental fund statements, proceeds from long-term debt borrowings are included as other financing sources in the appropriate fund on the date received.

Operating revenue reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

B. Fund Types and Major Funds

The Village reports the following major governmental funds:

The General fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The Industrial fund accounts for business and industrial expansion within the Village.

The Village reports the following major enterprise funds:

The Waterworks fund is used to account for the revenues and expenses associated with providing drinking water distribution services to the Village.

The Gas fund is used to account for the revenues and expenses associated with providing gas distribution services to the Village.

The Sewer fund is used to account for the revenues and expenses associated with providing sewage services to the Village.

C. Budgets

The Village adopts its budget in accordance with the modified cash basis of accounting. Annual appropriated budgets are adopted for general, certain special revenues, and proprietary funds. All annual appropriations lapse at fiscal year-end.

VILLAGE OF LOUISVILLE
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Deposits

The Village presents all checking and savings accounts as cash. As such, the Village does not maintain any cash equivalents. All funds are maintained in interest bearing accounts.

E. Encumbrances

Encumbrance accounting is not used by the Village.

F. Internal Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

G. Inventory

The Village records inventory at cost, and it is maintained on a first in, first out (FIFO) basis. Inventory consists of general maintenance, water distribution, gas distribution, and waste water treatment supplies.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities column of columns in the government-wide financial statements. Capital assets are defined by the Village as individual assets with an initial, individual cost of more than \$50,000 for infrastructure assets, and \$10,000 for building and improvements, and \$5,000 for other capital assets, and an estimated useful life of greater than one year.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Equipment	5 - 10
Infrastructure	20
Buildings	40 - 50
Water, gas and sewer equipment	5 - 10
Water, gas and sewer systems	40

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

The Village of Louisville maintains policies governing vacation, sick, and personal time covering qualified employees. Under the modified cash basis of accounting, the Village does not record any accrued compensated absences. Those benefits utilized in the current year are recorded through payroll.

The Village does not have a policy in place for the carryover, on a calendar year, of personal or vacation days. The Village buys back half of the unused sick time, up to 60 days upon retirement. As of April 30, 2017, the Village's liability for unused compensated absences is estimated to be \$59,220.

J. Fund Balance/Net Position

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definitions above, is reported as unrestricted.

Proprietary fund equity is classified in the same classifications as the government-wide statements.

Fund Financial Statements

Fund balance is the difference between assets and liabilities in a governmental fund. The Village reports fund balance into the following classifications:

Non-spendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples are inventories and funds held in trust.

Restricted includes amounts that can be spent only for specific purposes because of the Village Charter, Village Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed includes amounts that can be used only for specific purposes determined by a formal action by Village Trustees ordinance or resolution. The Village Trustees is the highest level of decision-making authority for the Village. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Village Trustees.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance/Net Position (Continued)

Fund Financial Statements (Continued)

Assigned includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Village's adopted policy, only Village Trustees may assign amounts for specific purposes.

Unassigned includes all amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

K. Property Taxes

The Village's property tax is levied each calendar year on all taxable real property located in the Village. The Village must file its tax levy by the last Tuesday of December each year. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied around August each year and are generally payable in two installments between the months of July and September. Property taxes are billed and collected by the Clay County Treasurer's office, who remits property taxes collected to the Village. Payments are typically made by the County to the Village between the months of August and November. The current financial statements reflect property taxes that were levied in December 2015 and collected between July and December 2016 in revenues.

L. Use of Estimates

The preparation of the financial statements requires the Village's 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/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Date of Management's Review

The Village Trustees have evaluated subsequent events through June 30, 2017, the date which the financial statements were available to be issued.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 2: CASH AND DEPOSITS

The Village's cash deposits consist of checking and savings accounts. These deposits are stated at cost. The Village is authorized by state statute to invest in obligations of the U.S. Treasury, agencies, instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of state and their political subdivisions, savings accounts, credit union shares, and Illinois Public Treasurer's Investment Pool or such other officially recognized Illinois funds.

Cash Deposits

At April 30, 2017, the carrying amount and the bank balance of the Village's cash deposits were \$1,702,520 and \$1,731,688, respectively.

Custodial credit risk is the risk that in event of a bank failure, the Village's deposits may not be returned to it. The Village has a formal deposit policy for custodial credit risk that requires coverage to be at least 105% of the Federal Deposit Insurance Corporation's collateral. As of April 30, 2017, \$1,231,688 of the Village's total bank balance of deposits at financial institutions of \$1,731,688 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 1,231,688</u>
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NOTE 3: COMMON BANK ACCOUNT

Separate bank accounts are not maintained for all of the Village's funds. Certain funds maintain a portion of their cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally, certain funds participating in the common bank account may incur an overdraft (deficit) in the account. The overdraft results from expenditures which have been approved by the Village. If this occurs, the overdraft constitutes an unauthorized inter-fund loan since the Trustees did not authorize it by a resolution.

At April 30, 2017, the Village had the following overdrafts:

Workmans Compensation	\$ <u>2,329</u>
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This amount is presented in the financial statements as Due To/Due From between this fund and the General Fund. See Note 8 for more detail.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 4: LOANS RECEIVABLE

In order to stimulate industrial growth, the Village has issued loans to local businesses and residents for capital improvements and construction.

The following is an analysis of the loans outstanding at April 30, 2017:

Economic Development Loans	
3% rate of interest, with maturities in 5 years,	
with equal principal and interest payments, 2 loans.	<u><u>\$ 29,382</u></u>

Activity on the above loans was as follows:

	Economic Development
Loans receivable - May 1, 2016	\$ 83,974
New loans added	-
Principal payments	(54,592)
Allowance for bad debts	-
Loans receivable - April 30, 2017	<u>\$ 29,382</u>

The five year maturity summary of the above loans is as follows:

Year Ended	Principal	Interest	Total
April 30,			
2018	\$ 5,751	\$ 805	\$ 6,556
2019	5,927	630	6,557
2020	6,106	449	6,555
2021	6,292	264	6,556
2022	5,306	73	5,379
Total	<u>\$ 29,382</u>	<u>\$ 2,221</u>	<u>\$ 31,603</u>

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 5: CHANGE IN CAPITAL ASSETS

The following is a summary of changes in capital assets:

Governmental Activities:

	Balance May 01, 2016	Additions	Deletions	Balance April 30, 2017
Assets Not Depreciated:				
Land	\$ 141,947	\$ -	\$ -	\$ 141,947
Assets Depreciated:				
Buildings	413,876	104,976	-	518,852
Equipment	70,839	22,142	(15,095)	77,886
Infrastructure	373,536	-	-	373,536
Vehicles	17,696	4,751	-	22,447
Total Fixed Assets	<u>1,017,894</u>	<u>131,869</u>	<u>(15,095)</u>	<u>1,134,668</u>
Less: Accumulated Depreciation	<u>(253,837)</u>	<u>(28,580)</u>	<u>5,399</u>	<u>(277,018)</u>
Fixed Assets, net	<u>\$ 764,057</u>	<u>\$ 103,289</u>	<u>\$ (9,696)</u>	<u>\$ 857,650</u>

Business-Type Activities:

	Balance May 01, 2016	Additions	Deletions	Balance April 30, 2017
Waterworks Fund:				
Assets Not Depreciated:				
Land	\$ 6,732	\$ -	\$ -	\$ 6,732
Assets Depreciated:				
Buildings	31,760	16,304	-	48,064
Equipment	238,886	26,519	(14,513)	250,892
Office Equipment	17,845	-	-	17,845
Waterworks	2,630,906	-	-	2,630,906
Water Line Infrastructure	1,142,477	490,496	-	1,632,973
Total Fixed Assets	<u>4,068,606</u>	<u>533,319</u>	<u>(14,513)</u>	<u>4,587,412</u>
Less: Accumulated Depreciation	<u>(1,625,296)</u>	<u>(99,460)</u>	<u>5,191</u>	<u>(1,719,565)</u>
Fixed Assets, net	<u>\$ 2,443,310</u>	<u>\$ 433,859</u>	<u>\$ (9,322)</u>	<u>\$ 2,867,847</u>

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 5: CHANGE IN CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued):

	Balance May 01, 2016	Additions	Deletions	Balance April 30, 2017
Gas Fund:				
Assets Depreciated:				
Buildings	\$ 85,175	\$ 16,302	\$ -	\$ 101,477
Equipment	166,512	31,644	(22,488)	175,668
Office Equipment	26,159	-	-	26,159
Gas System	401,491	-	-	401,491
Total Fixed Assets	<u>679,337</u>	<u>47,946</u>	<u>(22,488)</u>	<u>704,795</u>
Less: Accumulated Depreciation	<u>(489,662)</u>	<u>(12,738)</u>	<u>8,043</u>	<u>(494,357)</u>
Fixed Assets, net	<u>\$ 189,675</u>	<u>\$ 35,208</u>	<u>\$ (14,445)</u>	<u>\$ 210,438</u>
Sewer Fund:				
Assets Not Depreciated:				
Land	\$ 3,168	\$ -	\$ -	\$ 3,168
Assets Depreciated:				
Buildings	22,597	16,303	-	38,900
Equipment	119,729	22,616	(8,438)	133,907
Office Equipment	8,335	-	-	8,335
Sewer System	946,103	-	-	946,103
Total Fixed Assets	<u>1,099,932</u>	<u>38,919</u>	<u>(8,438)</u>	<u>1,130,413</u>
Less: Accumulated Depreciation	<u>(898,544)</u>	<u>(26,431)</u>	<u>3,018</u>	<u>(921,957)</u>
Fixed Assets, net	<u>\$ 201,388</u>	<u>\$ 12,488</u>	<u>\$ (5,420)</u>	<u>\$ 208,456</u>

Depreciation Expense was charges to functions of the primary government as follows:

Governmental Activities:		Business-Type Activities:	
Administrative	\$ 11,002	Waterworks	\$ 99,460
Transportation	14,859	Gas	12,738
Public Safety	<u>2,719</u>	Sewerage	<u>26,431</u>
Total Depreciation Expense	<u>\$ 28,580</u>	Total Depreciation Expense	<u>\$138,629</u>

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 6: LONG TERM DEBT

General Obligation (Alternate Revenue Source) Bonds

Alternate revenue source bonds, consisting of Series 2011 and Series 2013 bonds, are issued by the Waterworks fund for various improvements and capital expenditures of the Village's water system. The bonds require the use of operation and maintenance, construction, depreciation, bond principal and interest, bond reserve and surplus accounts. Certain cash balances are to be maintained in each of these accounts. The Village is in compliance with all significant requirements of the various bond covenants. The Village pledged sales and revenue generated from the operations of the water system for the repayment of bond and interest.

Series 2011 – Principal payments are due annually on December 1 and range from \$30,000 to \$60,000. Interest payments are due semi-annually on June 1 and December 1 of each year. Interest rates range from 3.10% to 8.00%. The bonds mature on December 1, 2022.

Series 2013 – Principal payments are due annually on May 1 and range from \$15,000 to \$50,000. Interest payments are due semi-annually on May 1 and November 1 with interest at 3.75%. The bonds mature on May 1, 2053.

The following is a summary of change in bonds payable of the Village for the year ended April 30, 2017:

	<u>Payable at May 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at April 30, 2017</u>
Business-Type Activities:				
Series 2011 G.O. Bonds	\$ 350,000	\$ -	\$ (50,000)	\$ 300,000
Series 2013 Revenue Bonds	1,000,000	-	(15,000)	985,000
	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 1,285,000</u>

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 6: LONG TERM DEBT (CONTINUED)

Revenue bonds and general obligation bonds debt service requirements to maturity are as follows:

Fiscal Year April 30,	Business-type Activities		Total Funds Required
	Principal	Interest	
2018	\$ 65,000	\$ 38,250	\$ 103,250
2019	65,000	36,288	101,288
2020	70,000	34,125	104,125
2021	70,000	31,733	101,733
2022	75,000	29,203	104,203
2023-2027	125,000	121,480	246,480
2028-2032	105,000	106,563	211,563
2033-2037	125,000	90,750	215,750
2038-2042	140,000	73,150	213,150
2043-2047	170,000	52,113	222,113
2048-2052	190,000	27,775	217,775
2053-2057	85,000	3,575	88,575
	<u>\$ 1,285,000</u>	<u>\$ 645,005</u>	<u>\$ 1,930,005</u>

NOTE 7: LEGAL DEBT MARGIN

The Village is limited in the amount of long term debt it may carry. The authorized debt limitation is based upon 65 ILCS 5/8-5-1, which states in part "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness, in the aggregate exceeding 8.625% on the value of the taxable property therein..." As of April 30, 2017, the total equalized assessed valuation of the Village of Louisville is \$7,723,652. The legal debt limitation of the Village is \$666,165 as of April 30, 2017.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 8: FUND EQUITY

During the fiscal year ended April 30, 2017, the Village had the following Governmental Fund Non-spendable and Restricted fund balances:

a. Non-spendable

The following amounts are considered non-spendable as they are not in the form of cash.

Fund		
General - Inventory	\$	12,288
Industrial - Notes receivable		23,631
	\$	35,919

b. Restricted

The following funds' have cumulative excess revenues over expenditures that are restricted in accordance with Illinois Compiled statutes:

Fund		
NonMajor Governmental Funds		
Liability Insurance	\$	65,856
Unemployment Insurance		14,805
Motor Fuel Tax		69,891
Police Fund		6,502
Street Lighting		3,429
Cemetery Fund		3,317
ESDA		2,296
Audit		2,540
Municipal Retirement		22,749
Social Security		7,418
TIF District		86,305
	\$	285,108

At April 30, 2017, the Village did not have any funds that met the requirements of committed or assigned funds.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 9: INTERFUND LOANS

Individual fund receivable and payable balances at April 30, 2017 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 74,055	\$ 20,775
Gas	398,362	-
Industrial	-	467,088
Sewer	-	8,489
Waterworks	29,264	-
Workman's Compensation	-	5,329
	\$ 501,681	\$ 501,681

The interfund loans are a result of the Village's desire to provide economic capital to the Village through its Industrial Fund, to repay the start-up costs for the Village's waterline project that began in 2013, to repay the General fund for payments related to fixed assets, to repay the Waterworks fund for an insurance reimbursement, and to provide cash to cover worker's compensation insurance due to it not having enough resources to cover its obligations. It is the intent of the Village to repay these interfund loans as funds become available.

NOTE 10: DEFINED BENEFIT PENSION PLAN

A. Illinois Municipal Retirement Plan

Plan Description

The Village's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and other information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the Village's Regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual required contribution rate was 10.82 percent and 10.47 percent for the calendar years 2016 and 2017, respectively. The Village also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For fiscal year ending April 30, 2017, the Village's actual contributions for pension cost for the Regular plan were \$30,977. The covered payroll for the fiscal year ended April 30, 2017 (annual payroll of active employees covered by the plan) was \$292,455.

VILLAGE OF LOUISVILLE
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2017

NOTE 11: COMMITMENTS AND CONTINGENCIES

- A. Grant Audit – The Village receives grant funds from various Federal and State agencies during the normal course of operations. These grants are subject to review and audit by agents of the appropriate federal or state agency, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.
- B. Litigation – The Village is party to various legal proceedings which normally occur in governmental operations. These proceedings, in the opinion of various counsels which the Village utilizes, are not likely to have any material impact on the affected funds of the Village.

NOTE 12: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year. Claims have not exceeded coverage in the current year or the two previous years.

NOTE 13: POST-EMPLOYMENT HEALTH CARE BENEFITS

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium and, if applicable, a 2% administration fee, is paid in full by the insured each month. This program is offered for a duration of 18 months after termination date, and it subject to extension. There is no associated cost to the Village under this program.

In addition to COBRA Benefits, in accordance with rules established through participation in the Illinois Municipal Retirement Fund, the Village offers health insurance coverage to retirees. The cost for retirees to purchase coverage is the same as the amount active employees pay. Accounting standards require numerous disclosures about postemployment benefits, including amounts that can only be determined through an actuarial study. The Village has elected not to incur the cost of having an actuarial study completed and therefore the amounts that should be disclosed are not known.

NOTE 14: INTERFUND TRANSFERS

The following is a summary of the interfund transfers of the Village for the year ended April 30, 2017:

Transfers In (by fund): General <u>\$ 22,771</u>	Transfers Out (by fund): Road and Bridge <u>\$ 12,771</u> Municipal Retirement <u>\$ 10,000</u>
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The interfund transfers are the result of the local share of road and bridge tax, collected and remitted by the County Treasurer’s office, being applied to the General Fund where expenditures occurred and for the repayment of a loan from the Municipal Retirement Fund to the General Fund.

VILLAGE OF LOUISVILLE
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2017

NOTE 15: RESTRICTED CASH

At April 30, 2017, the Village maintained restricted cash in its Business-Type Activities for the following purposes:

	Fund			
	Waterworks	Gas	Sewer	Total
Restricted for bond ordinances	\$ 71,198	\$ -	\$ -	\$ 71,198
Restricted for customer deposits	5,529	16,795	5,421	27,745
Total	\$ 76,727	\$ 16,795	\$ 5,421	\$ 98,943

NOTE 16: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The following net position deficit exist as of April 30, 2017:

Industrial Fund	\$ (236,362)
Workmans Compensation	\$ (5,329)

The deficit balance for the Industrial Fund is the result of an interfund loan from the Gas Fund to supply cash to the Industrial fund for the purpose of supplying capital to the Village's businesses through loans and other projects. The Village is working to pay back this loan as funds are available at a rate of \$20,000 per year.

The deficit balance for the Workmans Compensation Fund is the result of an interfund loan from the General Fund to provide cash to pay current expenses of the fund. The Village anticipates repayment once property taxes are collected from the County in the fall of 2017.

The Village's actual expenditures exceeded its annual appropriations in the following fund by the amount listed:

Workmans Compensation	\$ 2,517
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NOTE 17: SUBSEQUENT EVENTS

On May 4, 2017, the Village issued a new economic development loan to a local business in the amount of \$125,000 from the Industrial Fund.

COMPLIANCE SECTION



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

To the Mayor and
Village Trustees
Village of Louisville, Illinois

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 Village of Louisville, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Louisville, Illinois' basic financial statements, and have issued our report thereon dated June 30, 2017. Our report on the financial statements disclosed that the Village prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This is described in Note 1 to the financial statements.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as 2017-001 and 2017-002 to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Louisville, Illinois' 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*.

Village of Louisville's Response to Findings

The Village of Louisville, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village of Louisville, Illinois' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Olney, Illinois
June 30, 2017

VILLAGE OF LOUISVILLE
LOUISVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 Lack of segregation of duties over cash receipts and disbursements in the Village as a whole and over billings, adjusting customer accounts, and accepting and processing payments in the utilities department.

Condition: An important element of an effective internal control system includes the adequate segregation of duties. Typically, the duties that should be segregated are the authorization of transactions, the custody of assets, the recording of transactions, and the reconciliation of the financial records. In an ideal control environment, different individuals should perform each of these four functions. The Village of Louisville, Illinois, has a lack of segregation of duties over these functions.

Criteria: The Village is limited in its ability to segregate certain duties because of its size and number of employees. There is not enough financial flexibility to employ enough individuals to properly segregate these duties. As such, the functions defined above are all handled by a small group within the Village Hall.

Cause and Effect: The Village of Louisville, Illinois does not have sufficient budget capacity to employ additional staff to be available full-time to segregate the duties over these functions. The lack of segregation of duties allows for the opportunity to circumvent the Village's system of internal control. With this lack of segregation of duties, it is possible that transactions could be manipulated, thus resulting in the misappropriation of the assets of the Village.

Recommendation: The Village should assess its control environment and work to place and maintain compensating controls. Compensating controls are *detective* in nature, while segregation of duties is *preventative* in nature. However, relying solely on compensating controls typically means accepting a certain level of risk in the time it takes to detect a breakdown of internal control rather than preventing it before it happens. In addition, compensating controls prove only to be as effective as their design and consistent applications.

Views of Responsible Officials and Planned Corrective Action: Management will assess its current control environment and work to place and monitor its compensating controls. Management does not intend on hiring additional employees to properly segregate all duties as this is not financially feasible at this time.

VILLAGE OF LOUISVILLE
LOUISVILLE, ILLINOIS

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2017
(CONTINUED)

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2017-002 The Village is presently not in a position to prepare the financial statements or notes to the financial statements in accordance with the modified cash basis of accounting.

Condition: The Village does not have at least one employee who is trained in preparing the financial statements and the footnotes to the financial statements in accordance with the modified cash basis of accounting.

Criteria: The Village personnel do not possess the necessary accounting experience or knowledge to prevent, detect, or correct potential omissions in the financial statements or the footnotes to the financial statements.

Cause and Effect: The Village's personnel have not obtained the necessary knowledge or experience to prepare the financial statements or the notes to the financial statements in accordance with the modified cash basis of accounting. In the absence of the necessary experience or knowledge, the Village cannot properly prepare the statements or the notes to the financial statements due to increased potential for omissions, which could be material to the financial statements, which the Village would not be able to prevent, detect, or correct timely.

Recommendation: The Village should provide the necessary training to the personnel or contract with an independent contractor with the knowledge to properly prepare the financial statements and the notes to the financial statements.

Views of Responsible Officials and Planned Corrective Action: The Village will continue to contract with an independent party to draft the financial statements and notes to the statements for their review and approval.

SUPPLEMENTARY INFORMATION

VILLAGE OF LOUISVILLE
COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2017

	Special Revenue Funds				
	Liability Insurance	Unemployment Insurance	Workmans Compensation	Motor Fuel Tax	Road and Bridge
ASSETS					
Cash	\$ 65,856	\$ 14,805	\$ -	\$ 69,891	\$ -
Total assets	<u>\$ 65,856</u>	<u>\$ 14,805</u>	<u>\$ -</u>	<u>\$ 69,891</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 5,329	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>5,329</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	65,856	14,805	-	69,891	-
Unassigned	-	-	(5,329)	-	-
Total fund balances	<u>65,856</u>	<u>14,805</u>	<u>(5,329)</u>	<u>69,891</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 65,856</u>	<u>\$ 14,805</u>	<u>\$ -</u>	<u>\$ 69,891</u>	<u>\$ -</u>

VILLAGE OF LOUISVILLE
COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
APRIL 30, 2017

	Special Revenue Funds				
	Police Fund	Street Lighting	Cemetery Fund	ESDA	Audit
ASSETS					
Cash	\$ 6,502	\$ 3,429	\$ 3,317	\$ 2,296	\$ 2,540
Total assets	<u>\$ 6,502</u>	<u>\$ 3,429</u>	<u>\$ 3,317</u>	<u>\$ 2,296</u>	<u>\$ 2,540</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	6,502	3,429	3,317	2,296	2,540
Unassigned	-	-	-	-	-
Total fund balances	<u>6,502</u>	<u>3,429</u>	<u>3,317</u>	<u>2,296</u>	<u>2,540</u>
Total liabilities and fund balances	<u>\$ 6,502</u>	<u>\$ 3,429</u>	<u>\$ 3,317</u>	<u>\$ 2,296</u>	<u>\$ 2,540</u>

VILLAGE OF LOUISVILLE
COMBINING BALANCE SHEETS - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
APRIL 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Retirement	Social Security	TIF District	
ASSETS				
Cash	\$ 22,749	\$ 7,418	\$ 86,305	\$ 285,108
Total assets	<u>\$ 22,749</u>	<u>\$ 7,418</u>	<u>\$ 86,305</u>	<u>\$ 285,108</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ 5,329
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,329</u>
Fund balances:				
Restricted	22,749	7,418	86,305	285,108
Unassigned	-	-	-	(5,329)
Total fund balances	<u>22,749</u>	<u>7,418</u>	<u>86,305</u>	<u>279,779</u>
Total liabilities and fund balances	<u>\$ 22,749</u>	<u>\$ 7,418</u>	<u>\$ 86,305</u>	<u>\$ 285,108</u>

**VILLAGE OF LOUISVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2017**

	Special Revenue Funds				
	Liability Insurance	Unemployment Insurance	Workmans Compensation	Motor Fuel Tax	Road and Bridge
REVENUES					
Property taxes	\$ 15,933	\$ 3,580	\$ 13,133	\$ -	\$ 12,743
Motor fuel tax	-	-	-	28,968	-
Interest income	316	59	23	310	28
Total revenues	<u>16,249</u>	<u>3,639</u>	<u>13,156</u>	<u>29,278</u>	<u>12,771</u>
EXPENDITURES					
Current:					
General government	35,428	1,681	15,517	-	-
Public safety	-	-	-	-	-
Transportation and public works	-	-	-	30,188	-
Total expenditures	<u>35,428</u>	<u>1,681</u>	<u>15,517</u>	<u>30,188</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,179)</u>	<u>1,958</u>	<u>(2,361)</u>	<u>(910)</u>	<u>12,771</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	(12,771)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,771)</u>
Net change in fund balances	(19,179)	1,958	(2,361)	(910)	-
Fund balances - beginning	<u>85,035</u>	<u>12,847</u>	<u>(2,968)</u>	<u>70,801</u>	<u>-</u>
Fund balances - ending	<u>\$ 65,856</u>	<u>\$ 14,805</u>	<u>\$ (5,329)</u>	<u>\$ 69,891</u>	<u>\$ -</u>

VILLAGE OF LOUISVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2017

	Special Revenue Funds				
	Police Fund	Street Lighting	Cemetery Fund	ESDA	Audit
REVENUES					
Property taxes	\$ 5,054	\$ 2,628	\$ 1,825	\$ 710	\$ 4,141
Motor fuel tax	-	-	-	-	-
Interest income	23	15	13	8	21
Total revenues	<u>5,077</u>	<u>2,643</u>	<u>1,838</u>	<u>718</u>	<u>4,162</u>
EXPENDITURES					
Current:					
General government	-	2,364	2,160	-	10,000
Public safety	2,574	-	-	153	-
Transportation and public works	-	-	-	-	-
Total expenditures	<u>2,574</u>	<u>2,364</u>	<u>2,160</u>	<u>153</u>	<u>10,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,503</u>	<u>279</u>	<u>(322)</u>	<u>565</u>	<u>(5,838)</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,503	279	(322)	565	(5,838)
Fund balances - beginning	<u>3,999</u>	<u>3,150</u>	<u>3,639</u>	<u>1,731</u>	<u>8,378</u>
Fund balances - ending	<u>\$ 6,502</u>	<u>\$ 3,429</u>	<u>\$ 3,317</u>	<u>\$ 2,296</u>	<u>\$ 2,540</u>

VILLAGE OF LOUISVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Municipal Retirement	Social Security	TIF District	
REVENUES				
Property taxes	\$ 59,647	\$ 21,478	\$ 66,527	\$ 207,399
Motor fuel tax	-	-	-	28,968
Interest income	82	40	292	1,230
Total revenues	<u>59,729</u>	<u>21,518</u>	<u>66,819</u>	<u>237,597</u>
EXPENDITURES				
Current:				
General government	1,942	1,420	22,044	92,556
Public safety	-	-	-	2,727
Transportation and public works	29,035	22,099	-	81,322
Total expenditures	<u>30,977</u>	<u>23,519</u>	<u>22,044</u>	<u>176,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,752</u>	<u>(2,001)</u>	<u>44,775</u>	<u>60,992</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	-	-	(22,771)
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(22,771)</u>
Net change in fund balances	18,752	(2,001)	44,775	38,221
Fund balances - beginning	<u>3,997</u>	<u>9,419</u>	<u>41,530</u>	<u>241,558</u>
Fund balances - ending	<u>\$ 22,749</u>	<u>\$ 7,418</u>	<u>\$ 86,305</u>	<u>\$ 279,779</u>

OTHER INFORMATION

VILLAGE OF LOUISVILLE
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 18,487	\$ 18,487	\$ 18,671	\$ 184
Sales tax	142,000	142,000	139,387	(2,613)
Income tax	90,000	90,000	108,447	18,447
Replacement tax	12,500	12,500	14,850	2,350
Telecommunications tax	32,000	32,000	22,292	(9,708)
Licenses and permits	(20)	(20)	120	140
Fees and fines	10,500	10,500	12,349	1,849
Interest income	550	550	594	44
Charges for services	49,600	49,600	49,058	(542)
Miscellaneous revenue	1,000	1,000	2,377	1,377
Total revenues	<u>356,617</u>	<u>356,617</u>	<u>368,145</u>	<u>11,528</u>
EXPENDITURES				
Current:				
General government	402,700	402,700	106,234	(296,466)
Public safety	29,500	29,500	33,169	3,669
Transportation and public works	134,000	134,000	124,626	(9,374)
Sanitation	50,400	50,400	47,686	(2,714)
Capital outlay	30,500	30,500	53,447	22,947
Total expenditures	<u>647,100</u>	<u>647,100</u>	<u>365,162</u>	<u>(281,938)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(290,483)</u>	<u>(290,483)</u>	<u>2,983</u>	<u>293,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,075	14,075	22,771	8,696
Total other financing sources (uses)	<u>14,075</u>	<u>14,075</u>	<u>22,771</u>	<u>8,696</u>
Net change in fund balances	<u>\$ (276,408)</u>	<u>\$ (276,408)</u>	<u>25,754</u>	<u>\$ 302,162</u>
Fund balances - beginning			<u>205,850</u>	
Fund balances - ending			<u>\$ 231,604</u>	

VILLAGE OF LOUISVILLE
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
INDUSTRIAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Interest income	\$ 3,505	\$ 3,505	\$ 2,473	\$ (1,032)
Charges for services	24,600	24,600	24,600	-
Miscellaneous revenue	43,354	43,354	-	(43,354)
Total revenues	<u>71,459</u>	<u>71,459</u>	<u>27,073</u>	<u>(44,386)</u>
EXPENDITURES				
Current:				
General government	175,000	175,000	2,356	(172,644)
Capital outlay	-	-	68,726	68,726
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>71,082</u>	<u>(103,918)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,541)</u>	<u>(103,541)</u>	<u>(44,009)</u>	<u>59,532</u>
Net change in fund balances	<u>\$ (103,541)</u>	<u>\$ (103,541)</u>	<u>(44,009)</u>	<u>\$ 59,532</u>
Fund balances - beginning			<u>(192,353)</u>	
Fund balances - ending			<u>\$ (236,362)</u>	

VILLAGE OF LOUISVILLE
NOTES TO OTHER INFORMATION
APRIL 30, 2017

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Trustees establish an operating budget from information provided by department heads, for the fiscal year commencing May 1. The Village holds a preliminary budget meeting to establish the fiscal year budget. The Village Mayor presents the budget and appropriations for passage by the Trustees, generally in July. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. The Village may authorize transfers of appropriated amounts between departments or line items within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Village Board.
5. Expenditures may not legally exceed appropriated amounts for an individual fund.
6. The original and final budget was approved by the Trustees on July 14, 2016.