

TOWN OF LOUISVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2006

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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TOWN OF LOUISVILLE, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2006

MAYOR

Geraldine Anderson
(Surety Bond Coverage - \$5,000)

ALDERMEN

Bill Marcus (Vice Mayor)
Robert Gormley
Sandra Murrin
Michael Mund

OTHER OFFICIALS

Michael G. Long - Town Recorder
(Surety Bond Coverage - \$5,000)

TOWN OF LOUISVILLE, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2006



Joe S. Ingram, CPA
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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Alcoa, Tennessee 37701

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865-984-1040
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October 18, 2006

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Louisville
Louisville, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Louisville, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Louisville, Tennessee's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Louisville, Tennessee, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the Town of Louisville, Tennessee's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and page 27, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplemental information and miscellaneous schedules 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. The introductory section, other supplemental information and miscellaneous schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ingram, Overholt & Bean, PC



TOWN OF LOUISVILLE

P. O. BOX 215
LOUISVILLE, TENNESSEE 37777

GERALDINE ANDERSON, Mayor

ROBERT GORMLEY, Vice Mayor
MICHAEL LONG, Recorder
ROBIN LOOPE, Assistant Recorder

ROBERT TINGLE, Alderman
SANDRA MURRIN, Alderman
MICHAEL MUND, Alderman

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Louisville's (the Town) Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,864,302 (net assets). Of this amount, \$984,786 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2006, the Town's governmental funds reported combined ending fund balances of \$984,786. Approximately 97% of this total amount, or \$950,775, is unreserved fund balance available for spending at the government's discretion.
- ◆ At June 30, 2006, total unreserved fund balance for the general fund was \$984,786. The undesignated portion of unreserved fund balance is \$950,775, which is 386% of total general fund expenditures of \$246,045.
- ◆ The Town's issued no new general obligation debt during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include police, highways and streets, parks and recreation, and general government.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds organized according to their type (general fund and debt service fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund (major fund), and debt service fund (major fund).

The Town adopts an annual appropriated budget for the general and debt service funds. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

<u>Assets</u>	<u>Net Assets</u> <u>Governmental Activities</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current and other assets	\$ 988,775	\$ 830,340
Capital assets, net	1,117,516	1,158,497
Total Assets	2,106,291	1,988,837
<u>Liabilities</u>		
Long-term liabilities	238,000	291,000
Other liabilities	3,989	10,402
Total Liabilities	241,989	301,402
<u>Net Assets</u>		
Invested in capital assets, Net of related debt	879,516	867,497
Restricted for State Street Aid	5,915	2,219
Unrestricted	978,871	817,719
Total Net Assets	\$ 1,864,302	\$ 1,687,435

The Town’s net assets increased by \$176,867 during the current fiscal year. These increases are explained in the governmental activities discussion below.

<u>Revenues</u>	<u>Changes in Net Assets</u> <u>Governmental Activities</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Program Revenues:		
Charges for services	\$ 137,512	\$ 114,456
Operating grants and contributions	58,080	58,669
Capital grants and Contributions	1,000	307,610
General Revenues:		
Sales taxes	206,374	177,965
State income taxes	24,148	37,213
Miscellaneous taxes	16,070	15,667
Other	35,840	16,770
Total Revenues	479,024	728,350
<u>Expenses</u>		
General government	\$ 78,605	\$ 74,130
Fire	49,600	43,809
Public works and streets	133,652	79,291
Recreation	25,169	20,445
Interest on long-term debt	15,131	17,556
Total expenses	302,157	235,231
Change in net assets	176,867	493,119
Net assets at beginning of year	1,687,435	1,194,316
Net assets at end of year	\$ 1,864,302	\$ 1,687,435

FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Town include the General Fund and Debt Service Fund.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$950,775 (the reserved portion equaled \$34,011), while total fund balance was \$984,786. As a measure of the General Fund's liquidity, it may be useful to compare both total unreserved, undesignated fund balance and total fund balance to total fund expenditures. Total unreserved, undesignated fund balance represents 386% total general fund expenditures of \$ 246,045, while total fund balance represents 400% of that same amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business type activities as of June 30, 2006 amount to \$1,117,516 (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The table below reflects the capital assets at the end of the fiscal year:

	Capital Assets, Net of Depreciation	
	Governmental Activities	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 516,952	\$ 516,952
Buildings	574,130	574,130
Improvements	29,686	29,686
Machinery and equipment	<u>224,857</u>	<u>224,857</u>
Total Capital Assets	1,345,625	1,345,625
Less: Accumulated Depreciation	<u>(228,109)</u>	<u>(187,128)</u>
Capital Assets, net of depreciation	<u>\$ 1,117,516</u>	<u>\$ 1,158,497</u>

There were no capital asset additions during the current fiscal year.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the Town had total long-term obligations outstanding of \$283,000.

The Town issued no new debt during the current fiscal year. Additional information on the Town's long-term debt can be found in the Notes to the Financial Statements.

OTHER MATTERS

The preliminary budget for the Town of Louisville for the fiscal year beginning July 1, 2006 and ending June 30, 2007 totals \$644,925, which represents a 65% increase over last year's amended budget of \$390,069. Although this increase appears to be quite large, virtually all of it can be attributed to repayment of the Town's outstanding debt of \$238,000.

The fiscal 2007 budget will provide the excellent services that the citizens of Louisville have grown accustomed to receiving. This level of service is directly attributable to the Town's well-trained and dedicated workforce coupled with the support of a progressive Town Commission.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the Town's finances. If you have any questions about this report or need additional information, contact:

Town of Louisville, Tennessee
P. O. Box 215
Louisville, TN 37777
(865) 681-1983

TOWN OF LOUISVILLE, TENNESSEE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets:	
Cash in bank.....	\$ 961,658
Accounts receivable	<u>27,117</u>
Total Current Assets	988,775
Capital assets, net of accumulated depreciation.....	<u>1,117,516</u>
Total Assets	<u>\$ 2,106,291</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 1,862
Accrued payroll and payroll taxes	<u>2,127</u>
Total Current Liabilities	<u>3,989</u>
Long-term Liabilities:	
General long term debt payable	<u>238,000</u>
Net Assets:	
Invested in capital assets, net of related debt.....	879,516
Restricted for State Street Aid	5,915
Unrestricted.....	<u>978,871</u>
Total Net Assets	<u>1,864,302</u>
Total Liabilities and Net Assets	<u>\$ 2,106,291</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/Programs				
Governmental Activities:				
General Government	\$ 78,605	\$ 100,717	\$ -	\$ 1,000
Fire	49,600	-	-	-
Public Works and Streets	79,268	4,605	-	-
State Street Aid	54,384	-	58,080	-
Recreation	25,169	32,190	-	-
Interest on Long-term debt	15,131	-	-	-
	<u>\$ 302,157</u>	<u>\$ 137,512</u>	<u>\$ 58,080</u>	<u>\$ 1,000</u>

See accompanying independent auditors' report and notes.

Net (Expense)
Revenue and Changes in
Net Assets
Governmental
Activities

\$	23,112
	(49,600)
	(74,663)
	3,696
	7,021
	<u>(15,131)</u>
	<u>(105,565)</u>

General Revenues:

Sales Taxes	206,374
State income taxes and excise taxes	24,148
Miscellaneous taxes	16,070
Interest earned	34,934
Miscellaneous	<u>906</u>
Total General Revenues	<u>282,432</u>
Change in net assets	176,867
Net Assets – Beginning	<u>1,687,435</u>
Net Assets – Ending	<u>\$ 1,864,302</u>

TOWN OF LOUISVILLE, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Cash in bank	\$ 961,658	\$ -	\$ 961,658
Accounts receivable.....	<u>27,117</u>	<u>-</u>	<u>27,117</u>
Total Assets.....	<u>\$ 988,775</u>	<u>\$ -</u>	<u>\$ 988,775</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	1,862	-	1,862
Accrued payroll and taxes.....	<u>2,127</u>	<u>-</u>	<u>2,127</u>
Total Liabilities	<u>3,989</u>	<u>-</u>	<u>3,989</u>
Fund Balance:			
Reserved for State Street Aid.....	5,915	-	5,915
Undesignated, unreserved	944,860	-	944,860
Designated, unreserved	<u>34,011</u>	<u>-</u>	<u>34,011</u>
Total Fund Balance	<u>984,786</u>	<u>-</u>	<u>984,786</u>
Total Liabilities and Fund Balance	<u>\$ 988,775</u>	<u>\$ -</u>	<u>\$ 988,775</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Fund balances – total governmental funds	\$ 984,786
Amounts reported for the governmental activities in the statement of net assets are different because:	
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,117,516
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(238,000)</u>
Net assets of governmental activities	<u>\$ 1,864,302</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 118,398	\$ -	\$ 118,398
Licenses and permits.....	50,276	-	50,276
Recreation	32,190	-	32,190
Intergovernmental	241,320	-	241,320
Interest earned	34,934	-	34,934
Other revenues	906	-	906
Donations	<u>1,000</u>	-	<u>1,000</u>
Total Revenues.....	<u>479,024</u>	<u>-</u>	<u>479,024</u>
Expenditures:			
General government:			
Legislative.....	911	-	911
Financial Administration	16,460	-	16,460
Town Hall Building	6,959	-	6,959
Other	25,129	-	25,129
Fire	49,600	-	49,600
Streets & Highways	109,993	-	109,993
Planning & Zoning.....	14,005	-	14,005
Recreation	22,988	-	22,988
Bond Principal/Interest	-	<u>68,131</u>	<u>68,131</u>
Total Expenditures.....	<u>246,045</u>	<u>68,131</u>	<u>314,176</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>232,979</u>	<u>(68,131)</u>	<u>164,848</u>
Other Financing Sources (Uses):			
Operating transfers	<u>(68,131)</u>	<u>68,131</u>	<u>-</u>
Excess of Revenues and Other Sources			
Over Expenditures and Other Uses	164,848	-	164,848
Fund Balance – July 1 st	<u>819,938</u>	<u>-</u>	<u>819,938</u>
Fund Balance – June 30 th	<u>\$ 984,786</u>	<u>\$ -</u>	<u>\$ 984,786</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund balances – total governmental fund \$ 164,848

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

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period. (40,981)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds.
Neither transaction, however, has any effect on net assets. This is the
amount by which the bond proceeds exceeded retirement in the current
period. 53,000

Changes in net assets of governmental activities \$ 176,867

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
BALANCE SHEET
June 30, 2006

ASSETS

Cash.....	\$	961,658
Accounts receivable.....		<u>27,117</u>
 Total Assets	 \$	 <u>988,775</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$	1,862
Accrued payroll tax		<u>2,127</u>
Total Liabilities.....		<u>3,989</u>

FUND BALANCE

Fund Balance:

Reserved for State Street Aid.....		5,915
Unreserved – undesignated		944,860
Unreserved – designated for building fund.....		<u>34,011</u>
 Total Fund Balance.....		 <u>984,786</u>
 Total Liabilities and Fund Balance.....	 \$	 <u>988,775</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	<u>Budget</u>			Variance –
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:				
TAXES:				
Local sales tax	\$ 36,000	\$ 41,000	\$ 67,957	\$ 26,957
Wholesale beer tax.....	26,800	26,800	33,933	7,133
Cable TV franchise tax.....	11,150	11,150	16,508	5,358
Building and related permits.....	<u>30,200</u>	<u>37,375</u>	<u>50,276</u>	<u>12,901</u>
Total Taxes	<u>104,150</u>	<u>116,325</u>	<u>168,674</u>	<u>52,349</u>
INTERGOVERNMENTAL:				
State sales tax allocation	120,000	120,000	138,417	18,417
State beer tax allocation	1,025	1,025	1,029	4
State Street Aid.....	52,300	52,300	58,080	5,780
State gasoline inspection fee.....	4,150	4,150	4,605	455
TVA in lieu allocation	13,250	13,250	15,041	1,791
State income tax allocation.....	<u>36,319</u>	<u>36,319</u>	<u>24,148</u>	<u>(12,171)</u>
Total Intergovernmental	<u>227,044</u>	<u>227,044</u>	<u>241,320</u>	<u>14,276</u>
OTHER:				
Interest Earned	16,900	16,900	34,934	18,034
Recreation	28,000	28,000	32,190	4,190
Donations	1,200	1,200	1,000	(200)
Miscellaneous	<u>600</u>	<u>600</u>	<u>906</u>	<u>306</u>
Total Other	<u>46,700</u>	<u>46,700</u>	<u>69,030</u>	<u>22,330</u>
TOTAL REVENUES.....	<u>377,894</u>	<u>390,069</u>	<u>479,024</u>	<u>88,955</u>
EXPENDITURES:				
GENERAL GOVERNMENT:				
Legislative:				
Membership dues – TML.....	1,000	1,000	838	162
Public relations	<u>500</u>	<u>500</u>	<u>73</u>	<u>427</u>
Total Legislative.....	<u>1,500</u>	<u>1,500</u>	<u>911</u>	<u>589</u>

(Continued)

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budget		Actual	Variance – Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
GENERAL GOVERNMENT (Continued):				
Financial Administration:				
Salaries	14,600	14,600	14,079	521
Legal notice publications	800	800	36	764
Telephone	900	900	734	166
Publicity, dues and subscriptions.....	1,800	1,800	886	914
Equipment repairs and contract maintenance.....	440	440	-	440
Office supplies	950	950	725	225
Office equipment.....	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Financial Administration.....	<u>20,490</u>	<u>20,490</u>	<u>16,460</u>	<u>4,030</u>
Town Hall Building:				
Electricity	5,000	6,800	5,254	1,546
Water	500	500	102	398
Cleaning supplies	1,000	1,000	341	659
Machinery and equipment	1,000	1,000	376	624
Land and building.....	<u>-</u>	<u>1,000</u>	<u>886</u>	<u>114</u>
Total Town Hall Building.....	<u>7,500</u>	<u>10,300</u>	<u>6,959</u>	<u>3,341</u>
Other General Government:				
OASI - Employer's share.....	5,334	5,709	5,569	140
Unemployment insurance.....	840	840	652	188
Legal services	3,725	3,725	3,725	-
Accounting and auditing services	1,900	1,900	1,900	-
City Elections Contract	1,500	1,500	-	1,500
East Tennessee Development				
District.....	320	320	320	-
Insurance	11,500	13,500	12,840	660
Surety bonds.....	<u>150</u>	<u>150</u>	<u>123</u>	<u>27</u>
Total Other General Government.....	<u>25,269</u>	<u>27,644</u>	<u>25,129</u>	<u>2,515</u>
Fire Services:				
Hydrant maintenance.....	1,000	1,000	-	1,000
Contract services	<u>45,000</u>	<u>50,000</u>	<u>49,600</u>	<u>400</u>
Total Fire Services	<u>46,000</u>	<u>51,000</u>	<u>49,600</u>	<u>1,400</u>
Animal Control:				
Contract Services	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>

(Continued)

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budget		Actual	Variance – Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued):				
GENERAL GOVERNMENT (Continued):				
Highways and Streets:				
Wages – Regular	25,000	25,000	21,999	3,001
Wages – Part-time	23,100	23,100	14,805	8,295
Contract paving	33,579	33,579	8,045	25,534
Gas and oil	3,750	4,750	4,919	(169)
Vehicle maintenance and repairs	2,500	2,500	2,574	(74)
Other repairs and maintenance	1,000	1,000	781	219
Sign parts and supplies	1,000	1,000	836	164
Materials	2,000	2,000	1,240	760
Machinery and equipment	10,000	10,000	410	9,590
Total Highways and Streets	101,929	102,929	55,609	47,320
State Street Aid:				
Contract paving	63,475	63,475	54,384	9,091
Planning and Zoning:				
State and local planning	6,000	6,000	6,000	-
Building inspector	8,000	9,000	7,911	1,089
Publicity, dues and subscriptions	150	150	94	56
Office supplies	150	150	-	150
Operating supplies	100	100	-	100
Total Planning and Zoning	14,400	15,400	14,005	1,395
Other:				
Recreation	28,000	28,000	22,988	5,012
TOTAL EXPENDITURES	309,763	321,938	246,045	75,893
EXCESS OF REVENUES OVER				
EXPENDITURES	68,131	68,131	232,979	164,848
Other Financing Sources (Uses):				
Operating Transfers In (Out)	(68,131)	(68,131)	(68,131)	-
Excess (Deficit) of Revenues Over				
Expenditures and Other Uses	-	-	164,848	164,848
FUND BALANCE – July 1, 2005	819,938	819,938	819,938	-
FUND BALANCE – June 30, 2006	\$ 819,938	\$ 819,938	\$ 984,786	\$ 164,848

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) **DEFINITION OF REPORTING ENTITY:**

The Town of Louisville, Tennessee, was incorporated under the laws of the State of Tennessee under Public Chapter 154 in 1991, and operates under an elected Mayor-Aldermen form of government. All funds and account groups under the control, authority, or oversight of the Town's governing body (Board of Aldermen) are included in these financial statements.

(B) **FINANCIAL REPORTING ENTITY:**

The accompanying financial statements present the Town of Louisville (primary government) and all funds, organizations, agencies, and offices that are a part of the primary government. The criteria for determining a primary government consist of the following:

- (1) A separately elected governing body
- (2) Separate legal standing – corporate power with the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and, the right to buy, sell, lease, or mortgage property in its own name.
- (3) Fiscal independence of other state and local governments by determining its budget, levying taxes, setting rates or charges, and issuing bonded debt without approval by another government.

Based on applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement 14 – “The Financial Reporting Entity”, as amended by GASB Statement 39 – “Determining Whether Certain Organizations are Component Units”, there are no potential component units for inclusion in the primary government. The financial reporting entity includes all funds, agencies, offices and departments which are a part of the primary government.

(C) **BASIC FINANCIAL STATEMENTS – GASB NO. 34:**

The basic financial statements include both government-wide (based on the Town as a whole and its component units) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new model the focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent, on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(C) **BASIC FINANCIAL STATEMENTS – GASB NO. 34 (Continued):**

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The Town does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. There are no non-major funds.

(D) **BASIS OF PRESENTATION:**

The Town uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the Town's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the Town:

GOVERNMENTAL FUNDS: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" (susceptible to accrual) when in the hands of intermediary collecting agencies and are recognized as revenues at that time. All other intergovernmental revenues are recorded as revenue when received. Expenditures are recognized when the related fund liability is incurred.

GENERAL FUND: The General Fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(D) **BASIS OF PRESENTATION (Continued):**

DEBT SERVICE FUND: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The debt service fund is presented as a major fund in the basic financial statements.

(E) **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the Town's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Revenues susceptible to accrual include local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(E) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING(Continued):

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department, are included as general revenues. The general revenues support the net costs of the departments not covered by the program revenues.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

(F) GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34:

The Town utilizes the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. This statement affects the manner in which the Town records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes requirements and a reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in annual reports of private-sector organizations.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the Town's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The Town now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the Town are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

(F) GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 (Continued):

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the Town has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

(G) BUDGETARY DATA:

Formal budgetary accounting is employed as a management control for the General Fund of the Town of Louisville, Tennessee. Annual operating budgets are adopted each fiscal year through passage of a budget ordinance, and amended as required using the same basis of accounting to reflect actual revenues and expenditures recognized in accordance with generally accepted accounting principles. All unencumbered budget appropriations lapse at the end of each fiscal year.

(H) TOTAL DATA ON THE COMBINED STATEMENT:

The total columns on the combined financial statement are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. The total amounts do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to consolidated information.

(I) USE OF ESTIMATES:

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.

NOTE 2 – SERVICE AGREEMENT:

Fire Protection Service Agreement:

Effective July 1, 1992, the Town of Louisville, Tennessee, entered into an agreement with the Blount County Fire Protection Unit (Fire Department) to provide a fire truck to protect the residences within the Town. The Fire Department has trained and equipped up to eight (8) volunteers for the fire protection service. The Town provides housing for the truck in the Town Hall facilities. The perpetual agreement is binding on both parties for as long as either of them exists, or until the Town undertakes to provide its own fire protection.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH:

In order to provide a safe temporary medium for investments of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Total cash with a carrying value of \$961,658 at June 30, 2006, is summarized as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Bank Balance June 30, 2006</u>
Cash:		
Cash in checking:		
American Fidelity Bank	4.85%	\$ 699,297
American Fidelity Bank	3.81%	70,650
American Fidelity Bank	3.81%	73,103
American Fidelity Bank	3.81%	<u>118,608</u>
 Total Cash.....		 <u>\$ 961,658</u>

NOTE 4 – RISK FINANCING ACTIVITIES:

It is the policy of the Town to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – RECEIVABLES:

Receivables at June 30, 2006, consist of the following:

Due from:	
State of Tennessee:	
Sales tax	\$ 11,946
State Street Aid	4,843
State Gas Inspection Fee	384
Others:	
State beer tax allocation	4,064
Local sales tax	<u>5,880</u>
Total	<u>\$ 27,117</u>

NOTE 6 – CAPITAL ASSETS:

Capital assets used in governmental fund type operations are stated at historical cost or the fair market value at the date of donation. Infrastructure capital assets, such as streets, bridges, lighting systems and sidewalks, has not been retroactively stated. However, all infrastructure additions and improvements acquired after July 1, 2003 are recorded.

Below is a summary of changes in Capital Fixed Assets used in Governmental Activities:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2006</u>
Land.....	\$ 516,952	\$ -	\$ -	\$ 516,952
Buildings	574,130	-	-	574,130
Improvements	29,686	-	-	29,686
Equipment and road improvements	<u>224,857</u>	<u>-</u>	<u>-</u>	<u>224,857</u>
Total Capital Assets.....	1,345,625	-	-	1,345,625
Accumulated Depreciation.....	<u>(187,128)</u>	<u>(40,981)</u>	<u>-</u>	<u>(228,109)</u>
Capital Assets, net of accumulated depreciation	<u>\$1,158,497</u>	<u>\$ (40,981)</u>	<u>\$ -</u>	<u>\$1,117,516</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General Government.....	\$ 15,141
Public works/streets.....	23,659
Recreation	<u>2,181</u>
Total depreciation expense – governmental activities	<u>\$ 40,981</u>

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 – CAPITAL ASSETS (Continued):

The Town uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

<u>Class</u>	
Building and Improvements	40-50 years
Machinery and equipment	4-10 years
Infrastructure	20-50 years

NOTE 7 – LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt is as follows:

	<u>Balance</u> <u>June 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Notes Payable	\$ <u>291,000</u>	\$ <u>-</u>	\$ <u>53,000</u>	\$ <u>238,000</u>

In the year ended June 30, 1999, the Town borrowed funds in the amount of \$600,000 in the form of capital outlay notes to finance the purchase and construction of a new town hall. (Note principal and interest are due in annual installments from \$66,616 to \$65,728 through July, 2010; interest at 4.2% to 5.4%). The amount outstanding as of June 30, 2006 is \$238,000.

Future maturities are as follows:

	<u>Total note</u> <u>Principal/Interest</u> <u>Requirement</u>	<u>Note Total</u>	
		<u>Note</u>	<u>Interest</u>
2007	\$ 6,240	\$ -	\$ 6,240
2008	66,078	55,000	11,078
2009	66,183	58,000	8,183
2010	66,072	61,000	5,072
2011	<u>65,728</u>	<u>64,000</u>	<u>1,728</u>
Totals	\$ <u>270,301</u>	\$ <u>238,000</u>	\$ <u>32,301</u>

The principal payment due July 1, 2006 was paid prior to the end of the fiscal year ended June 30, 2006.

NOTE 8 – DESIGNATED FUND BALANCE:

Designations of fund balance are used to show the amounts within unreserved fund balance which are intended to be used for specific purposes, but are not legally restricted. Designated fund balance of \$34,011 is intended to provide funding for capital additions. Unspent state street aid revenue of \$5,915 is recorded as reserved fund balance at June 30, 2006.

TOWN OF LOUISVILLE, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Interest Charges	15,131	15,131	15,131	
Principal Payment	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>	-
Total Expenditures	<u>68,131</u>	<u>68,131</u>	<u>68,131</u>	
Excess (Deficiency) of Revenues Over Expenditures	(68,131)	(68,131)	(68,131)	
Other Financing Sources (Uses):				
Operating Transfers – In:				
General Fund	<u>68,131</u>	<u>68,131</u>	<u>68,131</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	-	-	-
Fund Balance at July 1, 2005	-	-	-	-
Fund Balance at June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL ACTIVITIES**

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Changes by Function and Activity
For the Fiscal Years Ended June 30, 2006

<u>Programs</u>	Balance <u>7/1/05</u>	<u>CAPITAL ASSETS</u>		Balance <u>6/30/06</u>
		<u>Additions</u>	<u>Retirements</u>	
General Government – Land	\$ 516,952	\$	\$ -	\$ 516,952
General Government – Building	574,130	-	-	574,130
General Government – Finance	8,859	-	-	8,859
General Government – Improvements	7,880	-	-	7,880
Recreation – Improvements	21,806	-	-	21,806
Streets	<u>215,998</u>	<u> </u>	<u> </u>	<u>215,998</u>
Total	<u>\$ 1,345,625</u>	<u>\$</u>	<u>\$ -</u>	<u>\$ 1,345,625</u>

See accompanying independent auditors' report and notes.

ACCUMULATED DEPRECIATION

<u>Balance</u> <u>7/1/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/06</u>	<u>Net Book</u> <u>Value</u>
\$ -	\$ -	\$ -	\$ -	\$ 516,952
86,119	14,353	-	100,472	473,658
8,859	-	-	8,859	-
460	788	-	1,248	6,632
182	2,181	-	2,363	19,443
<u>91,508</u>	<u>23,659</u>	<u>-</u>	<u>115,167</u>	<u>100,831</u>
<u>\$ 187,128</u>	<u>\$ 40,981</u>	<u>\$ -</u>	<u>\$ 228,109</u>	<u>\$ 1,117,516</u>

TOWN OF LOUISVILLE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Capital Assets by Function and Activity
For the Fiscal Years Ended June 30, 2006

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General Government - Building and Grounds	\$ 231,352	\$ 574,130	\$ 7,880	\$ -	\$ 813,362
General Government – Finance	-	-	-	8,859	8,859
Recreation	285,600	-	21,806	-	307,406
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,998</u>	<u>215,998</u>
Total Capital Assets	516,952	574,130	29,686	224,857	1,345,625
Accumulated Depreciation	<u>-</u>	<u>(100,472)</u>	<u>(3,611)</u>	<u>(124,026)</u>	<u>(228,109)</u>
Net Capital Assets	<u>\$ 516,952</u>	<u>\$ 473,658</u>	<u>\$ 26,075</u>	<u>\$ 100,831</u>	<u>\$1,117,516</u>

TOWN OF LOUISVILLE, TENNESSEE

SECTION THREE

MISCELLANEOUS SCHEDULES

June 30, 2006

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
June 30, 2006

Transfers From	Transfer to: Debt Service <u>Fund</u>
General Fund	<u>\$ 68,131</u>

(1) To provide monies for debt service payments.

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
 June 30, 2006

General Liability:

Liabilities created by the

Tennessee Governmental Tort Liability Act:

General - Bodily injury	\$250/600,000
General - Property damage	\$85,000
Automobiles - Bodily injury	\$250/600,000
Automobiles - Property damage	\$85,000

Liabilities for which a limit is not imposed by the

Tennessee Governmental Tort Liability Act:

Combined Single Limit	\$600,000
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Automobile Liability, Uninsured Motorist, and Comprehensive Coverage..... \$500 deductible

Fire and Extended Coverage - 90% Co-insurance:

Office building and equipment.....	\$500 deductible
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Public Officials Personal Errors and Omissions Liability:

Liability limit (\$1,000 deductible).....	\$600,000
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Workmen's Compensation and Employer's Liability:

Workmen's Compensation	Statutory
Employer's Liability	\$250,000/600,000

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF CAPITAL OUTLAY NOTES
PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR
June 30, 2006

Fiscal Year Ending <u>June 30,</u>	Total Note Principal/Interest <u>Requirement</u>	<u>Note Total</u>	
		<u>Note</u>	<u>Interest</u>
2007	\$ 6,240	\$ - (1)	\$ 6,240
2008	66,078	55,000	11,078
2009	66,183	58,000	8,183
2010	66,072	61,000	5,072
2011	<u>65,728</u>	<u>64,000</u>	<u>1,728</u>
Totals	\$ <u>270,301</u>	\$ <u>238,000</u>	\$ <u>32,301</u>

(1) Principal payment due July 1, 2006 was paid prior to June 30, 2006.

TOWN OF LOUISVILLE, TENNESSEE

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*

June 30, 2006

**Ingram Overholt
& Bean, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

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October 18, 2006

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 Honorable Mayor and
Members of the Board of Aldermen
Town of Louisville
Louisville, Tennessee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Louisville, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Town of Louisville, Tennessee's basic financial statements and have issued our report thereon dated October 18, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Louisville, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Louisville, Tennessee's financial statements are free of 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the governing body and management of the Town of Louisville, Tennessee, and for filing with the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, PC