

TOWN OF LOUISVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
ANNUAL FINANCIAL REPORT
 June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2009

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2009

MAYOR

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

ALDERMEN

Robert Gormley (Vice Mayor)
Robert Tingle
Steve Dixon
Joe Gallagher

OTHER OFFICIALS

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

Bob Skurda – Assistant Recorder

TOWN OF LOUISVILLE, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2009

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

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Alcoa, Tennessee 37701

Telephone
865-984-1040
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865-982-1665

November 4, 2009

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 and the major fund of the Town of Louisville, Tennessee, as of and for the year ended June 30, 2009, 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 and the major fund of the Town of Louisville, Tennessee, as of June 30, 2009, 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 November 4, 2009, 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 on pages 4 through 8, 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 an opinion 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
BOB SKURDA, Assistant Recorder

ROBERT TINGLE, Alderman
STEVE DIXON, Alderman
JOE GALLAGHER, 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, 2009. 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 \$2,867,158 (net assets). Of this amount, \$1,466,933 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2009, the Town's governmental funds reported combined ending fund balances of \$1,521,392. Approximately 96% of this total amount, or \$1,466,933, is unreserved fund balance available for spending at the government's discretion.
- ◆ At June 30, 2009, total unreserved fund balance for the general fund was \$1,466,933. The undesignated portion of unreserved fund balance is \$1,127,105, which is 396% of total general fund expenditures of \$284,275.
- ◆ The Town 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. The governmental activities of the Town include 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 one individual governmental fund organized according to its type (general 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).

The Town adopts an annual appropriated budget for the general fund. 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, 2009</u>	<u>June 30, 2008</u>
Current and other assets	\$ 1,524,395	\$ 1,073,480
Capital assets, net	1,345,766	1,315,749
Total Assets	2,870,161	2,389,229
<u>Liabilities</u>		
Long-term liabilities	-	-
Other liabilities	3,003	5,748
Total Liabilities	3,003	5,748
<u>Net Assets</u>		
Invested in capital assets, Net of related debt	1,345,766	1,315,749
Restricted for State Street Aid	54,459	62,228
Unrestricted	1,466,933	1,005,504
Total Net Assets	\$ 2,867,158	\$ 2,383,481

The Town’s net assets increased by \$483,677 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, 2009</u>	<u>June 30, 2008</u>
Program Revenues:		
Charges for services	\$ 51,380	\$ 59,744
Operating grants and contributions	55,705	60,088
Capital grants and Contributions	128,001	-
General Revenues:		
Sales taxes	267,041	214,527
State income taxes	106,284	120,972
Miscellaneous taxes	110,364	104,081
Other	19,160	31,645
Total Revenues	737,935	591,057
<u>Expenses</u>		
General government	\$ 77,058	\$ 85,422
Fire	49,600	49,600
Public works and streets	93,834	164,508
Recreation	33,766	33,187
Total expenses	254,258	332,717
Change in Net Assets	483,677	258,340
Net Assets at Beginning of Year	2,383,481	2,125,141
Net Assets at End of Year	\$ 2,867,158	\$ 2,383,481

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. Governmental funds consist of the General 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 \$1,466,933 (the reserved portion equaled \$54,459), while total fund balance was \$1,521,392. 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 516% total general fund expenditures of \$284,275, while total fund balance represents 535% 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, 2009 amount to \$1,345,766 (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, 2009</u>	<u>June 30, 2008</u>
Land	\$ 749,051	\$ 749,051
Buildings	574,130	574,130
Improvements	29,686	29,686
Machinery and equipment	344,993	277,286
Construction in progress	<u>12,350</u>	<u>-</u>
Total Capital Assets	1,710,210	1,630,153
Less: Accumulated Depreciation	<u>(364,444)</u>	<u>(314,404)</u>
Capital Assets, net of depreciation	<u>\$ 1,345,766</u>	<u>\$ 1,315,749</u>

Major capital asset additions include the purchase of equipment used in public works.

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 no outstanding total long-term obligations. The Town issued no new debt during the current fiscal year.

OTHER MATTERS

The final budget for the fiscal year ended June 30, 2009 was \$1,414,075. There were no budget amendments during the year.

The preliminary budget for the Town of Louisville for the fiscal year beginning July 1, 2009 and ending June 30, 2010 totals \$1,481,270, which represents a 5% increase over last year's budget of \$1,414,075. The increase is primarily attributable to budgeting for general economic increases.

The fiscal 2010 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

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TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets:	
Cash in bank.....	\$ 1,456,523
Accounts receivable	65,192
Interest receivable	<u>2,680</u>
Total Current Assets.....	<u>1,524,395</u>
Capital Assets:	
Non depreciable	761,401
Depreciable, net of accumulated depreciation	<u>584,365</u>
Total Capital Assets	<u>1,345,766</u>
 Total Assets	 <u>\$ 2,870,161</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 1,120
Accrued payroll and payroll taxes.....	<u>1,883</u>
 Total Current Liabilities.....	 <u>3,003</u>
Net Assets:	
Invested in capital assets, net of related debt	1,345,766
Restricted for State Street Aid	54,459
Unrestricted.....	<u>1,466,933</u>
 Total Net Assets.....	 <u>2,867,158</u>
 Total Liabilities and Net Assets.....	 <u>\$ 2,870,161</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Function/Programs			
Governmental Activities:			
General Government	\$ 77,058	\$ 13,060	\$ -
Fire	49,600	-	-
Public Works and Streets	93,834	-	55,705
Recreation	33,766	38,320	-
	<u>\$ 254,258</u>	<u>\$ 51,380</u>	<u>\$ 55,705</u>
			<u>\$ 128,001</u>

See accompanying independent auditors' report and notes.

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

\$	64,003
	(49,600)
	(38,129)
	<u>4,554</u>
	<u>(19,172)</u>

General Revenues:

Sales Taxes	267,041
State income taxes and excise taxes	106,284
Miscellaneous taxes	110,364
Interest earned.....	18,658
Miscellaneous	<u>502</u>
Total General Revenues	<u>502,849</u>
Change in net assets	483,677
Net Assets – Beginning	<u>2,383,481</u>
Net Assets – Ending.....	<u>\$ 2,867,158</u>

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TOWN OF LOUISVILLE, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2009

ASSETS	<u>General Fund</u>
Cash in bank	\$ 1,456,523
Accounts receivable.....	65,192
Interest receivable.....	<u>2,680</u>
 Total Assets.....	 <u>\$ 1,524,395</u>
 LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable.....	1,120
Accrued payroll and taxes	<u>1,883</u>
 Total Liabilities	 <u>3,003</u>
Fund Balance:	
Reserved for State Street Aid	54,459
Undesignated, unreserved	1,127,105
Designated, unreserved	<u>339,828</u>
Total Fund Balance.....	<u>1,521,392</u>
 Total Liabilities and Fund Balance.....	 <u>\$ 1,524,395</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, 2009

Fund balances – total governmental funds	\$ 1,521,391
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.	<u>1,345,767</u>
Net assets of governmental activities	<u>\$ 2,867,158</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, 2009

	<u>General Fund</u>
Revenues:	
Taxes	\$ 211,480
Licenses and permits	13,060
Recreation.....	38,320
Intergovernmental	327,914
Interest earned.....	18,658
Other revenues	<u>128,503</u>
Total Revenues	<u>737,935</u>
Expenditures:	
General government:	
Legislative	1,038
Financial Administration	23,524
Planning & Zoning	10,935
Town Hall Building.....	21,135
Other.....	21,491
Fire	49,600
Streets & Highways.....	124,966
Recreation.....	<u>31,586</u>
Total Expenditures	<u>284,275</u>
Net Change in Fund Balance	453,660
Fund Balance – July 1 st	<u>1,067,732</u>
Fund Balance – June 30 th	<u>\$ 1,521,392</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, 2009

Net change in fund balances – total governmental fund.....	\$ 453,660
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p style="padding-left: 40px;">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...</p>	
	<u>30,017</u>
Changes in net assets of governmental activities	<u>\$ 483,677</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
BALANCE SHEET
June 30, 2009

ASSETS

Cash	\$ 1,456,523
Accounts receivable	65,192
Interest receivable	<u>2,680</u>
 Total Assets	 <u>\$ 1,524,395</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 1,120
Accrued payroll tax	<u>1,883</u>
Total Liabilities.....	<u>3,003</u>

FUND BALANCE

Fund Balance:

Reserved for State Street Aid	54,456
Unreserved – undesignated	1,338,949
Unreserved – designated for building fund.....	<u>127,987</u>

Total Fund Balance	<u>1,521,392</u>
--------------------------	------------------

Total Liabilities and Fund Balance	<u>\$ 1,524,395</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, 2009

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance – Favorable (Unfavorable)</u>
REVENUES:			
TAXES:			
Local sales tax	\$ 57,500	\$ 127,095	\$ 69,595
Wholesale beer tax.....	61,000	61,156	156
Cable TV franchise tax	<u>21,000</u>	<u>23,229</u>	<u>2,229</u>
Total Taxes	<u>139,500</u>	<u>211,480</u>	<u>71,980</u>
 LICENSE AND PERMITS.....	 <u>25,300</u>	 <u>13,060</u>	 <u>(12,240)</u>
 INTERGOVERNMENTAL:			
State sales tax allocation	142,200	139,946	(2,254)
State beer tax allocation.....	800	1,105	305
State Street Aid.....	50,000	55,705	5,705
State gasoline inspection fee	4,600	4,553	(47)
TVA in lieu allocation	17,000	20,321	3,321
State income tax allocation	<u>27,500</u>	<u>106,284</u>	<u>78,784</u>
Total Intergovernmental	<u>242,100</u>	<u>327,914</u>	<u>85,814</u>
 OTHER:			
Interest Earned.....	11,950	18,658	6,708
Recreation	40,550	38,320	(2,230)
Donations	500,000	128,001	(371,999)
Miscellaneous	<u>900</u>	<u>502</u>	<u>(398)</u>
Total Other	<u>553,400</u>	<u>185,481</u>	<u>(367,919)</u>
 TOTAL REVENUES.....	 <u>960,300</u>	 <u>737,935</u>	 <u>(222,365)</u>
 EXPENDITURES:			
GENERAL GOVERNMENT:			
Legislative:			
Membership dues – TML	1,200	838	362
Public relations.....	<u>500</u>	<u>200</u>	<u>300</u>
Total Legislative	<u>1,700</u>	<u>1,038</u>	<u>662</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, 2009

	Budget Original and Final	Actual	Variance – Favorable (Unfavorable)
EXPENDITURES (Continued):			
GENERAL GOVERNMENT (Continued):			
Financial Administration:			
Salaries	16,000	15,631	369
Legal notice publications.....	1,100	141	959
Telephone	1,000	826	174
Publicity, dues and subscriptions.....	6,800	1,136	5,664
Equipment repairs and contract maintenance	500	-	500
Training	1,500	334	1,166
Office supplies	1,800	978	822
Office equipment	<u>2,500</u>	<u>4,478</u>	<u>(1,978)</u>
Total Financial Administration	<u>31,200</u>	<u>23,524</u>	<u>7,676</u>
Town Hall Building:			
Electricity	8,500	7,528	972
Water	550	366	184
Cleaning supplies	1,200	487	713
Machinery and equipment	5,000	404	4,596
Land and building	<u>953,775</u>	<u>12,350</u>	<u>941,425</u>
Total Town Hall Building.....	<u>969,025</u>	<u>21,135</u>	<u>947,890</u>
Other General Government:			
OASI – Employer’s share.....	7,550	5,078	2,472
Unemployment insurance.....	600	195	405
Legal services	3,800	3,725	75
Accounting and auditing services	2,300	2,300	-
City Elections Contract	1,500	-	1,500
East Tennessee Development			
District	350	320	30
Insurance	12,500	9,750	2,750
Surety bonds	<u>150</u>	<u>123</u>	<u>27</u>
Total Other General Government.....	<u>28,750</u>	<u>21,491</u>	<u>7,259</u>
Fire Services:			
Hydrant maintenance	1,000	-	1,000
Contract services.....	<u>56,000</u>	<u>49,600</u>	<u>6,400</u>
Total Fire Services.....	<u>57,000</u>	<u>49,600</u>	<u>7,400</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, 2009

	<u>Budget Original and Final</u>	<u>Actual</u>	<u>Variance – Favorable (Unfavorable)</u>
EXPENDITURES (Continued):			
GENERAL GOVERNMENT (Continued):			
Highways and Streets:			
Wages – Regular	29,500	26,127	3,373
Wages – Part-time	27,600	19,652	7,948
Contract paving	56,125	-	56,125
Gas and oil	11,200	7,261	3,939
Vehicle maintenance and repairs.....	4,500	3,594	906
Other repairs and maintenance.....	2,000	116	1,884
Sign parts and supplies	3,000	950	2,050
Materials	2,950	2,093	857
Machinery and equipment.....	50,000	1,454	48,546
Utilities	<u>350</u>	<u>244</u>	<u>106</u>
Total Highways and Streets	<u>187,225</u>	<u>61,488</u>	<u>125,734</u>
State Street Aid:			
Contract paving	63,475	1,250	62,225
Equipment purchases	<u>-</u>	<u>62,225</u>	<u>(62,225)</u>
Total State Street Aid	<u>63,475</u>	<u>63,475</u>	<u>-</u>
Planning and Zoning:			
State and local planning.....	7,000	6,750	250
Building inspector	9,000	3,985	5,015
Publicity, dues and subscriptions	150	200	(50)
Office supplies	150	-	150
Operating supplies	<u>100</u>	<u>-</u>	<u>100</u>
Total Planning and Zoning	<u>16,400</u>	<u>10,935</u>	<u>5,465</u>
Debt Service	<u>18,750</u>	<u>-</u>	<u>18,750</u>
Other:			
Recreation	<u>40,550</u>	<u>31,586</u>	<u>8,964</u>
TOTAL EXPENDITURES	<u>1,414,075</u>	<u>284,275</u>	<u>1,129,800</u>
Net Change in Fund Balance.....	(453,775)	453,660	907,435
FUND BALANCE – July 1, 2008.....	<u>1,067,732</u>	<u>1,067,732</u>	<u>-</u>
FUND BALANCE – June 30, 2009.....	<u>\$ 613,957</u>	<u>\$ 1,521,392</u>	<u>\$ 907,435</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 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. Both the government-wide and fund financial statements categorize the Town's activities as governmental activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. All activities 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, 2009

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.

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. 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, 2009

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

(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.

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.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

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

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.

Management's Discussion and Analysis – The financial statements are 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).

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.

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.

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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

(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. The legal level of budgetary control is by function. All unencumbered budget appropriations lapse at the end of each fiscal year.

(H) 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, 2009

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.

The Town has no legal restrictions governing cash deposits with financial institutions.

Custodial Credit Risk – The Town has no formal policy regarding custodial credit risk. However, 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 State Bank Collateral Pool.

Total cash with a carrying value of \$1,456,523 at June 30, 2009, is summarized as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Bank Balance June 30, 2009</u>
Cash:		
Cash in checking:		
Green Bank.....	.01%	\$ 957,234
Certificates of Deposits:		
BankEast.....	2.01%	211,841
BankEast.....	2.57%	<u>287,448</u>
Total Cash.....		<u>\$1,456,523</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, 2009

NOTE 5 – RECEIVABLES:

Receivables at June 30, 2009, consist of the following:

Due from:		
State of Tennessee:		
Sales tax	\$ 11,387	
State Street Aid.....	5,151	
State Gas Inspection Fee	379	
Others:		
Wholesale beer tax.....	4,768	
Local sales tax	38,076	
Cable TV franchise tax	<u>5,431</u>	
Total.....	<u>\$ 65,192</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, have 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 Assets used in Governmental Activities:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital Assets, non-depreciable:				
Land.....	\$ 749,051	\$ -	\$ -	\$ 749,051
Construction in progress	<u>-</u>	<u>12,350</u>	<u>-</u>	<u>12,350</u>
	<u>749,051</u>	<u>12,350</u>	<u>-</u>	<u>761,401</u>
Capital Assets, depreciable:				
Buildings.....	574,130	-	-	574,130
Improvements	29,686	-	-	29,686
Equipment and road improvements..	<u>277,286</u>	<u>67,707</u>	<u>-</u>	<u>344,993</u>
Total Capital Assets	881,102	67,707	-	948,809
Accumulated Depreciation.....	<u>(314,404)</u>	<u>(50,040)</u>	<u>-</u>	<u>(364,444)</u>
Capital Assets, net of accumulated depreciation.....	<u>566,698</u>	<u>17,667</u>	<u>-</u>	<u>584,365</u>
Governmental Capital Assets.....	<u>\$1,315,749</u>	<u>\$ 30,017</u>	<u>\$ -</u>	<u>\$1,345,766</u>

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6 – CAPITAL ASSETS (Continued):

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

Governmental activities:	
General Government.....	\$ 15,313
Public works/streets.....	32,547
Recreation	<u>2,180</u>
Total depreciation expense – governmental activities	<u>\$ 50,040</u>

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 s:

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

NOTE 7 – 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 \$339,828 is intended to provide funding for capital additions. Unspent state street aid revenue of \$54,459 is recorded as reserved fund balance at June 30, 2009.

TOWN OF LOUISVILLE, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE

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

June 30, 2009

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, 2009

<u>Programs</u>	Balance <u>7/1/08</u>	<u>CAPITAL ASSETS</u>		Balance <u>6/30/09</u>
		<u>Additions</u>	<u>Retirements</u>	
General Government – Land	\$ 749,051	\$ -	\$ -	\$ 749,051
General Government – Building	574,130	-	-	574,130
General Government – Equipment	9,309	4,028	-	13,337
General Government – Improvements	7,880	-	-	7,880
General Government – Construction in Progress	-	12,350	-	12,350
Recreation – Improvements	21,806	-	-	21,806
Streets - Equipment	<u>267,977</u>	<u>63,679</u>	<u>-</u>	<u>331,656</u>
Total	<u>\$ 1,630,153</u>	<u>\$ 80,057</u>	<u>\$ -</u>	<u>\$ 1,710,210</u>

See accompanying independent auditors' report and notes.

ACCUMULATED DEPRECIATION

<u>Balance</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/09</u>	<u>Net Book</u> <u>Value</u>
\$ -	\$ -	\$ -	\$ -	\$ 749,051
129,178	14,353	-	143,531	430,599
8,904	172	-	9,076	4,261
2,824	788	-	3,612	4,268
-	-	-	-	12,350
6,725	2,180	-	8,905	12,901
<u>166,773</u>	<u>32,547</u>	<u>-</u>	<u>199,320</u>	<u>132,336</u>
<u>\$ 314,404</u>	<u>\$ 50,040</u>	<u>\$ -</u>	<u>\$ 364,444</u>	<u>\$ 1,345,766</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, 2009

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General Government – Building and Grounds.....	\$ 749,051	\$ 586,480	\$ 7,880	\$ -	\$1,343,411
General Government – Finance....	-	-	-	13,337	13,337
Recreation	-	-	21,806	-	21,806
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,656</u>	<u>331,656</u>
Total Capital Assets.....	749,051	586,480	29,686	344,993	1,710,210
Accumulated Depreciation.....	<u>-</u>	<u>(143,531)</u>	<u>(12,517)</u>	<u>(208,396)</u>	<u>(364,444)</u>
Net Capital Assets	<u>\$ 749,051</u>	<u>\$ 442,949</u>	<u>\$ 17,169</u>	<u>\$ 136,597</u>	<u>\$1,345,766</u>

Note: Buildings include construction in progress.

TOWN OF LOUISVILLE, TENNESSEE

SECTION THREE

MISCELLANEOUS SCHEDULES

June 30, 2009

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TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2009

General Liability:

Liabilities created by the

Tennessee Governmental Tort Liability Act:

General - Bodily injury	\$300,000/700,000
General - Property damage	\$100,000
Automobiles - Bodily injury	\$300,000/700,000
Automobiles - Property damage.....	\$100,000

Liabilities for which a limit is not imposed by the

Tennessee Governmental Tort Liability Act:

Combined Single Limit.....	\$700,000
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Automobile Liability, Uninsured Motorist, and Comprehensive Coverage.....	\$500 deductible
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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)	\$700,000
--	-----------

Workmen's Compensation and Employer's Liability:

Workmen's Compensation.....	Statutory
Employer's Liability	\$300,000/700,000

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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, 2009

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

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November 4, 2009

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*

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 and the major fund of the Town of Louisville, Tennessee as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 4, 2009. 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's internal control over financial reporting as a basis for designing our auditing procedures 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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

This report is intended solely for the information and use of the governing body, management, and 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, P.C.