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TOWN OF LOUISE
AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2006

RECEIVED
OCT 05 2007
STATE AUDITOR'S OFFICE

JOEL B. CUNNINGHAM
CERTIFIED PUBLIC ACCOUNTANT

Town of Louise, Mississippi
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September 30, 2006

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Independent Auditor's Report

To the Honorable Mayor and Aldermen
Town of Louise
Louise, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Louise, Mississippi, as of and for the year ended September 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 Louise's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

Except as discussed in the following paragraph, 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 basic 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.

Because detailed historical records of all property and equipment owned by the Town have not been maintained and because annual physical inventories of property and equipment have not been conducted, we were unable to form an opinion regarding the amounts at which the general fixed assets of the governmental funds are recorded in the accompanying statement of net assets at September 30, 2006 (stated at \$41,499), or the amount of accumulated depreciation and depreciation expense in the statement of activities for the year then ended. For those assets that are identified, capitalization thresholds and depreciation methods have been applied as recommended by the Office of the State Auditor of Mississippi.

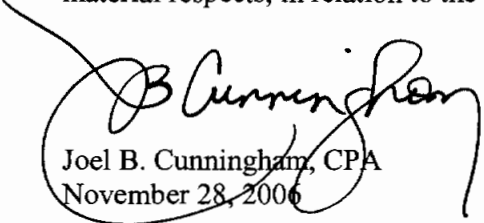
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the records concerning general fixed assets and related accumulated depreciation been adequate, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Louise, Mississippi as of September 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof for the 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 28, 2006, on our consideration of the Town of Louise's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3-9 and 27-29 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 this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town of Louise, Mississippi, taken as a whole. The individual fund financial statements and schedules and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Joel B. Cunningham, CPA
November 28, 2006

TOWN OF LOUISE

Management's Discussion and Analysis September 30, 2006

As management of the Town of Louise, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

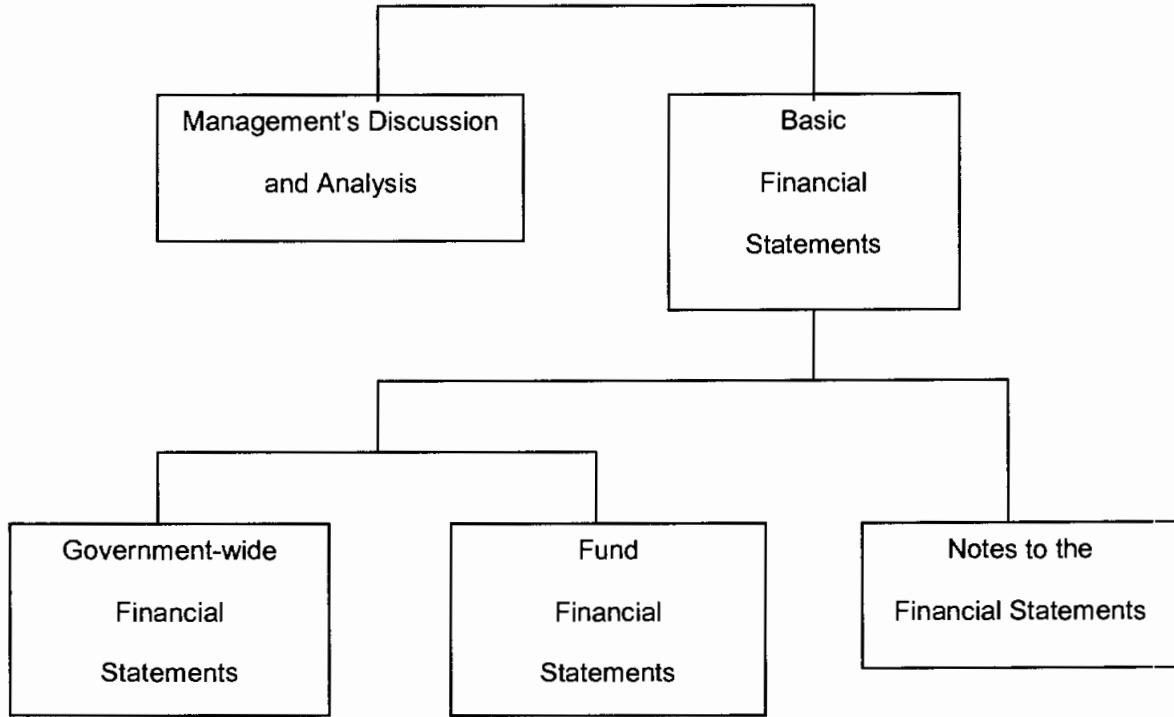
- The assets of the Town of Louise exceeded its liabilities at the close of the fiscal year by \$893,638 (*net assets*).
- The Town's total net assets decreased by \$49,374
- As of the close of the current fiscal year, the Town of Louise's governmental funds reported combined ending fund balances of \$14,033, a decrease of \$18,155 in comparison with the prior year. All of this total is available for spending at the government's discretion (*unreserved fund balance*).
- The Town's business type activities had an ending fund balance of \$839,293 a decrease of \$28,241 in comparison with the prior fiscal year.
- The Town of Louise's total debt decreased by \$10,215 during the current fiscal year due to principal payments.

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 consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Town's operations. Required budgetary information can also be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety (police and fire), public works (street), community development, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water, sewer and garbage services offered by the Town.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in Mississippi, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the Mississippi Code or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Proprietary Funds – The Town has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and garbage activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s General Fund budget. The required supplementary information can be found beginning on page 27 of this report.

Government-Wide Financial Analysis

Town of Louise’s Net Assets

Figure 2

	Government-Wide Total	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 144,924	\$ 164,015
Capital assets	<u>852,576</u>	<u>888,886</u>
Total assets	<u>997,500</u>	<u>1,052,901</u>
Long-term liabilities outstanding	75,967	86,182
Other liabilities	<u>27,895</u>	<u>23,707</u>
Total liabilities	<u>103,862</u>	<u>109,889</u>
Net assets:		
Invested in capital assets, net of related debt	776,609	802,704
Restricted	11,890	11,753
Unrestricted	<u>105,139</u>	<u>128,555</u>
Total net assets	<u>\$ 893,638</u>	<u>\$ 943,012</u>

As noted earlier, net assets may serve over time as one useful indicator of a government’s financial condition. The assets of the Town exceeded liabilities by \$893,638 as of September 30, 2006. The Town’s net assets decreased by \$49,374 for the fiscal year ended September 30, 2006. However, the largest portion (87%) reflects the Town’s investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town’s net assets \$11,890 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$105,139 is unrestricted.

Town of Louise's Changes in Net Assets

	Government-Wide Total	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 154,068	\$ 139,525
Operating grants and contributions	10,306	5,549
Capital grants and contributions	-	210,653
General revenues:		
Property taxes	34,793	35,944
Other taxes	30,553	29,919
Other	3,671	2,486
Total revenues	233,391	424,076
Expenses:		
General government	40,270	40,431
Public safety	47,177	53,045
Public works	16,830	8,459
Community development	6,539	161,684
Capital outlay	5,953	3,571
Depreciation expense	6,444	6,444
Interest expense	123	259
Water service	85,828	72,978
Sewer service	53,960	50,873
Garbage services	19,641	18,582
Total expenses	282,765	416,326
Increase in net assets before transfers	(49,374)	7,750
Transfers	-	-
Increase in net assets	(49,374)	7,750
Net assets, October 1	943,012	935,262
Net assets, September 30	\$ 893,638	\$ 943,012

Governmental activities. Governmental activities decreased the Town's net assets by 21,133.

Business-type activities: Business-type activities decreased the Town's net assets by \$28,241.

Financial Analysis of the Town's Funds

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 usable resources. Such information is useful in assessing the Town’s financing requirements. Specifically, unreserved fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14,033. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balances both represent approximately 13% of total General Fund expenditures.

At September 30, 2006, the governmental funds of the Town reported a combined fund balance of \$14,033, a 56% decrease over last year. Included in this change is \$24,865 in transfers from the proprietary funds.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net assets of the Water, Sewer and Garbage Funds at the end of the fiscal year amounted to \$839,293. The total change in net assets for the funds was a decrease of \$28,241. Transfers to the governmental funds in the amount of \$24,865 account for the decrease in net assets for these funds.

Capital Asset and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental and business-type activities as of September 30, 2006, totals \$852,576. These assets include buildings, land, machinery and equipment, and vehicles.

**Town of Louise’s Capital Assets
(net of depreciation)**

Figure 3

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,166	\$ -	\$ 1,166
Buildings	35,840	-	35,840
Wells, substations, lines, and related equipment	-	811,077	811,077
Vehicles and motorized equipment	4,493	-	4,493
Total	\$ 41,499	\$ 811,077	\$ 852,576

Additional information on the Town's capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt. As of September 30, 2006, the Town had total long-term debt outstanding of \$75,967. See table below:

Town of Louise's Outstanding Debt

Figure 4

	Governmental Activities	Business-type Activities	Total
Capital leases	\$ 1,187	\$ -	\$ 1,187
Revenue bonds	-	49,001	49,001
State of Mississippi CAP loan	-	25,779	25,779
Total	\$ 1,187	\$ 74,780	\$ 75,967

The Town's total debt decreased by \$10,215 during the past fiscal year, due to principal payments on that debt.

Additional information regarding the Town's long-term debt can be found in note 5 beginning on page 24 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Louise is a rural community whose economy is primarily driven by agriculture.

Budget Highlights for the Fiscal Year Ending September 30, 2007

Governmental Activities: Property taxes and sales taxes are expected to lead the budgeted revenue. The Town will use these revenues to finance programs currently in place. Budgeted expenditures in the General Fund are expected to remain constant.

Business – type Activities: The water, sewer, and garbage rates in the Town will remain constant. General operating expenses are expected to remain constant as well. Water rates have been increased by 20% and sewer rates have been decreased by 10%.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Howard Webb, Mayor, Town of Louise, Post Office Box 224, Louise, Mississippi 39097-0224 or by phone at (662) 836-5121.

Basic Financial Statements

**Town of Louise
Statement of Net Assets
September 30, 2006**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,658	\$ 98,106	\$ 112,764
Taxes receivables (net)	3,608	-	3,608
Accounts receivable (net)	-	14,652	14,652
Prepaid lease	-	1,340	1,340
Noncurrent assets:			
Restricted cash	-	11,890	11,890
Prepaid lease	-	670	670
Capital assets:			
Land	1,166	-	1,166
Other capital assets, net of depreciation	40,333	811,077	851,410
Total assets	<u>59,765</u>	<u>937,735</u>	<u>997,500</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,233	11,031	15,264
Accrued interest payable	-	233	233
Liabilities paid from restricted assets:			
Customer deposits	-	12,398	12,398
Long-term liabilities:			
Due within one year	1,187	7,044	8,231
Due in more than one year	-	67,736	67,736
Total liabilities	<u>5,420</u>	<u>98,442</u>	<u>103,862</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,312	736,297	776,609
Restricted	-	11,890	11,890
Unrestricted	14,033	91,106	105,139
Total net assets	<u>\$ 54,345</u>	<u>\$ 839,293</u>	<u>\$ 893,638</u>

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

Exhibit 2

Town of Louise
Statement of Activities
For the Year Ended September 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental Activities:						
General government	\$ 40,270	\$ 395	\$ 164	\$ -	\$(39,711)	\$ (39,711)
Public safety	47,177	480	10,142	-	(36,555)	(36,555)
Public works	16,830	-	-	-	(16,830)	(16,830)
Community development	6,539	-	-	-	(6,539)	(6,539)
Capital outlay	5,953	-	-	-	(5,953)	(5,953)
Interest on long-term debt	123	-	-	-	(123)	(123)
Depreciation expense	6,444	-	-	-	(6,444)	(6,444)
Total governmental activities	123,336	875	10,306	-	(112,155)	(112,155)
Business-type activities:						
Water services	85,828	90,227	-	-	4,399	4,399
Sewer services	53,960	37,486	-	-	(16,474)	(16,474)
Garbage services	19,641	25,480	-	-	5,839	5,839
Total business-type activities	159,429	153,193	-	-	(6,236)	(6,236)
Total primary government	\$ 282,765	\$ 154,068	\$ 10,306	\$ -	(112,155)	(118,391)
General revenues:						
Taxes:						
Property taxes, levied for general purposes					34,793	34,793
Other taxes					30,553	30,553
Unrestricted investment earnings					188	2,860
Miscellaneous					623	623
Transfers					24,865	(24,865)
Total general revenues and transfers					91,022	(22,005)
Change in net assets					(21,133)	(28,241)
Net assets, beginning					75,478	867,534
Net assets, ending					\$ 54,345	\$ 839,293
						\$ 893,638

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

Exhibit 3

Town of Louise
Balance Sheet
Governmental Funds
September 30, 2006

	General	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,658	\$ -	\$ 14,658
Taxes receivable	3,608	-	3,608
Total assets	<u>\$ 18,266</u>	<u>\$ -</u>	<u>\$ 18,266</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 4,233	\$ -	\$ 4,233
Total liabilities	<u>4,233</u>	<u>-</u>	<u>4,233</u>
Fund balances:			
Unreserved, General Fund	14,033	-	14,033
Unreserved, reported in:			
Special Revenue funds	-	-	-
Total fund balances	<u>14,033</u>	<u>-</u>	<u>14,033</u>
Total liabilities and fund balances	<u>\$ 18,266</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 41,499

Some liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds (Note 5). (1,187)

Net assets of governmental activities \$ 54,345

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

Town of Louise
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended September 30, 2006

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 34,793	\$ -	\$ 34,793
Sales taxes	17,483	-	17,483
Other taxes	13,070	-	13,070
Permits and fees	395	-	395
Fire aid	10,142	-	10,142
Investment earnings	188	-	188
Miscellaneous	1,267	-	1,267
Federal grant revenue	-	-	-
Total revenues	<u>77,338</u>	<u>-</u>	<u>77,338</u>
EXPENDITURES			
Current:			
General government	40,270	-	40,270
Police department	47,177	-	47,177
Fire department	8,163	-	8,163
Street maintenance	8,667	-	8,667
Community development	-	6,539	6,539
Debt service:			
Principal	-	3,467	3,467
Interest and other charges	-	123	123
Capital outlay	5,952	-	5,952
Total expenditures	<u>110,229</u>	<u>10,129</u>	<u>120,358</u>
Excess (deficiency) of revenues over expenditures	(32,891)	(10,129)	(43,020)
OTHER FINANCING SOURCES			
Transfers from other funds	21,275	3,590	24,865
Transfers to other funds	-	-	-
Net change in fund balance	<u>(11,616)</u>	<u>(6,539)</u>	<u>(18,155)</u>
Fund balance, beginning	25,649	6,539	32,188
Fund balance, ending	<u>\$ 14,033</u>	<u>\$ -</u>	<u>\$ 14,033</u>

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

**Town of Louise
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2006**

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

Net changes in fund balances - total governmental funds	\$ (18,155)
---	-------------

<p>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 depreciation exceeded capital outlays in the current period.</p>	(6,444)
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<p>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.</p>	3,466
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Total changes in net assets of governmental activities	<u><u>\$ (21,133)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Louise
Statement of Net Assets
Proprietary Funds
September 30, 2006

Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,537	\$ 74,679	\$ 8,890	\$ 98,106
Accounts receivable	8,588	3,694	2,370	14,652
Prepaid lease	-	1,340	-	1,340
Total current assets	<u>23,125</u>	<u>79,713</u>	<u>11,260</u>	<u>114,098</u>
Noncurrent assets:				
Restricted cash	3,103	8,787	-	11,890
Prepaid lease	-	670	-	670
Total noncurrent assets	<u>3,103</u>	<u>9,457</u>	<u>-</u>	<u>12,560</u>
Capital assets:				
Capital assets, net of accumulated depreciation	321,910	489,167	-	811,077
Total assets	<u>348,138</u>	<u>578,337</u>	<u>11,260</u>	<u>937,735</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	7,898	1,152	2,214	11,264
Current portion of bonds, notes, and loans payable	2,934	4,110	-	7,044
Total current liabilities	<u>10,832</u>	<u>5,262</u>	<u>2,214</u>	<u>18,308</u>
Liabilities paid from restricted assets:				
Customer deposits	12,398	-	-	12,398
Total liabilities paid from restricted assets	<u>12,398</u>	<u>-</u>	<u>-</u>	<u>12,398</u>
Noncurrent liabilities:				
Bonds, notes, and loans payable	22,845	44,891	-	67,736
Total noncurrent liabilities	<u>22,845</u>	<u>44,891</u>	<u>-</u>	<u>67,736</u>
Total liabilities	<u>46,075</u>	<u>50,153</u>	<u>2,214</u>	<u>98,442</u>
NET ASSETS				
Invested in capital assets, net of related debt	296,131	440,166	-	736,297
Restricted	3,103	8,787	-	11,890
Unrestricted	2,829	79,231	9,046	91,106
Total net assets	<u>\$ 302,063</u>	<u>\$ 528,184</u>	<u>\$ 9,046</u>	<u>\$ 839,293</u>

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

Town of Louise
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	Enterprise Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for services	\$ 90,227	\$ 37,486	\$ 25,480	\$ 153,193
Total operating revenues	<u>90,227</u>	<u>37,486</u>	<u>25,480</u>	<u>153,193</u>
OPERATING EXPENSES				
Salaries and administration	16,065	9,208	4,446	29,719
Office supplies	973	255	36	1,264
Utilities	4,575	4,537	-	9,112
Repairs and maintenance	36,270	6,111	2,235	44,616
Insurance	6,664	3,574	2,784	13,022
Meter billing service & driver	8,200	4,673	-	12,873
Waste collection and treatment	-	-	4,208	4,208
Garbage operations	-	-	2,912	2,912
Depreciation	9,195	20,671	-	29,866
Miscellaneous expense	3,321	1,990	3,020	8,331
Total operating expenses	<u>85,263</u>	<u>51,019</u>	<u>19,641</u>	<u>155,923</u>
Operating income (loss)	<u>4,964</u>	<u>(13,533)</u>	<u>5,839</u>	<u>(2,730)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	330	2,530	-	2,860
Interest and other charges	(565)	(2,941)	-	(3,506)
Total nonoperating revenues (expenses)	<u>(235)</u>	<u>(411)</u>	<u>-</u>	<u>(646)</u>
Income (loss) before contributions and transfers	4,729	(13,944)	5,839	(3,376)
Transfers to other funds	(23,034)	(1,350)	(481)	(24,865)
Change in net assets	(18,305)	(15,294)	5,358	(28,241)
Total net assets, beginning	320,368	543,478	3,688	867,534
Total net assets, ending	<u>\$ 302,063</u>	<u>\$ 528,184</u>	<u>\$ 9,046</u>	<u>\$ 839,293</u>

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

Town of Louise
Statements of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Garbage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 91,042	38,956	24,666	154,664
Cash paid to employees	(16,030)	(9,151)	(4,379)	(29,560)
Cash paid for goods and services	(56,279)	(21,512)	(13,964)	(91,755)
Customer deposits received	500	-	-	500
Net cash provided by operating activities	<u>19,233</u>	<u>8,293</u>	<u>6,323</u>	<u>33,849</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(23,034)	(1,350)	(481)	(24,865)
Net cash provided (used) by noncapital financing activities	<u>(23,034)</u>	<u>(1,350)</u>	<u>(481)</u>	<u>(24,865)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on notes payable	(2,868)	(3,881)	-	(6,749)
Interest paid on notes payable	(565)	(2,941)	-	(3,506)
Net cash used by capital and related financing activities	<u>(3,433)</u>	<u>(6,822)</u>	<u>-</u>	<u>(10,255)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	329	2,529	-	2,858
Net increase (decrease) in cash and cash equivalents	(6,905)	2,650	5,842	1,587
Beginning cash, October 1, 2005	24,545	80,816	3,048	108,409
Ending cash, September 30, 2006	<u>\$ 17,640</u>	<u>83,466</u>	<u>8,890</u>	<u>109,996</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 4,964	(13,533)	5,839	(2,730)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	9,195	20,671	-	29,866
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	815	1,470	(814)	1,471
(Increase) in prepaid items	-	670	-	670
Increase (decrease) in accounts payable and other liabilities	3,724	(1,042)	1,231	3,913
Increase (decrease) in accrued payroll liabilities	35	57	67	159
Increase in customer deposits	500	-	-	500
Total adjustments	<u>14,269</u>	<u>21,826</u>	<u>484</u>	<u>36,579</u>
Net cash provided by operating activities	<u>\$ 19,233</u>	<u>8,293</u>	<u>6,323</u>	<u>33,849</u>

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

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

1. Summary of Significant Accounting Policies

The Town of Louise operates under a Mayor-Alderman form of government and provides the following services: public safety (police & fire), public works (street), utilities (water, sewer, & garbage), community services, urban redevelopment and housing, public improvements and general administrative services.

The accounting policies of the Town of Louise conform to generally accepted accounting principles as applicable to governments, except as otherwise noted. The following is a summary of the more significant policies:

A. Government-Wide and Fund Financial Statements

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities for the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements: During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. The fund financial statements provide information about the Town's funds at a more detailed level. Separate statements for each fund category -- governmental and proprietary -- are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

B. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, sales taxes, and franchise taxes are susceptible to accrual and are recognized as revenue in the current period.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, and general administration.

The Town reports the following non-major governmental funds:

Homeowners Grant Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for the Homeowners Grant.

Debt Service Fund. This fund is used to account for resources restricted for the payment of interest and principal on general long-term debt.

The Town reports the following major enterprise funds:

Water Fund. This fund is used to account for the Town's water operations.

Sewer Fund. This fund is used to account for the Town's sewer operations.

Garbage Fund. This fund is used to account for the Town's garbage operations.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results could differ from those estimates.

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

D. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, petty cash, and certificates of deposit with original maturities of twelve months or less from the date of acquisition.

E. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

F. Allowances for Doubtful Accounts

There is no allowance for bad debts related to utility billings. There are minimal amounts of bad debts. Bad debts are written off as incurred.

G. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40
Improvements	20
Vehicles and equipment	3-10
Furniture and fixtures	7

H. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

I. Compensated Absences

There is no vesting of compensated absences at year end.

J. Net Assets/Fund Balances

Net assets in the government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There were no fund balance reservations at year-end.

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

K. Encumbrances

Encumbrance accounting is not used.

L. Property Taxes

Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent after February 1 of the following year.

2. Cash and Cash Equivalents

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the Town's deposits with financial institutions was \$124,654, and the bank balance was \$127,370. All the bank balances are fully insured by the FDIC and are Category 1 risk (Insured or registered or for which the securities are held by the Town of Louise or its agent in the Town's name).

3. Interfund Transfers

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ 21,275	\$ -
Debt Service Fund	3,590	-
Water Fund	-	23,034
Sewer Fund	-	1,350
Garbage Fund	-	481
Total Funds	<u>\$ 24,865</u>	<u>\$ 24,865</u>

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

4. Capital Assets

Capital asset activity for the Primary Government for the year ended September 30, 2006, was as follows:

	Balance 10/01/2005	Additions	Deletions	Balance 9/30/2006
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,166	\$ -	\$ -	\$ 1,166
Capital assets being depreciated:				
Buildings and improvements	56,000	-	-	56,000
Vehicles	29,579	-	-	29,579
Total capital assets being depreciated	85,579	-	-	85,579
Less accumulated depreciation for:				
Buildings and improvements	19,040	1,120	-	20,160
Vehicles and equipment	19,762	5,324	-	25,086
Total accumulated depreciation	38,802	6,444	-	45,246
Total capital assets being depreciated, net	46,777	(6,444)	-	40,333
Governmental activities capital assets, net	\$ 47,943	\$ (6,444)	\$ -	\$ 41,499
<u>Business-type Activities:</u>				
Capital assets being depreciated:				
Water and sewer system	\$ 1,374,086	\$ -	\$ -	\$ 1,374,086
Vehicles	95,698	-	-	95,698
Total capital assets being depreciated	1,469,784	-	-	1,469,784
Less accumulated depreciation for:				
Plant and distribution systems	533,143	29,866	-	563,009
Vehicles	95,698	-	-	95,698
Total accumulated depreciation	628,841	29,866	-	658,707
Total capital assets being depreciated, net	840,943	(29,866)	-	811,077
Business-type activities capital assets, net	\$ 840,943	\$ (29,866)	\$ -	\$ 811,077

Depreciation expense was charged to the primary government as follows:

<u>Governmental activities:</u>	
General Government	\$ 2,655
Public Safety	3,789
	<u>\$ 6,444</u>
<u>Business-type activities:</u>	
Water Fund	\$ 9,195
Sewer Fund	20,671
	<u>\$ 29,866</u>

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

5. Long-Term Debt

The following is a summary of changes in long-term liabilities and other obligations for the Town:

	Balance 10/01/2005	Additions	Reductions	Balance 9/30/2006	Amounts due within one year
Governmental Activities:					
A Obligations under capital leases payable \$	4,653	-	(3,466)	1,187	1,187
Business-type Activities:					
B. Sewer system revenue bonds payable	52,882	-	(3,881)	49,001	4,110
C. State of Mississippi-CAP loan payable	28,647	-	(2,868)	25,779	2,934
Total business-type activities	81,529	-	(6,749)	74,780	7,044
Total long-term debt	\$ 86,182	-	(10,215)	75,967	8,231

A. Capital Leases

In January 2002, the Town entered into a lease agreement with Planter's Bank & Trust for a 2002 Crown Victoria police car. The original amount of the lease was for \$16,256 with a 4% interest rate. The lease is being amortized over 60 months. The future minimum lease obligations and the net present value of minimum lease obligations at September 30, 2006, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2007	1,196
Total minimum lease obligations	1,196
Less amount representing interest	(9)
Present value of minimum lease payments	<u>\$ 1,187</u>

B. Revenue Bond

\$100,000 Sewer System Revenue Bonds, Series 1990, issued for sewer system improvements.

Principal and interest are due at the beginning of each month at an annual interest rate of 5.25%.

\$49,001

The future payments of the revenue bond for the year ending September 30, 2006, are as follows:

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

Year Ending September 30	Principal	Interest
2007	4,110	2,730
2008	4,345	2,495
2009	4,609	2,231
2010	4,881	1,959
2011	5,169	1,671
2012-2016	25,887	3,478
Total	<u>\$ 49,001</u>	<u>\$ 14,564</u>

C. State of Mississippi-CAP Loan

\$31,000 State of Mississippi – CAP loan, issued for water well improvements. Principal and interest are due at the beginning of each month starting 12/01/2004, at an annual interest rate of 2%. \$25,779

The future payments of the CAP loan for the year ending September 30, 2006, are as follows:

Year Ending September 30	Principal	Interest
2007	2,934	489
2008	2,994	429
2009	3,054	369
2010	3,116	307
2011	3,179	244
2012-2016	10,502	344
Total	<u>\$ 25,779</u>	<u>\$ 2,182</u>

6. Pension Plan Obligations

Public Employees' Retirement System

Plan Description. The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the Town is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal years ending September 30, 2006, 2005, and 2004, were \$4,714, \$4,321 and \$4,220, respectively, which was not materially different from the required contributions for each year.

TOWN OF LOUISE

Notes to the Financial Statements
For the Year Ended September 30, 2006

7. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the Town except for certain employment practice liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the Town retains the risk of loss. There were no significant reductions in insurance coverage in fiscal year 2006 from the prior year.

The Town is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. The Town pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

8. Claims, Judgments and Contingent Liabilities

At September 30, 2006, there were no lawsuits pending against the Town.

9. Federal grants

During the year the Town was awarded a CDBG grant in the amount of \$145,700 to paint the water tank and to fill in an old water well. The Town hired South Delta Planning and Development District to administer the grant. Work began near year-end and the first request for cash was issued on September 28, 2006. The applicable invoice and payment packet had not been received by year-end and as such, these transactions were not recorded during the year ended September 30, 2006. Accounting for this grant will take place during fiscal year 2007.

In addition, the town was awarded a small municipal grant in the amount of \$83,950 to purchase a backup generator and a Scada system. The Town has not yet advertised for vendors and no transactions have occurred with this grant as of September 30, 2006.

Required Supplementary Information

**Town of Louise
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2006**

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
Revenues:					
Ad valorem taxes	\$ 35,000	\$ 35,000	\$ 34,793	\$ -	\$ 34,793
Sales taxes	17,500	18,200	17,648	(165) (1)	17,483
Other taxes	12,500	12,500	13,123	(53) (1)	13,070
Permits and fees	2,100	2,100	395	-	395
Fire aid	8,000	5,000	10,142	-	10,142
Other revenue	8,500	13,500	1,455	-	1,455
Total revenues	83,600	86,300	77,556	(218)	77,338
Expenditures:					
Current:					
General government	36,768	41,500	40,781	(511) (2)	40,270
Police department	42,000	48,500	48,216	(1,039) (2)	47,177
Fire department	6,500	9,800	8,644	(481) (2)	8,163
Street maintenance	8,000	9,000	9,210	(543) (2)	8,667
Capital outlay	4,500	9,000	5,952	-	5,952
Total expenditures	97,768	117,800	112,803	(2,574)	110,229
Revenues over (under) expenditures	(14,168)	(31,500)	(35,247)	2,356	(32,891)
Other financing sources (uses):					
Transfers from other funds	14,168	30,468	21,275	-	21,275
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	14,168	30,468	21,275	-	21,275
Revenues and other sources over (under) expenditures and other uses	-	(1,032)	(13,972)	2,356	(11,616)
Fund balances, beginning	25,649	25,649	25,649	-	25,649
Fund balances, ending	\$ 25,649	\$ 24,617	\$ 11,677	\$ 2,356	\$ 14,033

Explanation of differences

(1) Net accrual of revenue due from other entities	(218)
(2) Reversal of prior accruals for claims payable	2,574
	<u>\$ 2,356</u>

See the accompanying notes to the budgetary comparison schedule

TOWN OF LOUISE

Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2006

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the budgetary basis, and the GAAP to budgetary basis differences.

(2) Budget Amendments and Revisions.

The budget is adopted by the Board of Alderman and filed with the taxing authority. Amendments can be made on the approval of the Board. By statute, final budget revisions must be approved on or before the date established by the State of Mississippi. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Other Supplementary Information

Town of Louise
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2006

	Homeowners Grant Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Transfers in	\$ -	3,590	\$ 3,590
Total revenues	<u> -</u>	<u>3,590</u>	<u>3,590</u>
Expenditures:			
Community development	6,539	-	6,539
Debt Service:			
Principal	-	3,467	3,467
Interest	-	123	123
Total expenditures	<u>6,539</u>	<u>3,590</u>	<u>10,129</u>
Revenues over expenditures	(6,539)	-	(6,539)
Fund balance, beginning	<u>6,539</u>	<u>-</u>	<u>6,539</u>
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

**Town of Louise
Reconciliation of 2005 Ad Valorem Taxes
September 30, 2006**

<u>Assessed Valuation and Millage</u>	<u>Assessed Value</u>	<u>Mills</u>	<u>Total Taxes Due</u>
Realty	\$ 474,613		
Personal - other than auto	48,594		
Auto and mobile homes (from county)	203,396		
Utilities	331,442		
Total	1,058,045		
Less: Special homestead	(138,315)		
Total	919,730	36	\$ 33,110

Collections/adjustments:

Plus:	Municipal homestead reimbursement	1,883
	Prior year tax collections	1,205
	Penalties & interest	578
Deduct:	County tax collector's commissions	(398)
		<u>\$ 36,378</u>

<u>Collection Credit to Funds:</u>	<u>Taxes</u>	<u>Homestead Reimbursement</u>	<u>Total</u>
Municipal General Fund	\$ 32,910	\$ 1,883	\$ 34,793
Balance represented by:			
Unpaid property taxes			1,578
Unaccounted for			<u>7</u>
Total Accounted For			<u><u>\$ 36,378</u></u>

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972), as follows:

Actual Collections:

2004 Tax	35,944
10% increase	3,594
	<u>\$ 39,538</u>

Actual Collections:

2005 Tax	34,793
Under limitation	4,745
	<u>\$ 39,538</u>

Town of Louise
Schedule of Surety Bonds of Municipal Officials
For the Year Ended September 30, 2006

<u>Name</u>	<u>Position</u>	<u>Bond</u>
Howard Webb	Mayor	\$ 25,000
William Weissinger	Alderman, Vice Mayor	3,000
Julian W. Crawford	Alderman	3,000
Ruffin Smith	Alderman	3,000
Douglas Gregory	Alderman	3,000
Dan Kilpatrick	Alderman	3,000
Lisa Neal	City Clerk	50,000
Andrew Dent	Police Chief	50,000

Report on Internal Control and Compliance and Other Matters

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

Honorable Mayor and Board of Alderman
Town of Louise
Louise, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Louise as of and for the year ended September 30, 2006, and have issued our report thereon dated November 28, 2006. Our report differed from the standard report because of a scope limitation due to inadequate subsidiary records for property and equipment. Except for the scope limitation referred to above, 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.

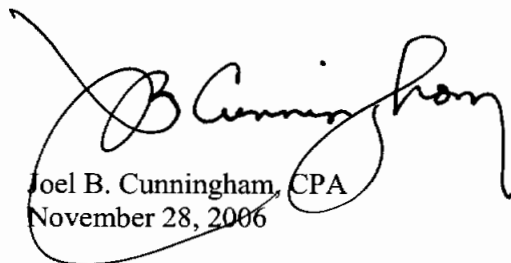
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting 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 over financial reporting that might be material weaknesses. A material weakness is a 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. The results of our testing disclosed no instances of matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain matters that we reported to management of the Town of Louise in a separate letter dated November 28, 2006.

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 and 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 board of alderman and management and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution should not be limited.



Joel B. Cunningham, CPA
November 28, 2006

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
Town of Louise
Louise, Mississippi

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Louise as of and for the year ended September 30, 2006, and have issued our report thereon dated November 28, 2006. Our report differed from the standard report because of a scope limitation due to inadequate subsidiary records for property and equipment. Except for the scope limitation referred to above, 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*.

As required by the office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations, as set forth in the *Municipal Compliance Questionnaire*. Our procedures were substantively less in scope than an audit, the objective of which is the expression of an opinion on the Town's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our procedures and our audit of the financial statements disclosed the following instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

The *Municipal Audit and Accounting Guide* requires that annual physical inventories of property and equipment be conducted and compared to subsidiary records and that assets be "tagged" and that the "tag" numbers be cross-referenced to a subsidiary ledger of property and equipment. The Town is not complying with this requirement.

Recommendation

We recommend that annual physical inventories be conducted, that assets are tagged and cross-referenced to subsidiary records, and that evidence of the annual physical count be kept on file.

Response

The logistics and feasibility of instituting an annual physical count and a fixed asset tagging system are being analyzed and discussed at this time.

2. Finding

State-imposed court assessments are not settled monthly.

Recommendation

We recommend that the Town comply with Section 99-19-73, Miss. Code Ann. (1972), which requires municipalities to collect and settle state-imposed court assessments on a monthly basis.

Response

In the future we will collect and settle state-imposed court assessments monthly.

3. Finding

The Town purchased a 2001 Chevrolet truck from an alderman in the amount of \$4,500 without following proper state purchasing laws. The truck is used for mosquito spraying and for fire department needs. State law requires the Town to obtain quotes for all purchases over \$3,500. No documentation could be provided that would indicate that the Town followed State purchasing laws.

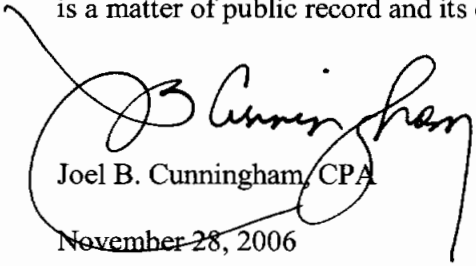
Recommendation

We recommend that in the future the Town closely monitor all purchases that approach the \$3,500 threshold to ensure that state purchasing requirements are being met.

Response

In the future we will closely monitor purchases that approach the state purchasing thresholds.

This report is intended solely for the information and use of the Town and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Joel B. Cunningham, CPA

November 28, 2006