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**CITY OF LOUISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

CITY OF LOUISVILLE, MISSISSIPPI

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CITY OF LOUISVILLE, MISSISSIPPI

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**INDEPENDENT AUDITOR'S REPORT ON
THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Electric System, and the Louisville Water System, which represent 100 percent, respectively, of the assets and the revenues of the proprietary component units. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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 *Governmental 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 our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of September 30, 2006, and the respective changes in financial position 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 June 5, 2007, on our consideration of the City of Louisville, Mississippi'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 on 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 assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors 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 and the audits of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Louisville, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional accompanying financial information listed as supplemental information in the table of contents is also presented for purposes of additional analysis and is not a part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 5, 2007

Watkins, Ward and Stafford, PLLC

CITY OF LOUISVILLE, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF LOUISVILLE
200 SOUTH CHURCH AVENUE
P. O. DRAWER 510
LOUISVILLE, MISSISSIPPI 39339

CITY OF LOUISVILLE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

The discussion and analysis of the City of Louisville's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2006. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Louisville exceeded its liabilities at the close of the fiscal year ending September 30, 2006 by \$4,571,032 (net assets). Of this amount, \$693,666 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased \$179,705. Net assets of governmental activities increased \$129,506, which represents a 4 percent increase over 2005. Net assets of business-type activities increased \$50,199 or 4.7 percent over 2005.
- As of September 30, 2006, the City of Louisville's governmental funds reported combined ending fund balances of \$1,165,636, a decrease of \$350,916 in comparison with the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Louisville's basic financial statements. The City of Louisville's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and 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 City of Louisville's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Louisville'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 the financial position of the City of Louisville is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City’s basic services are reported here, including the police, fire, public works, culture and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s sanitation and landfill system is reported here.
- **Component Units** – The City includes three separate legal entities in its report – The Housing Authority of the City of Louisville, the Louisville Electric System and the Louisville Water System.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state laws and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City’s two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- **Governmental funds** – The majority of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government’s near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Louisville maintains several individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund which is considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated nonmajor fund presentation.

- **Proprietary funds** – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

- The City of Louisville maintains two individual enterprise funds. The City uses enterprise funds to account for its sanitation fund and landfill fund. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitation and landfill funds, both of which are considered to be major funds of the City.

Notes to 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 can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary comparative information for the general fund and each major special revenue fund.

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were \$4,571,032 as of September 30, 2006. Analyzing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets are \$3,452,614 and the business type activities net assets are \$1,118,418. This analysis focuses on the net assets (table 1) and changes in net assets (table 2) of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (74.2 percent) reflects its investments in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Summary of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,900,709	2,184,289	986,414	903,307	2,887,123	3,087,596
Capital Assets	2,830,782	2,366,564	637,030	555,090	3,467,812	2,921,654
Total Assets	4,731,491	4,550,853	1,623,444	1,458,397	6,354,935	6,009,250
Current and other liabilities	1,003,497	888,944	503,166	566,133	1,506,663	1,455,077
Long-term liabilities	275,380	338,801	1,860	41,982	277,240	380,783
Total Liabilities	1,278,877	1,227,745	505,026	608,115	1,783,903	1,835,860
New assets:						
Invested in capital assets, net of related debt	2,794,107	2,277,772	596,867	472,348	3,390,974	2,750,120
Restricted	203,844	367,983	282,548	247,420	486,392	615,403
Unrestricted	454,663	677,353	239,003	130,514	693,666	807,867
Total Net Assets	\$ 3,452,614	3,323,108	1,118,418	850,282	4,571,032	4,173,390

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 436,710	427,266	641,593	610,204	1,078,303	1,037,470
Operating grants and contributions	312,551	174,825			312,551	174,825
Capital grants and contributions	357,567	190,611			357,567	190,611
General revenues:						
Taxes	1,141,525	1,099,076			1,141,525	1,099,076
Grants and contributions not restricted to specific programs	1,781,357	1,702,066			1,781,357	1,702,066
Other	76,219	62,185	26,742	18,590	102,961	80,775
Total Revenues	4,105,929	3,656,029	668,335	628,794	4,774,264	4,284,823
Expenses:						
General government	712,746	671,527			712,746	671,527
Public safety	1,943,115	1,638,256			1,943,115	1,638,256
Public works	843,424	603,761			843,424	603,761
Culture and recreation	384,852	296,312			384,852	296,312
Economic development and assistance	90,058	31,287			90,058	31,287
Interest on long-term debt	2,228	16,253			2,228	16,253
Sanitation			248,461	264,488	248,460	264,488
Landfill			369,675	459,637	369,676	459,637
Total Expenses	3,976,423	3,257,396	618,136	724,125	4,594,559	3,981,521
Increase (Decrease) in net assets	129,506	398,633	50,199	95,331	179,705	303,302
Net Assets, October 1	3,323,108	2,924,475	850,282	945,613	4,173,390	3,870,088
Prior Period Adjustment	0	0	217,937	0	217,937	0
Net Assets, September 30	\$ 3,452,614	3,323,108	1,118,418	850,282	4,571,032	4,173,390

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$1,943,115. These expenses were offset by revenues collected from a variety of sources, with the largest being from fines and forfeitures and protective services provided, totaling \$285,727 for the fiscal year ending September 30, 2006. The major components of public safety are police and fire. Other significant governmental expenses for the City include general government and public works at \$712,746 and \$843,424, respectively.

Business-type Activities

- Revenues of the City's business-like activities were \$668,335 for the fiscal year ending September 30, 2006. Expenses for the City's business-type activities were \$618,136 for the year, resulting in a net increase in net assets of \$50,199.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2006, the City had \$3,467,812 invested in a broad range of capital assets, including police and fire equipment, buildings and park facilities. (See Table 3 below). This amount represents a net increase (including additions and deductions) of \$546,158 or 19 percent over the prior fiscal year.

Table 3
Capital Assets and Year End
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 608,216	\$ 608,216	\$ 124,000	\$ 124,000	\$ 732,216	\$ 732,216
Construction in progress	78,772	181,619	-	-	78,772	181,619
Infrastructure	404,648	-	-	-	404,648	-
Buildings and improvements	1,160,177	1,136,522	-	-	1,160,177	1,136,522
Improvements other than buildings	73,679	-	357,030	268,498	430,709	268,498
Equipment	505,290	440,207	156,000	162,592	661,290	602,799
Totals	\$ 2,830,782	\$ 2,366,564	\$ 637,030	\$ 555,090	\$ 3,467,812	\$ 2,921,654

This year's major additions included:

Brush Truck Ford F450	42,624
Downtown Parking Lot	76,749
Animal Control Shelter	71,780
South Church Street Bridge Project	412,906

Debt

At year-end, the City had \$520,893 in capital leases and other loans outstanding as compared to \$621,255 at the end of the prior fiscal year, a decrease of 16 percent as shown in table 4.

Table 4
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Capital leases	\$ 36,675	\$ 88,792	\$ 40,163	\$ 82,742	\$ 76,838	\$ 171,534
Other loans	444,055	449,721	-	-	444,055	449,721
Totals	\$ 480,730	\$ 538,513	\$ 40,163	\$ 82,742	\$ 520,893	\$ 621,255

The City has no new capital leases during this fiscal year.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2006, the governmental funds of the City reported a combined fund balance of \$1,165,636. This ending balance includes a decrease in fund balance of \$256,764 in the City's General Fund. The primary reason for the General Fund's decrease is the construction of a downtown parking lot and animal control shelter building during the year.

Budgetary Highlights

Over the course of the year, the City revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplementary information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the governmental and business-type activities. One of these factors is the economy. The largest sources of revenues in the general fund are sales tax and property tax revenues which are anticipated to remain consistent during the fiscal year 2007.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk at the City of Louisville, P. O. Drawer 510, Louisville, Mississippi 39339.

CITY OF LOUISVILLE, MISSISSIPPI

FINANCIAL STATEMENTS

City Of Louisville, Mississippi
Statement of Net Assets
September 30, 2006

Exhibit 1

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		Total
ASSETS				
Cash and investments	\$ 975,768	529,483	1,505,251	7,412,356
Accrued interest receivable			-	163
Property tax receivable	502,624		502,624	-
Accounts receivable, net		94,104	94,104	2,441,565
Fines receivable, net	19,982		19,982	-
Loans receivable, net	56,684		56,684	-
Capital leases receivable	154,455		154,455	-
Intergovernmental receivables	271,475		271,475	-
Other receivables, net			-	23,555
CSA stockholder loan			-	6,737
Internal balances	(80,279)	80,279	-	-
Inventories and prepaid items			-	1,129,491
Other assets			-	826
Restricted assets		282,548	282,548	21,885
Capital assets, net	2,830,782	637,030	3,467,812	21,897,399
Total Assets	4,731,491	1,623,444	6,354,935	32,933,977
LIABILITIES				
Accounts payable and accrued liabilities	206,025	10,103	216,128	2,345,083
Liabilities payable from restricted assets			-	11,830
Intergovernmental payables	6,442	11,861	18,303	54,666
Deferred revenue	502,624		502,624	214,997
Customer deposits			-	455,496
Liability for closure/postclosure costs		441,039	441,039	-
Long-term liabilities				
Due within one year:				
Capital related debt	28,654	40,163	68,817	69,909
Non-capital debt	259,752		259,752	290
Due in more than one year:				
Capital related debt	8,021		8,021	31,488
Non-capital debt	267,359	1,860	269,219	2,613
Total Liabilities	1,278,877	505,026	1,783,903	3,186,372
NET ASSETS				
Invested in capital assets, net of related debt	2,794,107	596,867	3,390,974	21,796,002
Restricted net assets:				
Expendable:				
Debt service	48,571		48,571	-
Public safety	2,651		2,651	-
Public works			-	-
Economic development	152,622		152,622	-
Landfill closure/postclosure costs		282,548	282,548	-
Unrestricted	454,663	239,003	693,666	7,951,603
Total Net Assets	\$ 3,452,614	1,118,418	4,571,032	29,747,605

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

**City Of Louisville, Mississippi
Statement of Activities
For the Year Ended September 30, 2006**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 712,746	128,161	8,640		(575,945)	(575,945)	
Public safety	1,943,115	308,549	180,629	109,360	(1,344,577)	(1,344,577)	
Public works	843,424		110,910	248,207	(484,307)	(484,307)	
Culture and recreation	384,852		12,372		(372,480)	(372,480)	
Economic development and assistance	90,058				(90,058)	(90,058)	
Interest on long-term debt	2,228				(2,228)	(2,228)	
Total Governmental Activities	3,976,423	436,710	312,551	357,567	(2,869,595)	(2,869,595)	
Business-type activities:							
Sanitation	248,461	349,656			101,195	101,195	
Landfill	369,675	291,937			(77,738)	(77,738)	
Total Business-type Activities	618,136	641,593	-	-	23,457	23,457	
Total Primary Government	\$ 4,594,559	1,078,303	312,551	357,567	(2,869,595)	(2,846,138)	
Component units:							
The Housing Authority of the City of Louisville	\$ 676,685	224,592	244,431	457,651			249,989
Louisville Electric System	11,424,184	12,198,727					774,543
Louisville Water System	1,904,756	2,125,873					221,117
Total Component Units	\$ 14,005,625	14,549,192	244,431	457,651			1,245,649
General revenues:							
Taxes:							
Property taxes	\$				1,141,525	1,141,525	
Grants and contributions not restricted to specific programs					1,781,357	1,781,357	
Unrestricted investment income					50,174	76,916	166,160
Miscellaneous					26,045	26,045	30,723
Total General Revenues, Special Item, Extraordinary Item and Transfers					2,999,101	3,025,843	196,883
Changes in Net Assets					129,506	179,705	1,442,532
Net Assets - Beginning					3,323,108	4,173,390	28,305,073
Prior period adjustment					217,937	217,937	-
Net Assets - Beginning restated					3,323,108	4,391,327	28,305,073
Net Assets - Ending					3,452,614	4,571,032	29,747,605

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

City Of Louisville, Mississippi
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	<u>Major Funds</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash and investments	\$ 951,270	24,498	975,768
Property tax receivable	502,624		502,624
Fines receivable	19,982		19,982
Loans receivable, net		56,684	56,684
Capital lease receivable		154,455	154,455
Intergovernmental receivables	258,261	13,214	271,475
Due from other funds	17,356	4,776	22,132
Total Assets	\$ 1,749,493	253,627	2,003,120
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 173,597	32,428	206,025
Intergovernmental payables	6,442		6,442
Due to other funds	14,861	17,356	32,217
Advances from other funds	70,194		70,194
Deferred revenue	522,606		522,606
Total Liabilities	787,700	49,784	837,484
Fund balances:			
Unreserved, reported in:			
General fund	961,793		961,793
Special revenue funds		203,843	203,843
Total Fund Balances	961,793	203,843	1,165,636
Total Liabilities and Fund Balances	\$ 1,749,493	253,627	2,003,120

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

City Of Louisville, Mississippi
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 1,165,636
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,139,790	2,830,782
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. (Such as fine receivables)	19,982
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds. Long-term liabilities	(563,786)
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>3,452,614</u></u>

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

City Of Louisville, Mississippi Exhibit 4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2006

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
REVENUES			
Property taxes	\$ 1,141,525		1,141,525
Licenses and permits	112,434		112,434
Fines and forfeitures	123,404		123,404
Intergovernmental revenues	2,289,345	22,144	2,311,489
Charges for services	162,323	161,881	324,204
Interest income	42,878	7,296	50,174
Miscellaneous revenues	55,537		55,537
Total Revenues	<u>3,927,446</u>	<u>191,321</u>	<u>4,118,767</u>
EXPENDITURES			
Current:			
General government	689,793		689,793
Public safety	1,898,881	275,662	2,174,543
Public works	1,101,255		1,101,255
Culture and recreation	366,278		366,278
Economic development and assistance	28,350	50,638	78,988
Debt service:			
Principal	48,756	9,027	57,783
Interest	2,082	146	2,228
Total Expenditures	<u>4,135,395</u>	<u>335,473</u>	<u>4,470,868</u>
Excess of Revenues over (under) Expenditures	<u>(207,949)</u>	<u>(144,152)</u>	<u>(352,101)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued			-
Proceeds from sale of capital assets	1,185		1,185
Transfers in		50,000	50,000
Transfers out	(50,000)		(50,000)
Total Other Financing Sources and Uses	<u>(48,815)</u>	<u>50,000</u>	<u>1,185</u>
SPECIAL ITEM (Loss on lease of equipment)			
Net Changes in Fund Balances	<u>(256,764)</u>	<u>(94,152)</u>	<u>(350,916)</u>
Fund Balances - Beginning	1,251,377	297,995	1,549,372
Prior period adjustment	(32,820)		(32,820)
Fund Balance - Beginning restated	<u>1,218,557</u>	<u>297,995</u>	<u>1,516,552</u>
Fund Balances - Ending	<u>\$ 961,793</u>	<u>203,843</u>	<u>1,165,636</u>

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

City Of Louisville, Mississippi
**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006**

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (350,916)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$ 660,284 exceeded depreciation \$ 202,981 in the current period.	457,303
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$ 1,985 added to the proceeds from the sale of \$ 1,185 in the current period.	(3,170)
In the Statement of Activities transfer of capital asset into a governmental activity is not recorded as an expenditure whereas it is recorded as such in the governmental funds.	10,085
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$ 57,783 exceeded debt proceeds of \$ 0.	57,783
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(12,838)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the following item:	
Compensated absences	(28,741)
Change in net assets of governmental activities (Exhibit 2)	\$ <u>129,506</u>

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

City Of Louisville, Mississippi
Statement of Net Assets - Proprietary Funds
September 30, 2006

Exhibit 5

	<u>Business-type Activites-Enterprise Funds</u>		
	<u>Sanitation</u>	<u>Landfill</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
ASSETS			
Current assets:			
Cash and investments	\$ 389,395	140,088	529,483
Accounts receivable, net	59,209	34,895	94,104
Due from other funds		10,085	10,085
Advances to other funds		105,194	105,194
Total Current Assets	<u>448,604</u>	<u>290,262</u>	<u>738,866</u>
Noncurrent assets:			
Restricted assets		282,548	282,548
Capital assets, net		637,030	637,030
Total Noncurrent Assets	<u>-</u>	<u>919,578</u>	<u>919,578</u>
Total Assets	<u>448,604</u>	<u>1,209,840</u>	<u>1,658,444</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,136	4,967	10,103
Intergovernmental payables		11,861	11,861
Advances from other funds	35,000		35,000
Current portions of long-term capital-related debt:			
Capital leases payable		40,163	40,163
Total Current Liabilities	<u>40,136</u>	<u>56,991</u>	<u>97,127</u>
Noncurrent liabilities:			
Liability for closure/post closure accounts		441,039	441,039
Non-capital debt:			
Compensated absences payable		1,860	1,860
Total Noncurrent Liabilities	<u>-</u>	<u>442,899</u>	<u>442,899</u>
NET ASSETS			
Invested in capital assets, net of related debt		596,867	596,867
Restricted for landfill closure/postclosure costs		282,548	282,548
Unrestricted	408,468	(169,465)	239,003
Total Net Assets	<u>\$ 408,468</u>	<u>709,950</u>	<u>1,118,418</u>

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

City Of Louisville, Mississippi
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
For the Year Ended September 30, 2006

Exhibit 6

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 349,656	291,937	641,593
Total Operating Revenues	<u>349,656</u>	<u>291,937</u>	<u>641,593</u>
Operating Expenses			
Personal services		119,565	119,565
Contractual services	185,426	52,951	238,377
Materials and supplies	18,379	88,558	106,937
Utilities	44,656	3,046	47,702
Depreciation expense		76,964	76,964
Closure and postclosure expense		26,698	26,698
Total Operating Expenses	<u>248,461</u>	<u>367,782</u>	<u>616,243</u>
Operating Income (Loss)	<u>101,195</u>	<u>(75,845)</u>	<u>25,350</u>
Nonoperating Revenues (Expenses)			
Interest income	10,803	15,939	26,742
Interest expense		(1,893)	(1,893)
Net Nonoperating Revenue (Expenses)	<u>10,803</u>	<u>14,046</u>	<u>24,849</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>111,998</u>	<u>(61,799)</u>	<u>50,199</u>
Changes in Net Assets	<u>111,998</u>	<u>(61,799)</u>	<u>50,199</u>
Net Assets - Beginning	296,470	553,812	850,282
Prior period adjustment	-	217,937	217,937
Net Assets - Beginning restated	<u>296,470</u>	<u>771,749</u>	<u>1,068,219</u>
Net Assets Ending	<u>\$ 408,468</u>	<u>709,950</u>	<u>1,118,418</u>

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

City Of Louisville, Mississippi
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2006

Exhibit 7

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Receipts from customers	\$ 348,498	286,085	634,583
Payments to suppliers	(218,454)	(145,241)	(363,695)
Payments to employees		(119,524)	(119,524)
Other operating cash payments	(43,358)	(3,046)	(46,404)
Net Cash Provided (Used) by Operating Activities	<u>86,686</u>	<u>18,274</u>	<u>104,960</u>
Cash Flows From Noncapital Financing Activities			
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets		(21,218)	(21,218)
Principal paid on long-term debt		(42,579)	(42,579)
Interest paid on debt		(1,893)	(1,893)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(65,690)</u>	<u>(65,690)</u>
Cash Flows From Investing Activities			
Interest and dividends on investments	10,803	15,939	26,742
Purchase of investment securities		(35,128)	(35,128)
Net Cash Provided (Used) by Investing Activities	<u>10,803</u>	<u>(19,189)</u>	<u>(8,386)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	97,489	(66,605)	30,884
Cash and Cash Equivalents at Beginning of Year	291,906	206,693	498,599
Cash and Cash Equivalents at End of Year	<u>\$ 389,395</u>	<u>140,088</u>	<u>529,483</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 101,195	(75,845)	25,350
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense		76,964	76,964
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,158)	(5,852)	(7,010)
Increase (decrease) in accounts payable	(13,351)	(4,963)	(18,314)
Increase (decrease) in solid waste fee payable		1,231	1,231
Increase (decrease) in liability for closure/post closure costs		26,698	26,698
Increase (decrease) in liability for compensated absences		41	41
Total Adjustments	<u>(14,509)</u>	<u>94,119</u>	<u>79,610</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 86,686</u>	<u>18,274</u>	<u>104,960</u>

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

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units. Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", defines the governmental financial reporting entity as the primary government, organizations for which the primary government is "financially accountable", and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

"Financial accountability" is the benchmark for determining which organizations are component units of a primary government. Financial accountability exists when a primary government has appointed a voting majority of the governing body of a legally separate organization and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit: The Louisville Coliseum is governed by an eight-member board. The City appoints the five voting board members. The Louisville Coliseum is not a legally separate entity, and it is reported as a part of the primary government since it exists solely to oversee activities and projects involving the coliseum owned by the City of Louisville.

Discretely Presented Component Units: The component units columns in the combined financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separated from the City. The governing bodies of all of these component units are appointed by the City board.

1. The Housing Authority of the City of Louisville was created by the City to provide public housing in accordance with federal legislation.
2. Louisville Utilities provide water, sewer and electric service to residents of the City. The City has issued a significant amount of general obligations bonds to finance Louisville Utilities' purchase of capital assets.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

The following pages present condensed financial statements of each of the three discretely presented component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices, or from the city clerk's office at city hall.

Administrative Offices:

The Housing Authority of the City of Louisville
P. O. Box 175
Louisville, Mississippi 39339

Louisville Water System
P. O. Box 849
Louisville, Mississippi 39339

Louisville Electric System
P. O. Box 849
Louisville, Mississippi 39339

**Condensed Financial Statements -
Discretely Presented Component Units
Statement of Net Assets
September 30, 2006**

	The Housing Authority of the City of Louisville <u>6/30/2006</u>	Louisville Water System	Louisville Electric System <u>6/30/2006</u>	<u>Total</u>
Assets:				
Current assets	\$ 570,326	\$ 2,674,076	\$ 7,791,350	\$ 11,035,752
Capital assets	4,035,101	9,021,419	8,840,879	21,897,399
Other assets	-	826	-	826
Total Assets	\$ 4,605,427	\$ 11,696,321	\$ 16,632,229	\$ 32,933,977
Liabilities:				
Current Liabilities	59,588	269,609	2,297,317	2,626,514
Other Liabilities	2,613	31,488	525,757	559,858
Total Liabilities	62,201	301,097	2,823,074	3,186,372
Net Assets:				
Investment in Capital Assets	4,035,101	8,945,178	8,815,723	21,796,002
Unrestricted	508,125	2,450,046	4,993,432	7,951,603
Total Net Assets	4,543,226	11,395,224	13,809,155	29,747,605
Total Liabilities and Net Assets	\$ 4,605,427	\$ 11,696,321	\$ 16,632,229	\$ 32,933,977

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) **Summary of Significant Accounting Policies (Continued)**

**Condensed Financial Statements -
Discretely Presented Component Units
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended September 30, 2006**

	The Housing Authority of The City of Louisville <u>6/30/2006</u>	Louisville Water System	Louisville Electric System <u>6/30/2006</u>	<u>Total</u>
Operating revenues	\$ 224,592	\$ 2,125,873	\$ 12,198,727	\$ 14,549,192
Operating expenses:				
Depreciation	179,839	328,490	509,972	1,018,301
Other	496,846	1,572,929	10,914,212	12,983,987
	<u>676,685</u>	<u>1,901,419</u>	<u>11,424,184</u>	<u>14,002,288</u>
Operating income (loss)	(452,093)	224,454	774,543	546,904
Other income	771,755	45,922	103,523	921,200
Other expenses	(-)	(3,337)	(22,235)	(25,572)
Change in Net Assets	319,662	267,039	855,831	1,442,532
Net Assets - Beginning	4,223,564	11,128,185	12,953,324	28,305,073
Net Assets - Ending	\$ <u>4,543,226</u>	\$ <u>11,395,224</u>	\$ <u>13,809,155</u>	\$ <u>29,747,605</u>

Financial statements for the three discretely presented component units were audited by other auditors, as noted in our opinion letter dated June 5, 2007. It was noted that the fiscal year end for the financial statements for the Louisville Electric System and Housing Authority for the City of Louisville was June 30, 2006, instead of September 30, 2006. For further information on the three discretely presented component units see the combining schedules listed as supplemental information in the table of contents.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) **Summary of Significant Accounting Policies (continued)**

(c) **Measurement Focus, Basis of Accounting, and Financial Statement Presentation.**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes, sales taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period.

The City reports the following major governmental fund:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Note 1. Summary of Significant Accounting Policies (continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued).

The City reports the following major proprietary funds:

The sanitation fund accounts for all resources the City receives for solid waste collection.

The landfill fund accounts for operations of solid waste disposal services.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

(d) Use of Estimates in the Preparation of Financial Statements

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

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) Summary of significant Accounting Policies (Continued)

(e) Cash and Cash Equivalents and Investments

Cash and cash equivalents include demand deposit accounts and petty cash with an original maturity of three months or less from the date of acquisition.

Investments are stated at cost, plus accrued interest, or amortized cost (which approximates fair value) since the investment portfolio is comprised of money market investments with an original maturity of one year or less and debt securities held under forward interest contracts which relieve the City of all market risk. Investments are represented by U. S. Government securities.

(f) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable.

Property taxes attach as an enforcement lien on property as of January 1. Taxes are levied in September of the prior year and are payable on or before January 31. Taxes are considered past due after February 1, at which time the applicable property is subject to penalties and interest. Property with delinquent assessments is sold at a public sale each August.

(g) Restricted Assets

Certain investments in the City's enterprise funds are reserved for payments associated with closure and post closure costs of landfill cells at the Louisville/Winston County Landfill. As of September 30, 2006, the City has set aside \$282,548 for this purpose.

(h) Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(1) Summary of Significant Accounting Policies (Continued)

(h) Capital Assets (Continued)

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Louisville meets this criteria and has so elected. Therefore the major general infrastructure assets acquired prior to October 1, 2003 are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the city's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and business-type activities. Depreciation is calculated on the straight-line basis for all assets, except land. Also, the City does not depreciate landfill cells in the landfill fund on the straight-line basis but on a ratio of capacity filled during the period compared to the total landfill capacity. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy will correspond with the amounts for the asset classification as listed above.

(i) Long-term Liabilities

Long-term liabilities are the unmatured principal bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

(1) **Summary of Significant Accounting Policies (Continued)**

(j) **Equity Classifications**

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

In the government-wide and proprietary fund financial statements, the City reports net assets in the following three categories:

Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of net assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represents amounts that are not appropriate or are legally segregated for a specific purpose.

(2) **Changes in Accounting Standards.**

For the fiscal year ended September 30, 2006, the city implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires governments to report the effects of capital asset impairment in their financial statements when impairment occurs. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(3) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanations:

Change in estimate of depreciation calculated on landfill cell through 10/01/05	\$ 147,771
Change in estimate of landfill closure cost liability as of 10/01/05	<u>70,166</u>
Total	<u>217,937</u>

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances

Explanation:

Fines receivables at 10/01/05 should have been reported as deferred revenue at 10/01/05	(<u>32,820</u>)
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Exhibit 6 – Statement of Revenues, Expenses and Changes in Fund Net Assets

Explanations:

Change in estimate of depreciation calculated on landfill cell Through 10/01/05	147,771
Change in estimate of landfill closure cost liability as of 10/01/05	<u>70,166</u>
Total	\$ <u>217,937</u>

(4) Deposits and Investments

The carrying amount of the city's total deposits with financial institutions at September 30, 2006, was \$1,505,251, and the bank balance was \$1,711,655. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi state Treasurer on behalf of the city.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(4) Deposits and Investments (Continued)

Investments:

Investment balances at September 30, 2006, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	Less than 1 year	282,548	282,548
Total		\$ 282,548	282,548

Interest Rate Risk. The city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those authorized by Section 21-33-323, Miss. Code Ann. (1972). The city does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. Of the city's \$282,548 investment in U.S. Government Securities, \$0 of underlying securities were held by the investment's counterparty, not in the name of the city.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	WCM Lease Purchase	\$ 14,723
General	Other governmental	2,633
MC Polo Fund	General	4,776
Landfill	General	10,085
		\$ 32,217

The amounts due the general fund from other funds is due to the city paying the debt service payment on various loans out of the general fund prior to receipt of lease/loan payment from applicable industry and or fund. The amount due to the MC Polo Equipment Fund is from the general fund for lease payments recovered by general fund for the MC Polo Equipment Fund. The amount due to the landfill fund is from the general fund and represents the cost basis of equipment transferred from the landfill to the recreation department.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(5) Interfund Transactions and Balances (Continued)

B. Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Landfill	General	\$ 70,194
Landfill	Sanitation	35,000
		\$ 105,194

The amount due to the landfill fund is due to loans paid in previous years to other funds for the purchase of capital assets.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General	Other governmental	\$ 50,000
		\$ 50,000

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

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

Governmental Activities:

Description	Amount
Sales tax	\$ 131,495
Emergency management grant	22,329
Tax equivalent payments due	32,124
MDOT grant	50,391
USDA Rural Development grant	6,323
E911 reimbursement	13,214
Motor vehicle ad valorem tax – Sept. 06	7,431
3 rd Quarter 2006 franchise fees	6,449
Other	1,719
	\$ 271,475
Total Governmental Activities	\$ 271,475

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(7) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Superior Wood Products, Inc.	7/23/86	10.0%	8/01/96	\$ 227,671
Liberty Transportation, Inc.	8/22/96	6.0%	5/01/12	340,933
Wright Cabinet Manufacturing Inc.	9/01/97	7.25%	9/01/07	56,684
Less: Allowance for uncollectible accounts				(568,604)
Total				\$ <u>56,684</u>

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

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

Governmental activities:

	Balance Oct. 1,	Additions	Deletions	Adjustments	Balance Sept. 30,
Non-depreciable capital assets:					
Land	608,216	-	-		608,216
Construction in progress	\$ 181,619	458,588	-	(561,435)	78,772
Total non-depreciable capital assets	<u>789,835</u>	<u>458,588</u>		<u>(561,435)</u>	<u>686,988</u>
Depreciable capital assets:					
Infrastructure				412,906	412,906
Buildings	2,143,301			71,780	2,215,081
Improvements other than buildings				76,749	76,749
Equipment	1,226,730	201,696	(31,703)	28,824	1,425,547
Leased property under capital leases	160,200			(6,899)	153,301
Total depreciable capital assets	<u>3,530,231</u>	<u>201,696</u>	<u>(31,703)</u>	<u>583,360</u>	<u>4,283,584</u>
Less accumulated depreciation for:					
Infrastructure		8,258			8,258
Buildings	1,006,779	48,125			1,054,904
Improvements other than buildings	-	3,070			3,070
Equipment	886,950	115,934	(28,533)	14,324	988,675
Leased property under capital leases	59,773	27,594		(2,484)	84,883
Total accumulated depreciation	<u>1,953,502</u>	<u>202,981</u>	<u>(28,533)</u>	<u>11,840</u>	<u>2,139,790</u>
Total depreciable capital assets, net	<u>1,576,729</u>	<u>(1,285)</u>	<u>(3,170)</u>	<u>571,520</u>	<u>2,143,794</u>
Governmental activities, assets, net	<u>\$ 2,366,564</u>	<u>457,303</u>	<u>(3,170)</u>	<u>10,085</u>	<u>2,830,782</u>

Business-type activities

Non-depreciable capital assets					
Land	\$ 124,000				124,000
Total non-depreciable capital assets	<u>124,000</u>	<u>-</u>	<u>-</u>		<u>124,000</u>
Depreciable capital assets:					
Buildings	-			-	-
Improvements other than buildings	1,580,712				1,580,712
Equipment	453,151	21,218		(21,925)	452,444
Leased property under capital leases	127,456				127,456
Total depreciable capital assets	<u>2,161,319</u>	<u>21,218</u>	<u>-</u>	<u>(21,925)</u>	<u>2,160,612</u>
Less accumulated depreciation for:					
Buildings	-	-		-	-
Improvements other than buildings	1,312,214	59,239		(147,771)	1,223,682
Equipment	395,073	6,254		(11,840)	389,487
Leased property under capital leases	22,942	11,471			34,413
Total accumulated depreciation	<u>1,730,229</u>	<u>76,964</u>	<u>-</u>	<u>(159,611)</u>	<u>1,647,582</u>
Total depreciable capital assets, net	<u>431,090</u>	<u>(55,746)</u>	<u>-</u>	<u>137,686</u>	<u>513,030</u>
Business-type activities capital assets, net	<u>\$ 555,090</u>	<u>(55,746)</u>	<u>-</u>	<u>137,686</u>	<u>637,030</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(8) Capital Assets (Continued).

An explanation of the total in the adjustments column is as follows:

Governmental Activities:	
The cost basis of asset transferred from the landfill department to the recreation department	\$ <u>10,085</u>
Business Activities:	
The change in the estimates of depreciation on the landfill cell as of 10/01/05	147,771
The cost basis of asset transferred from the landfill department to the recreation department.	(10,085)
Total	\$ <u>137,686</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 20,924
Public safety	101,708
Public works	44,690
Economic development	11,070
Culture and recreation	<u>24,589</u>
Total governmental activities depreciation expense	\$ <u>202,981</u>
Business-type activities:	
Landfill	\$ <u>76,964</u>
Total business-type activities depreciation expense	\$ <u>76,964</u>

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date Of Completion
E911 Operations Building	33,224	5/15/07

(9) Claims and Judgments.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance to protect against these and other types of risks. Coverage limits vary by exposure/policy and are decided on from examination of the number and types of prior claims, as well as from monitoring of judicial decisions, awards and trend factors. Premiums are paid from the General Fund as well as the appropriate department within each fund and by component units. There were no significant reductions in insurance coverage in fiscal year 2006 from the prior year. Settled claims have not exceeded commercial coverage in any of the past several years.

The City finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The City pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(10) Capital Leases.

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2006:

<u>Classes of Property</u>	<u>Amount</u>
Equipment	\$ 424,000
Total	\$ 424,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 48,921	4,106
2008	47,722	2,916
2009	49,409	1,229
2007	\$ 8,403	37
Total	\$ 154,455	8,288

As Lessee:

The city is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment	\$ 153,300	127,456
Less: Accumulated depreciation	84,884	34,413
Leased Property Under Capital Leases	\$ 68,416	93,043

The following is a schedule by years of the total payments due as of September 30, 2006:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 28,654	719	40,163	603
2008	8,021	121	-	-
Total	\$ 36,675	840	40,163	603

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(11) Long-term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities			
A. Capital Leases:			
Fist Continental Leasing – E911 Voice Decoder	\$ 430	4.59%	10/05/06
The Peoples Leasing – (4) Crown Victoria Police Cars	16,585	2.987%	5/15/07
First Continental Leasing – (2) Chevrolet Impala Police Cars	19,660	3.99%	6/25/08
Total Capital Leases	<u>\$ 36,675</u>		
B. Other Loans:			
Mississippi Development Authority - Capital Improvement Revolving Loan Program	\$ 82,788	4.00%	8/01/12
Mississippi Development Authority – CDBG Loan (Liberty)	340,933	6.00%	5/01/12
Mississippi Development Authority – CDBG Grant Repayment (TMW)	16,667	N/A	8/01/16
Winston Co. Economic Development District – WCM	3,667	N/A	8/01/07
Total Other Loans	<u>\$ 444,055</u>		
Business Activities:			
A. Capital Leases:			
First Continental Leasing	\$ 40,163	2.99%	8/05/07
Total Capital Leases	<u>\$ 40,163</u>		

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2007	\$ 259,752	112,380
2008	37,951	9,030
2009	35,100	7,072
2010	37,162	5,010
2011	39,352	2,820
2012-2016	<u>34,738</u>	<u>598</u>
Total	<u>\$ 444,055</u>	<u>136,910</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(11) Long-term Debt (Continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance Oct. 1,	Addition	Reduction	Balance Sept. 30,	Amount due Within one Year
Governmental Activities					
Capital Leases	\$ 88,792	-	52,117	36,675	28,654
Other Loans	449,721	-	5,666	444,055	259,752
Compensated Absences	54,315	28,741	-	83,056	-
Total	\$ 592,828	28,741	57,783	563,786	288,406
Business-type Activities:					
Capital Leases	82,742	-	42,579	40,163	40,163
Compensated Absences	1,819	41	-	1,860	-
Total	\$ 84,561	41	42,579	42,023	40,163

(12) Contingencies.

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

Litigation – The City is part to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the city with respect to the various proceedings. However, the city's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the city's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the city other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the city's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2006
Louisville/Winston County Airport Improvement Note	\$ 13,543

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(14) Joint Venture.

The city participates in the following joint ventures:

The City of Louisville is a participant with Winston County in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: the City of Louisville, two, Winston County, two; jointly, one. By contractual agreement, the city's appropriation to the joint venture was \$7,750 in fiscal year 2006. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

The City of Louisville is a participant with Winston County, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a seven member board of trustees appointed as follows: City of Louisville, two; Winston County Board of Supervisors, two; Town of Noxapater, one; Louisville Chamber of Commerce, one; jointly, one. By contractual agreement, the city's appropriation to the joint venture was \$21,100 in fiscal year 2006. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

(15) Defined Benefit Pension Plan.

Plan Description: The City contributes to the Public Employee's 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 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 Employee's Retirement System of Mississippi, PERS building, 429 Mississippi Street, Jackson, Mississippi 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 City 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 employees are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2006, 2005, and 2004, were \$184,098, \$156,463, and \$146,030, respectively, which equaled the required contributions for each year.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

(16) Subsequent Events Memo.

Per review of the minutes of board meetings subsequent to year end and inquiry of personnel I noted the following subsequent events:

The city accepted a bid for the purchase of various fire equipment totaling \$23,051 on October 17, 2006.

The city approved the purchase of a 2007 Ford truck for the fire department totaling \$19,993 on October 17, 2006.

The city accepted a bid to purchase a 2008 Ford 750 dump truck with a Warren body for \$55,654 on March 20, 2007.

The city approved a bid for construction of a new landfill cell totaling \$231,567 on April 17, 2007.

The city approved a bid of \$136,900 for construction of tennis courts on April 17, 2007.

CITY OF LOUISVILLE, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

City Of Louisville, Mississippi
Budgetary Comparison Schedule -
Budget and Actual
General Fund
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,089,340	1,089,340	1,141,525	52,185
Licenses, commissions and other revenue	98,700	93,000	112,434	19,434
Fines and forfeitures	107,100	102,000	123,404	21,404
Intergovernmental revenues	1,798,320	2,136,446	2,289,345	152,899
Charges for services	177,900	178,500	162,323	(16,177)
Interest income	27,500	27,500	42,878	15,378
Miscellaneous revenues	49,920	40,020	55,537	15,517
Total Revenues	<u>3,348,780</u>	<u>3,666,806</u>	<u>3,927,446</u>	<u>260,640</u>
EXPENDITURES				
Current:				
General government	846,976	754,191	689,793	64,398
Public safety	1,916,988	2,159,983	1,898,881	261,102
Public works	893,335	1,124,151	1,101,255	22,896
Culture and recreation	428,012	416,512	366,278	50,234
Economic development and assistance		50,640	28,350	22,290
Debt service:				
Principal			48,756	(48,756)
Interest			2,082	(2,082)
Total Expenditures	<u>4,085,311</u>	<u>4,505,477</u>	<u>4,135,395</u>	<u>370,082</u>
Excess of Revenues over (under) Expenditures	<u>(736,531)</u>	<u>(838,671)</u>	<u>(207,949)</u>	<u>630,722</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		1,000	1,185	185
Other financing uses		(50,000)	(50,000)	0
Total Other Financing Sources and Uses	<u>0</u>	<u>(49,000)</u>	<u>(48,815)</u>	<u>185</u>
Net Change in Fund Balance	<u>(736,531)</u>	<u>(887,671)</u>	<u>(256,764)</u>	<u>630,907</u>
Fund Balances - Beginning	<u>901,932</u>	<u>901,932</u>	<u>1,251,377</u>	<u>349,445</u>
Prior period adjustment			(32,820)	(32,820)
Fund Balances - Beginning restated	<u>901,932</u>	<u>901,932</u>	<u>1,218,557</u>	<u>316,625</u>
Fund Balances - Ending	<u>\$ 165,401</u>	<u>14,261</u>	<u>961,793</u>	<u>947,532</u>

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

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2006**

Notes to the Required Supplementary Information

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various departments, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the encumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that the budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the modified accrual basis of accounting. All appropriations lapse at year end.

B. Basis of Presentation.

The Budgetary Comparison Schedule – Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule – Budget and Actual is a part of required supplemental information.

CITY OF LOUISVILLE, MISSISSIPPI

SUPPLEMENTAL INFORMATION

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Major Federal Awards			
<u>Department of Homeland Security</u>			
Direct Program			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-09723	\$ 195,164
Total Department of Homeland Security			<u>195,164</u>
Total Expenditures of Major Federal Awards			<u>195,164</u>
Other Federal Awards			
<u>Rural Business-Cooperative Service</u>			
Passed through the Mississippi Development Authority:			
Rural Business Enterprise Grants	10.769		80,000
Total Rural Business-Cooperative Service			<u>80,000</u>
<u>Rural Development-Department of Agriculture</u>			
Direct Program:			
Community Facilities Loans and Grants	10.766		12,570
Total Rural Development-Department of Agriculture			<u>12,570</u>
<u>Department of Labor</u>			
Passed through the Mississippi Department of Employment Security:			
WIA Dislocated Workers	17.260		8,640
Total Department of Labor			<u>8,640</u>
<u>Department of Housing and Urban Development</u>			
Passed through the Mississippi Development Authority:			
CDBG/Small Cities Program	14.219		11,700
Total Department of Housing and Urban Development			<u>11,700</u>
<u>Environmental Protection Agency(EPA)</u>			
Direct Program:			
Surveys-Studies-Investigations and Special Purpose Grants	66.606	XP-97495103	9,919
Total Environmental Protection Agency			<u>9,919</u>
<u>Appalachian Regional Commission</u>			
Passed through the Tennessee Valley Authority:			
Appalachian Regional Development	23.001	00029091	13,320
Total Appalachian Regional Commission			<u>13,320</u>
<u>Department of Transportation</u>			
Passed through the Mississippi Department of Transportation:			
Highway Planning and Construction	20.205	STP-9674(00)(05)	168,207
Total Department of Transportation			<u>168,207</u>
<u>Department of Homeland Security</u>			
Passed through the Mississippi Emergency Management Agency			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	1604-DR-MS159- 42280 Katrina	96,209
Total Department of Homeland Security			<u>96,209</u>
Total Expenditures of Other Federal Awards			<u>400,565</u>
Total for all Federal Awards			\$ <u>595,729</u>

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Notes to Schedule:

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

CITY OF LOUISVILLE, MISSISSIPPI

COMBINING FINANCIAL STATEMENTS – COMPONENT UNITS

City Of Louisville
Combining Schedule-Component Units
Statement of Net Assets
September 30, 2006

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Total
ASSETS				
Cash and investments	\$ 520,671	4,482,400	2,409,285	7,412,356
Accrued interest receivable	163			163
Accounts receivable, net	2,462	2,253,256	185,847	2,441,565
Intergovernmental receivables				-
Other receivables, net		23,555		23,555
CSA stockholder loan			6,737	6,737
Other assets			826	826
Inventories and prepaid items	35,200	1,022,084	72,207	1,129,491
Restricted assets	11,830	10,055		21,885
Capital assets, net	4,035,101	8,840,879	9,021,419	21,897,399
Total Assets	<u>4,605,427</u>	<u>16,632,229</u>	<u>11,696,321</u>	<u>32,933,977</u>
LIABILITIES				
Accounts payable and accrued liabilities	7,513	2,256,099	81,471	2,345,083
Liabilities payable from restricted assets	11,830			11,830
Intergovernmental payables	38,604	16,062		54,666
Accrued interest payable				-
Deferred revenue	1,351	213,646		214,997
Customer deposits		312,111	143,385	455,496
Long-term liabilities				
Due within one year:				
Capital related debt		25,156	44,753	69,909
Non-capital debt	290			290
Due in more than one year:				
Capital related debt			31,488	31,488
Non-capital debt	2,613			2,613
Total Liabilities	<u>62,201</u>	<u>2,823,074</u>	<u>301,097</u>	<u>3,186,372</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,035,101	8,815,723	8,945,178	21,796,002
Unrestricted	508,125	4,993,432	2,450,046	7,951,603
Total Net Assets	<u>\$ 4,543,226</u>	<u>13,809,155</u>	<u>11,395,224</u>	<u>29,747,605</u>

City Of Louisville, Mississippi
Combining Schedule - Component Units
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2006

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Totals
Operating Revenues				
Charges for services	\$ 224,592	12,198,727	2,050,199	14,473,518
Miscellaneous			75,674	75,674
Total Operating Revenues	<u>224,592</u>	<u>12,198,727</u>	<u>2,125,873</u>	<u>14,549,192</u>
Operating Expenses				
Cost of power		9,812,354		9,812,354
Uncollectible accounts			3,216	3,216
Operation and maintenance	205,996	240,629	739,347	1,185,972
Protective services	41,771			41,771
Customer services	309	120,484		120,793
Utilities	9,736		213,289	223,025
Depreciation expense	179,839	509,972	328,490	1,018,301
Distribution expense		147,969		147,969
Sales expense		29,998		29,998
Taxes		226,110	46,491	272,601
Administrative and general expense	239,034	336,668	482,389	1,058,091
Insurance premiums			71,261	71,261
Miscellaneous			16,936	16,936
Total Operating Expenses	<u>676,685</u>	<u>11,424,184</u>	<u>1,901,419</u>	<u>14,002,288</u>
Operating Income (Loss)	<u>(452,093)</u>	<u>774,543</u>	<u>224,454</u>	<u>546,904</u>
Nonoperating Revenues (Expenses)				
Interest income	16,715	103,523	45,922	166,160
Operating grants	244,431			244,431
Interest expense			(3,337)	(3,337)
Other income (expenses)	52,958	(22,235)	-	30,723
Net Nonoperating Revenue (Expenses)	<u>314,104</u>	<u>81,288</u>	<u>42,585</u>	<u>437,977</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(137,989)</u>	<u>855,831</u>	<u>267,039</u>	<u>984,881</u>
Capital grants	<u>457,651</u>			<u>457,651</u>
Changes in Net Assets	<u>319,662</u>	<u>855,831</u>	<u>267,039</u>	<u>1,442,532</u>
Net Assets - Beginning	<u>4,223,564</u>	<u>12,953,324</u>	<u>11,128,185</u>	<u>28,305,073</u>
Prior period adjustment				-
Net Assets - Beginning restated	<u>4,223,564</u>	<u>12,953,324</u>	<u>11,128,185</u>	<u>28,305,073</u>
Net Assets Ending	<u>\$ 4,543,226</u>	<u>13,809,155</u>	<u>11,395,224</u>	<u>29,747,605</u>

City Of Louisville, Mississippi
Combining Schedule - Component Units
Statement of Cash Flows
For the Year Ended September 30, 2006

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 223,730	12,184,905	2,321,015	14,729,650
Payments to suppliers				0
Payments to employees				0
Other operating cash payments	(492,377)	(9,651,018)	(1,584,145)	(11,727,540)
Net Cash Provided (Used) by Operating Activities	<u>(268,647)</u>	<u>2,533,887</u>	<u>736,870</u>	<u>3,002,110</u>
Cash Flows From Noncapital Financing Activities				
Operating grants received	244,431			244,431
Net Cash Provided (Used) by Noncapital Financing Activities	<u>244,431</u>	<u>0</u>	<u>0</u>	<u>244,431</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	457,651			457,651
Proceeds from long-term debt				0
Acquisition and construction of capital assets	(518,717)	(622,299)	(1,111,050)	(2,252,066)
Principal paid on long-term debt		(36,038)	(43,630)	(79,668)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,066)</u>	<u>(658,337)</u>	<u>(1,154,680)</u>	<u>(1,874,083)</u>
Cash Flows From Investing Activities				
Proceeds from sale and maturities of investments	(12,019)	360		(11,659)
Interest and dividends on investments	17,726	103,523	45,922	167,171
Other income(expense)	52,958	(22,235)	(3,338)	27,385
Net Cash Provided (Used) by Investing Activities	<u>58,665</u>	<u>81,648</u>	<u>42,584</u>	<u>182,897</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(26,617)	1,957,198	(375,226)	1,555,355
Cash and Cash Equivalents at Beginning of Year	77,439	2,525,202	2,784,511	5,387,152
Cash and Cash Equivalents at End of Year	<u>\$ 50,822</u>	<u>4,482,400</u>	<u>2,409,285</u>	<u>6,942,507</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (452,093)	774,543	224,454	546,904
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	179,839	568,430	328,490	1,076,759
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,329)	(13,822)	195,142	179,991
(Increase) decrease in other receivables				0
(Increase) decrease in prepaid expenses	(211)	121,550	(2,301)	119,038
Increase (decrease) in inventory	(2,199)	4	(11,716)	(13,911)
Increase (decrease) in accounts payable	4,660	1,111,260	3,029	1,118,949
Increase (decrease) in intergovernmental payable	2,481			2,481
Increase (decrease) in deferred revenue	467	(31,223)		(30,756)
Increase (decrease) in customer deposits		9,028	3,973	13,001
Increase (decrease) in other liabilities	(975)	(5,883)	(4,201)	(11,059)
Increase (decrease) in liability for compensated absences	713			713
Total Adjustments	<u>183,446</u>	<u>1,759,344</u>	<u>512,416</u>	<u>2,455,206</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (268,647)</u>	<u>2,533,887</u>	<u>736,870</u>	<u>3,002,110</u>

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Taxable Assessed Value	Millage	Tax
Adjusted Assessed Valuation			
City:			
Realty	25,112,609	13.30	\$ 333,998
Personal-other than auto	13,633,383	13.30	181,324
Public utilities	3,958,317	13.30	52,646
Personal-Auto (remitted by county)	7,047,218	13.30	93,728
Total			661,696
Less: Homestead Exemption			
Allowed		(52,266)	
Tax Collector's Commissions		(4,686)	(56,952)
Add: Actual Homestead Reimbursement			52,090
Total to be Accounted For			\$ 656,834
	Taxes	Reimbursement	
Credit:			
Collections Allocated to:			
Municipal General Funds	\$ 553,304	48,173	
Memorial Park and Cemetary Fund	44,984	3,917	
Total	598,288	52,090	\$ 650,378
Balance Represented by Unpaid Property Taxes			6,456
Total Accounted For			\$ 656,834

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad Valorem Tax Collections were found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Ann. (1972), as follows:

	Actual Collections
Base Year 2005	603,712
10% Increase	60,371
Total	664,083
Year 2006	656,834
Under (Over) Limitations	7,249
Total	664,083

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS
SEPTEMBER 30, 2006**

The City of Louisville, Mississippi, covers certain employees under a position surety bond. The following list contains various town officials who are covered by a surety bond.

<u>Name</u>	<u>Title</u>	<u>Coverages</u>
Daniel E. Yarbrough	Mayor	\$ 50,000
Judy McLeod	Alderwoman	\$ 30,000
Eugene Crosby	Alderman	\$ 30,000
Bessie Love	Alderwoman	\$ 30,000
Richard Caperton	Alderman	\$ 30,000
Frances Ball	Alderwoman	\$ 30,000
Babs Fulton	City Clerk	\$ 50,000
Angela Kight	Deputy City Clerk	\$ 10,000
Karen Davis	Deputy City Clerk	\$ 10,000
Lola Jenkins	Deputy City Clerk	\$ 10,000
Ricky Peterson	Police Chief	\$ 50,000
Sixteen People	Deputy Police Officers	\$ 25,000 Blanket Bond Coverage

CITY OF LOUISVILLE, MISSISSIPPI

SPECIAL REPORTS



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Michael L. Pierce, CPA
Harry W. Stevens, CPA	Marsha L. McDonald, CPA
Paul A. Ray, CPA	Wanda S. Holley, CPA
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Mort Stroud, CPA	Stephen D. Flake, CPA
Gary C. Hamilton, CPA	John N. Russell, CPA
R. Steve Sinclair, CPA	Kenny R. Dickerson, CPA

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

June 5, 2007

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated June 5, 2007. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Electric System, and the Louisville Water System, which represents 100% and 100% respectively, of the assets and revenues of the proprietary component units columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors. 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 City of Louisville, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Louisville, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reporting conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Louisville, Mississippi's financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and federal awarding agencies and pass through entities 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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 5, 2007

Watkins, Ward and Stafford, PLLC



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 5, 2007

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

Compliance

We have audited the compliance of the City of Louisville, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The City of Louisville, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Louisville, Mississippi's management. Our responsibility is to express an opinion on the City of Louisville, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Louisville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Louisville, Mississippi's compliance with those requirements.

In our opinion, the City of Louisville, Mississippi, complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the City of Louisville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Louisville, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities 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.

Louisville, Mississippi
June 5, 2007

Watkins, Ward and Stafford, PLLC



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

June 5, 2007

Honorable Mayor and Board of Aldermen
 City of Louisville, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2006, and have issued our report thereon dated June 5, 2007. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Electric System, and the Louisville Water System, which represents 100% and 100% respectively, of the assets and revenues of the proprietary component units columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

Finding

MS Code Section 31-7-13, Miss code Ann. (1972) requires municipalities purchase their commodities, printing and public construction as outlined below:

- Purchases up to \$3,500 do not require bids
- Purchases over \$3,500 up to \$15,000 require solicitation of two written quotes
- Purchases over \$15,000 require solicitation of bids by advertisement

We noted in our testing one purchase involving construction of building for the animal control shelter in which the city received a separate quote for the labor and one for the materials. However, the total price of the construction project was over \$15,000 and the city should have solicited bids for the entire construction project rather than receiving a separate quote for the labor and one for the materials.

Recommendation

We recommend the municipality comply with MS Code Section 31-7-13 and follow the guidance listed above in regards to purchasing commodities, printing and public construction.

City's Response

The City of Louisville will comply with MS Code Section 31-7-13 with regards to purchasing commodities, printing and public construction.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Louisville, Mississippi
June 5, 2007

Watkins, Ward and Stafford, PLLC

CITY OF LOUISVILLE, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

Section 1: Summary of Auditors Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Federal Awards

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Assistance to fire-fighters grant: CFDA#97.044 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

06-01 Finding

Per examination of police fines it was noted that an aged accounts receivable system has not been established to report fines receivable that were incurred prior to 10/01/04. The information on fines is contained on index cards and includes fines, assessments and other court charges. A detail list of accounts receivable by docket number has not been maintained for fines incurred prior to 10/01/04.

Recommendation

We recommend that a detail list of fines receivable be maintained.

Response

We will compile a detail list of fines receivable.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.