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**CITY OF LOUISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

CITY OF LOUISVILLE, MISSISSIPPI

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CITY OF LOUISVILLE, MISSISSIPPI

FINANCIAL SECTION



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

James L. Stafford, CPA
Harry W. Stevens, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA

Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Schvner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA

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, 2008, 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, 2008, 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 September 15, 2009, 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 was 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 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. Such information has been subjected to the auditing procedures applied by us and 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
September 15, 2009

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, 2008

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, 2008. 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, 2008 by \$4,875,066 (net assets). Of this amount, \$15,357 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased \$16,847. Net assets of governmental activities decreased \$150,532, which represents a 5 percent decrease over 2007. Net assets of business-type activities increased \$167,379 or 12 percent over 2007.
- As of September 30, 2008, the City of Louisville's governmental funds reported combined ending fund balances of \$629,463, a decrease of \$208,299 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 fund. 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 \$4,875,066 as of September 30, 2008. Analyzing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets are \$3,246,760 and the business type activities net assets are \$1,628,306. 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 (84 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,180,626	1,646,435	962,237	770,815	3,142,863	2,417,250
Capital Assets	3,078,286	3,063,652	1,024,867	1,054,525	4,103,153	4,118,177
Total Assets	5,258,912	4,710,087	1,987,104	1,825,340	7,246,016	6,535,427
Current and other liabilities	1,189,850	1,029,691	355,149	514,657	1,544,999	1,544,348
Long-term liabilities	822,302	298,526	3,649	4,393	825,951	302,919
Total Liabilities	2,012,152	1,328,217	358,798	519,050	2,370,950	1,847,267
New assets:						
Invested in capital assets, net of related debt	3,053,286	3,004,643	1,024,867	1,054,525	4,078,153	4,059,168
Restricted	178,117	269,795	603,439	251,765	781,556	521,560
Unrestricted	15,357	107,432	0	0	15,357	107,432
Total Net Assets	\$ 3,246,760	3,381,870	1,628,306	1,306,290	4,875,066	4,688,160

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 621,630	608,290	826,799	697,373	1,448,429	1,305,663
Operating grants and contributions	771,469	103,589			771,469	103,589
Capital grants and contributions	28,772	299,017	0	100,000	28,772	399,017
General revenues:						
Taxes	1,180,005	1,185,230			1,180,005	1,185,230
Grants and contributions not restricted to specific programs	1,720,630	1,737,156			1,720,630	1,737,156
Other	124,429	94,540	27,377	33,229	151,806	127,769
Total Revenues	4,446,935	4,027,822	854,176	830,602	5,301,111	4,858,424
Expenses:						
General government	778,664	687,675			778,664	687,675
Public safety	2,367,414	2,110,383			2,367,414	2,110,383
Public works	555,078	777,775			555,078	777,775
Culture and recreation	364,760	386,856			364,760	386,856
Economic development and assistance	521,665	175,308			521,665	175,308
Interest on long-term debt	9,886	1,580			9,886	1,580
Sanitation			367,368	313,528	367,368	313,528
Landfill			319,429	329,202	319,429	329,202
Total Expenses	4,597,467	4,139,577	686,797	642,730	5,284,264	4,782,307
Increase (Decrease) in net assets	(150,532)	(111,755)	167,379	187,872	16,847	76,117
Net Assets, October 1	3,381,870	3,452,614	1,306,290	1,118,418	4,688,160	4,571,032
Prior Period Adjustment	15,422	41,011	154,637	0	170,059	41,011
Net Assets, September 30	\$ 3,246,760	3,381,870	1,628,306	1,306,290	4,875,066	4,688,160

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$2,367,414. 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 \$454,563 for the fiscal year ending September 30, 2008. The major components of public safety are police and fire. Other significant governmental expenses for the City include general government and public works at \$778,664 and \$555,078 respectively.

Business-type Activities

- Revenues of the City's business-like activities were \$854,176 for the fiscal year ending September 30, 2008. Expenses for the City's business-type activities were \$686,797 for the year, resulting in a net increase in net assets of \$167,379.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2008 the City had \$4,103,153 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 decrease (including additions and deductions) of \$15,024 or 1 percent (.4%) over the prior fiscal year.

Table 3
Capital Assets and Year End
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 742,016	\$ 679,016	\$ 124,000	\$ 124,000	\$ 866,016	\$ 803,016
Construction in progress	0	0	0	330,395	0	330,395
Infrastructure	388,132	396,390		-	388,132	396,390
Buildings and improvements	960,668	997,605		-	960,668	997,605
Improvements other than buildings	423,672	438,737	663,983	335,454	1,087,655	774,191
Equipment	563,798	551,904	236,884	264,676	800,682	816,580
Totals	\$ 3,078,286	\$ 3,063,652	\$ 1,024,867	\$ 1,054,525	\$ 4,103,153	\$ 4,118,177

This year's major additions included:

Seven Police Cars	172,207
Land for Airport	63,000

Debt

At year-end, the City had \$1,104,105 in capital leases and other loans outstanding as compared to \$499,397 at the end of the prior fiscal year, an increase of 55 percent as shown in table 4.

Table 4
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital leases	\$ 0	\$ 9,009	\$ 0	\$ 0	\$ 0	\$ 9,009
Other loans	1,104,105	490,388	0	0	1,104,105	490,388
Totals	\$ 1,104,105	\$ 499,397	\$ 0	\$ 0	\$ 1,104,105	\$ 499,397

The City has no new capital leases during this fiscal year. However the city did borrow \$650,000 through the Mississippi Development Authority to purchase a commercial building that was leased to Polo Industries, Inc.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2008 the governmental funds of the City reported a combined fund balance of \$629,463. This ending balance includes a decrease in fund balance of \$116,622 in the City's General Fund. The primary reason for the General Fund's decrease is the various capital projects that have been paid through the general fund.

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 2008 budget, tax rates, and fees that will be charged for the governmental and business-type activities. One of these factors is the economy which has been significantly impacted due to layoffs in several local industries. The largest sources of revenues in the general fund are sales taxes and property tax revenues. We anticipate sales taxes at best to remain consistent with the current year however there is a greater likelihood that sales tax revenues will decrease. To offset the anticipated decrease in sales tax revenue we increased the city's millage rate to 20 mills (19 mills general fund 1 mill Memorial Park).

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, 2008

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units Total
ASSETS				
Cash and investments	\$ 489,389	443,812	933,201	8,108,558
Accrued interest receivable			-	52,561
Property tax receivable	652,000		652,000	-
Accounts receivable, net		113,705	113,705	2,939,243
Fines receivable, net	110,367		110,367	-
Loans receivable, net	56,684		56,684	-
Capital leases receivable	699,841		699,841	-
Intergovernmental receivables	242,539		242,539	-
Other receivables, net			-	25,256
CSA stockholder loan			-	6,737
Internal balances	(70,194)	70,194	-	-
Inventories and prepaid items			-	1,010,486
Other assets			-	457
Restricted assets		334,526	334,526	24,398
Capital assets, net	3,078,286	1,024,867	4,103,153	24,188,235
Total Assets	<u>5,258,912</u>	<u>1,987,104</u>	<u>7,246,016</u>	<u>36,355,931</u>
LIABILITIES				
Accounts payable and accrued liabilities	126,688	29,991	156,679	2,609,326
Liabilities payable from restricted assets			-	14,300
Intergovernmental payables	19,232	15,920	35,152	58,016
Deferred revenue	652,000		652,000	153,758
Customer deposits			-	522,420
Liability for closure/postclosure costs		309,238	309,238	-
Long-term liabilities				
Due within one year:				
Capital related debt	25,000		25,000	24,357
Non-capital debt	366,930		366,930	712
Due in more than one year:				
Capital related debt	-		-	28,588
Non-capital debt	822,302	3,649	825,951	3,474
Total Liabilities	<u>2,012,152</u>	<u>358,798</u>	<u>2,370,950</u>	<u>3,414,951</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,053,286	1,024,867	4,078,153	24,135,290
Restricted net assets:				
Expendable:				
Debt service	45,166		45,166	-
Public safety	62,893		62,893	-
Public works		268,913	268,913	-
Economic development	58,536		58,536	-
Unemployment compensation	11,522		11,522	-
Landfill closure/postclosure costs		334,526	334,526	-
Unrestricted	15,357		15,357	8,805,690
Total Net Assets	<u>\$ 3,246,760</u>	<u>1,628,306</u>	<u>4,875,066</u>	<u>32,940,980</u>

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, 2008

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total	Units Total
Primary government:								
Governmental activities:								
General government	\$ 778,664	167,067	3,000		(608,597)		(608,597)	
Public safety	2,367,414	454,563	138,937	28,772	(1,745,142)		(1,745,142)	
Public works	555,078		142,033		(413,045)		(413,045)	
Culture and recreation	364,760		-		(364,760)		(364,760)	
Economic development and assistance	521,665		487,499		(34,166)		(34,166)	
Interest on long-term debt	9,886				(9,886)		(9,886)	
Total Governmental Activities	<u>4,597,467</u>	<u>621,630</u>	<u>771,469</u>	<u>28,772</u>	<u>(3,175,596)</u>	<u>-</u>	<u>(3,175,596)</u>	
Business-type activities:								
Sanitation	367,368	439,882				72,514	72,514	
Landfill	319,429	386,917				67,488	67,488	
Total Business-type Activities	<u>686,797</u>	<u>826,799</u>	<u>-</u>	<u>-</u>		<u>140,002</u>	<u>140,002</u>	
Total Primary Government	<u>\$ 5,284,264</u>	<u>1,448,429</u>	<u>771,469</u>	<u>28,772</u>	<u>(3,175,596)</u>	<u>140,002</u>	<u>(3,035,594)</u>	
Component units:								
1 The Housing Authority of the City of Louisville	\$ 742,849	244,799	318,172	57,280				(122,598)
Louisville Electric System	12,431,864	12,953,942						522,078
Louisville Water System	2,172,696	2,371,158		1,088,000				1,286,462
Total Component Units	<u>\$ 15,347,409</u>	<u>15,569,899</u>	<u>318,172</u>	<u>1,145,280</u>				<u>1,685,942</u>
General revenues:								
Taxes:								
Property taxes					\$ 1,180,005		1,180,005	
Road & bridge privilege taxes							-	
Grants and contributions not restricted to specific programs					1,720,630		1,720,630	
Unrestricted gifts and donations					25,000		25,000	
Unrestricted investment income					46,265	27,377	73,642	267,832
Miscellaneous					46,040		46,040	16,130
Other financing sources-lease principal payments					7,124		7,124	
Total General Revenues, Special Item, Extraordinary Item and Transfers					<u>3,025,064</u>	<u>27,377</u>	<u>3,052,441</u>	<u>283,962</u>
Changes in Net Assets					<u>(150,532)</u>	<u>167,379</u>	<u>16,847</u>	<u>1,969,904</u>
Net Assets - Beginning					3,381,870	1,306,290	4,688,160	30,971,076
Prior period adjustment					15,422	154,637	170,059	-
Net Assets - Beginning restated					<u>3,397,292</u>	<u>1,460,927</u>	<u>4,858,219</u>	<u>30,971,076</u>
Net Assets - Ending					<u>\$ 3,246,760</u>	<u>1,628,306</u>	<u>4,875,066</u>	<u>32,940,980</u>

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

City Of Louisville, Mississippi
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Polo Building Lease Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 437,389		52,000	489,389
Property tax receivable	652,000			652,000
Fines receivable	110,367			110,367
Loans receivable, net			56,684	56,684
Capital lease receivable		642,876	56,965	699,841
Intergovernmental receivables	187,718		54,821	242,539
Advances to other funds	17,356		4,776	22,132
Total Assets	\$ 1,404,830	642,876	225,246	2,272,952
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 85,393		41,295	126,688
Intergovernmental payables	19,232			19,232
Advances from other funds	74,970		17,356	92,326
Deferred revenue	762,367	642,876		1,405,243
Total Liabilities	941,962	642,876	58,651	1,643,489
Fund balances:				
Reserved for:				
Advances	17,356		4,776	22,132
Unemployment compensation	11,522			11,522
Loans receivable			56,684	56,684
Unreserved, reported in:				
General fund	433,990			433,990
Special revenue funds			105,135	105,135
Total Fund Balances	462,868	-	166,595	629,463
Total Liabilities and Fund Balances	\$ 1,404,830	642,876	225,246	2,272,952

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, 2008

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 629,463
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 \$2,296,798	3,078,286
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fine receivables	110,367
Capital lease receivables	642,876
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(1,214,232)
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>3,246,760</u></u>

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

City Of Louisville, Mississippi
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2008

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Polo Building Lease Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 1,180,005			1,180,005
Licenses and permits	131,786			131,786
Fines and forfeitures	250,751			250,751
Intergovernmental revenues	2,005,659		410,074	2,415,733
Charges for services	190,703		166,744	357,447
Interest income	31,421	8,631	6,213	46,265
Miscellaneous revenues	69,906			69,906
Total Revenues	<u>3,860,231</u>	<u>8,631</u>	<u>583,031</u>	<u>4,451,893</u>
EXPENDITURES				
Current:				
General government	799,143			799,143
Public safety	2,142,953		244,244	2,387,197
Public works	584,497			584,497
Culture and recreation	335,035			335,035
Economic development and assistance	729,671	1,336	430,464	1,161,471
Debt service:				
Principal	37,342	7,949		45,291
Interest	3,416	6,470		9,886
Total Expenditures	<u>4,632,057</u>	<u>15,755</u>	<u>674,708</u>	<u>5,322,520</u>
Excess of Revenues over (under) Expenditures	<u>(771,826)</u>	<u>(7,124)</u>	<u>(91,677)</u>	<u>(870,627)</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	650,000			650,000
Proceeds from sale of capital assets	5,204			5,204
Lease principal payments		7,124		7,124
Total Other Financing Sources and Uses	<u>655,204</u>	<u>7,124</u>	<u>-</u>	<u>662,328</u>
Net Changes in Fund Balances	<u>(116,622)</u>	<u>-</u>	<u>(91,677)</u>	<u>(208,299)</u>
Fund Balance - Beginning	<u>579,490</u>	<u>-</u>	<u>258,272</u>	<u>837,762</u>
Fund Balances - Ending	<u>\$ 462,868</u>	<u>-</u>	<u>166,595</u>	<u>629,463</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, 2008

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (208,299)
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 \$ 263,284 exceeded depreciation \$ 230,273 in the current period.	33,011
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 \$ 13,173 added to the proceeds from the sale of \$ 5,204 in the current period.	(18,377)
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 proceeds \$ 650,000 exceeded debt repayments of \$ 45,291.	(604,709)
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.	(12,082)
Deferred revenue on a capital lease receivable is recognized on the modified accrual basis however it is not recognized on the full-accrual basis of accounting.	642,876
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	17,048
Change in net assets of governmental activities (Exhibit 2)	<u>\$ (150,532)</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, 2008

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	\$ 332,873	110,939	443,812
Accounts receivable, net	69,794	43,911	113,705
Advances to other funds		105,194	105,194
Total Current Assets	<u>402,667</u>	<u>260,044</u>	<u>662,711</u>
Noncurrent assets:			
Restricted assets		334,526	334,526
Capital assets, net	113,900	910,967	1,024,867
Total Noncurrent Assets	<u>113,900</u>	<u>1,245,493</u>	<u>1,359,393</u>
Total Assets	<u>516,567</u>	<u>1,505,537</u>	<u>2,022,104</u>
LIABILITIES			
Current liabilities:			
Accounts payable	27,376	2,615	29,991
Intergovernmental payables		15,920	15,920
Advances from other funds	35,000		35,000
Total Current Liabilities	<u>62,376</u>	<u>18,535</u>	<u>80,911</u>
Noncurrent liabilities:			
Liability for closure/post closure accounts		309,238	309,238
Non-capital debt:			
Compensated absences payable	1,267	2,382	3,649
Total Noncurrent Liabilities	<u>1,267</u>	<u>311,620</u>	<u>312,887</u>
NET ASSETS			
Invested in capital assets, net of related debt	113,900	910,967	1,024,867
Restricted for landfill closure/postclosure costs		334,526	334,526
Unrestricted	339,024	(70,111)	268,913
Total Net Assets	<u>\$ 452,924</u>	<u>1,175,382</u>	<u>1,628,306</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, 2008

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	\$ 439,882	386,917	826,799
Total Operating Revenues	<u>439,882</u>	<u>386,917</u>	<u>826,799</u>
Operating Expenses			
Personal services	65,975	166,504	232,479
Contractual services	218,469	49,488	267,957
Materials and supplies	33,770	56,610	90,380
Utilities	36,653	5,801	42,454
Depreciation expense	12,501	41,026	53,527
Total Operating Expenses	<u>367,368</u>	<u>319,429</u>	<u>686,797</u>
Operating Income (Loss)	<u>72,514</u>	<u>67,488</u>	<u>140,002</u>
Nonoperating Revenues (Expenses)			
Interest income	15,178	12,199	27,377
Net Nonoperating Revenue (Expenses)	<u>15,178</u>	<u>12,199</u>	<u>27,377</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	87,692	79,687	167,379
Changes in Net Assets	<u>87,692</u>	<u>79,687</u>	<u>167,379</u>
Net Assets - Beginning	365,232	941,058	1,306,290
Prior period adjustment	-	154,637	154,637
Net Assets - Beginning restated	<u>365,232</u>	<u>1,095,695</u>	<u>1,460,927</u>
Net Assets Ending	<u>\$ 452,924</u>	<u>1,175,382</u>	<u>1,628,306</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, 2008

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	\$ 445,775	394,643	840,418
Payments to suppliers	(277,417)	(156,227)	(433,644)
Payments to employees	(65,975)	(166,504)	(232,479)
Net Cash Provided (Used) by Operating Activities	<u>102,383</u>	<u>71,912</u>	<u>174,295</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	<u>0</u>	<u>(23,870)</u>	<u>(23,870)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(23,870)</u>	<u>(23,870)</u>
Cash Flows From Investing Activities			
Interest and dividends on investments	15,178	12,199	27,377
Purchase of investment securities		(12,700)	(12,700)
Net Cash Provided (Used) by Investing Activities	<u>15,178</u>	<u>(501)</u>	<u>14,677</u>
Net Increase (Decrease) in Cash and Cash Equivalents	117,561	47,541	165,102
Cash and Cash Equivalents at Beginning of Year	215,312	63,398	278,710
Cash and Cash Equivalents at End of Year	<u>\$ 332,873</u>	<u>110,939</u>	<u>443,812</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 72,514	67,488	140,002
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	12,501	41,026	53,527
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,893)	(7,726)	(13,619)
Increase (decrease) in accounts payable	23,528	(30,521)	(6,993)
Increase (decrease) in solid waste fee payable		2,122	2,122
Increase (decrease) in liability for compensated absences	(267)	(477)	(744)
Total Adjustments	<u>29,869</u>	<u>4,424</u>	<u>34,293</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,383</u>	<u>71,912</u>	<u>174,295</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, 2008**

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, 2008**

(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, 2008**

	The Housing Authority of the City of Louisville 6/30/2008	Louisville Electric System 06/30/2008	Louisville Water System	Total
Assets:				
Current assets	\$ 583,926	\$ 9,248,109	\$ 2,311,263	\$ 12,143,298
Capital assets	3,895,222	8,977,768	11,315,245	24,188,235
Other assets	<u>14,300</u>	<u>10,098</u>	<u>-</u>	<u>24,398</u>
Total Assets	\$ <u>4,493,448</u>	\$ <u>18,235,975</u>	\$ <u>13,626,508</u>	\$ <u>36,355,931</u>
Liabilities:				
Current Liabilities	65,100	2,896,950	420,839	3,382,889
Other Liabilities	<u>3,474</u>	<u>-</u>	<u>28,588</u>	<u>32,062</u>
Total Liabilities	<u>68,574</u>	<u>2,896,950</u>	<u>449,427</u>	<u>3,414,951</u>
Net Assets:				
Investment in Capital Assets	3,895,222	8,977,768	11,262,300	24,135,290
Unrestricted	<u>529,652</u>	<u>6,361,257</u>	<u>1,914,781</u>	<u>8,805,690</u>
Total Net Assets	<u>4,424,874</u>	<u>15,339,025</u>	<u>13,177,081</u>	<u>32,940,980</u>
Total Liabilities and Net Assets	\$ <u>4,493,448</u>	\$ <u>18,235,975</u>	\$ <u>13,626,508</u>	\$ <u>36,355,931</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(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, 2008**

	The Housing Authority of The City of Louisville <u>6/30/2008</u>	Louisville Electric System <u>6/30/08</u>	Louisville Water System	Total
Operating revenues	\$ 244,799	\$ 12,953,942	\$ 2,371,158	\$ 15,569,899
Operating expenses:				
Depreciation	216,629	537,991	456,615	1,211,235
Other	526,220	11,891,435	1,712,283	14,129,938
	<u>742,849</u>	<u>12,429,426</u>	<u>2,168,898</u>	<u>15,341,173</u>
Operating income (loss)	(498,050)	524,516	202,260	228,726
Other income	395,547	195,459	1,156,408	1,747,414
Other expenses	-	(22,438)	(3,798)	(6,236)
Change in Net Assets	(102,503)	717,537	1,354,870	1,969,904
Net Assets - Beginning	4,527,377	14,621,488	11,822,211	30,971,076
Net Assets - Ending	\$ <u>4,424,874</u>	\$ <u>15,339,025</u>	\$ <u>13,177,081</u>	\$ <u>32,940,980</u>

Financial statements for the three discretely presented component units were audited by other auditors, as noted in our opinion letter dated , 2009. 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, 2008, instead of September 30, 2008. 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, 2008**

(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 funds:

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.

The Polo Building Lease Fund is the fund that accounts for the capital lease of a commercial building to Polo Industries, Inc.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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, 2008**

(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, 2008, the City has set aside \$334,526 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, 2008**

(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, 2008

(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 appropriable or are legally segregated for a specific purpose.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(2) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanations:

Unrecorded fines receivable at 10/01/07	\$	15,422
Change in liability for closure/post closure costs at 10/01/07		<u>154,637</u>
 Total	 \$	 <u>170,059</u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds

Explanation:

Change in liability for closure/post closure costs at 10/01/07	\$	<u>154,637</u>
 Total	 \$	 <u>154,637</u>

(3) Deposits and Investments

The carrying amount of the city's total deposits with financial institutions at September 30, 2008, was \$933,201, and the bank balance was \$1,025,593. 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, 2008**

(3) Deposits and Investments (Continued)

Investments:

Investment balances at September 30, 2008, 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	334,526	334,526
Total		\$ 334,526	334,526

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 \$334,526 investment in U.S. Government Securities, \$0 of underlying securities were held by the investment's counterparty, not in the name of the city.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental	\$ 17,356
Other Governmental	General	4,776
Landfill	General	\$ 70,194
Landfill	Sanitation	35,000
		\$ <u>127,326</u>

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

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

Governmental Activities:

Description	Amount
Sales tax	\$ 135,749
CDBG grants	35,184
Tax equivalent payments due	32,124
Housing Authority Protective Services reimbursement	5,285
Louisville Armory reimbursement	1,487
E911 reimbursement	19,637
Motor vehicle ad valorem tax – Sept. 08	6,574
3 rd Quarter 2008 franchise fees	6,499
Total Governmental Activities	\$ 242,539

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
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				\$ 56,684

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, 2008**

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1,	Additions	Deletions	Adjustments	Balance Sept. 30,
Non-depreciable capital assets:					
Land	679,016	63,000	-	-	742,016
Total non-depreciable capital assets	<u>679,016</u>	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>742,016</u>
Depreciable capital assets:					
Infrastructure	412,906	-	-	-	412,906
Buildings	1,702,565	-	-	-	1,702,565
Improvements other than buildings	683,752	-	-	-	683,752
Equipment	1,740,005	200,284	(140,919)	34,475	1,833,845
Leased property under capital leases	34,475	-	-	(34,475)	-
Total depreciable capital assets	<u>4,573,703</u>	<u>200,284</u>	<u>(140,919)</u>	<u>-</u>	<u>4,633,068</u>
Less accumulated depreciation for:					
Infrastructure	16,516	8,258	-	-	24,774
Buildings	704,960	36,937	-	-	741,897
Improvements other than buildings	245,015	15,065	-	-	260,080
Equipment	1,203,959	170,013	(122,542)	18,617	1,270,047
Leased property under capital leases	18,617	-	-	(18,617)	-
Total accumulated depreciation	<u>2,189,067</u>	<u>230,273</u>	<u>(122,542)</u>	<u>-</u>	<u>2,296,798</u>
Total depreciable capital assets, net	<u>2,384,636</u>	<u>(29,989)</u>	<u>(18,377)</u>	<u>-</u>	<u>2,336,270</u>
Governmental activities, assets, net	<u>\$ 3,063,652</u>	<u>33,011</u>	<u>(18,377)</u>	<u>-</u>	<u>3,078,286</u>

Business-type activities

Non-depreciable capital assets					
Land	\$ 124,000	-	-	-	124,000
Construction in progress	330,395	23,869	-	(354,264)	-
Total non-depreciable capital assets	<u>454,395</u>	<u>23,869</u>	<u>-</u>	<u>(354,264)</u>	<u>124,000</u>
Depreciable capital assets:					
Improvements other than buildings	1,580,712	-	-	354,264	1,934,976
Equipment	718,803	-	-	-	718,803
Total depreciable capital assets	<u>2,299,515</u>	<u>-</u>	<u>-</u>	<u>354,264</u>	<u>2,653,779</u>
Less accumulated depreciation for:					
Improvements other than buildings	1,245,258	25,735	-	-	1,270,993
Equipment	454,127	27,792	-	-	481,919
Total accumulated depreciation	<u>1,699,385</u>	<u>53,527</u>	<u>-</u>	<u>-</u>	<u>1,752,912</u>
Total depreciable capital assets, net	<u>600,130</u>	<u>(53,527)</u>	<u>-</u>	<u>354,264</u>	<u>900,867</u>
Business-type activities capital assets, net	<u>\$ 1,054,525</u>	<u>(29,658)</u>	<u>-</u>	<u>-</u>	<u>1,024,867</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 11,292
Public safety	128,594
Public works	60,215
Economic development	3,070
Culture and recreation	<u>27,102</u>
 Total governmental activities depreciation expense	 \$ <u>230,273</u>
Business-type activities:	
Sanitation	\$ 12,501
Landfill	<u>41,026</u>
 Total business-type activities depreciation expense	 \$ <u>53,527</u>

(8) 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 2008 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, 2008**

(9) Capital Leases.

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2008:

<u>Classes of Property</u>	<u>Amount</u>
Building	\$ 650,000
Equipment	<u>424,000</u>
 Total	 \$ <u>1,074,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	70,514	27,369
2010	31,248	24,458
2011	23,776	23,490
2012	24,745	22,522
2013	25,753	21,514
2014-2018	145,384	90,948
2019-2023	177,513	58,819
2024-2028	\$ <u>200,908</u>	<u>19,668</u>
 Total	 \$ <u>699,841</u>	 <u>288,788</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(10) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities			
A. Other Loans:			
Mississippi Development Authority – CDBG Loan Polo Industries	\$ 642,051	4.00%	6/01/28
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)	13,333	N/A	8/01/16
Mary I Kraska Revocable Trust	25,000	4.75%	6/04/09
Total Other Loans	<u>\$ 1,104,105</u>		

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

Year Ending September 30	Other Loans	
	Principal	Interest
2009	\$ 391,930	\$ 138,431
2010	26,737	18,189
2011	38,508	18,011
2012	100,064	18,345
2013	29,095	15,831
2014-2018	155,171	66,122
2019-2023	174,440	41,853
2024-2028	188,160	17,318
Total	<u>\$ 1,104,105</u>	<u>\$ 334,100</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(10) Long-term Debt (Continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1,	Addition	Reduction	Balance Sept. 30,	Amount due Within one Year
Governmental Activities					
Capital Leases	\$ 9,009		(9,009)	-	-
Other Loans	490,388	650,000	(36,283)	1,104,105	391,930
Compensated Absences	127,174		(17,047)	110,127	-
Total	\$ 626,571	650,000	(62,339)	1,214,232	391,930
Business-type Activities:					
Compensated Absences	4,393	-	(744)	3,649	-
Total	\$ 4,393	-	(744)	3,649	-

(11) 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.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(12) 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 2008. 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 \$25,000 in fiscal year 2008. Complete financial statements can be obtained from the Winston County Economic Development District at P. O. Box 551, Louisville, MS 39339.

(13) 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 11.85% 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, 2008, 2007, and 2006, were \$ 245,136, \$213,754, and \$184,098, respectively, which equaled the required contributions for each year.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(14) 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:

Approved engineering agreement with Calvert Spradling Engineers and accepted bid from Wright Construction for the coliseum improvement project. The total estimated cost of the project is estimated to be approximately \$400,000 with \$330,000 of the project being financed with a CDBG grant.

Approved loan agreement with Louisville Brick Company, Inc., in the amount of \$350,000 for 60 months at a 3% annual rate of interest. The loan is to be financed with proceeds of a CDBG loan to the city.

Approved purchase of a 2009 Dodge police car for \$24,560.

Approved purchase of police equipment for \$40,766. The equipment is to be financed with grant proceeds.

Accepted bid of \$299,439 from Triangle Maintenance service for the Airport Project. This project is to be financed with grant proceeds.

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,136,080	1,185,117	1,180,005	(5,112)
Licenses, commissions and other revenue	140,500	108,789	131,786	22,997
Fines and forfeitures	143,900	281,808	250,751	(31,057)
Intergovernmental revenues	2,813,040	2,091,248	2,005,659	(85,589)
Charges for services	197,150	212,847	190,703	(22,144)
Interest income	37,000	37,000	31,421	(5,579)
Miscellaneous revenues	62,000	69,090	69,906	816
Total Revenues	<u>4,529,670</u>	<u>3,985,899</u>	<u>3,860,231</u>	<u>(125,668)</u>
EXPENDITURES				
Current:				
General government	1,209,485	1,042,120	799,143	242,977
Public safety	2,264,350	2,376,525	2,142,953	233,572
Public works	1,259,820	1,262,377	584,497	677,880
Culture and recreation	1,097,040	421,357	335,035	86,322
Economic development and assistance		814,062	729,671	84,391
Debt service:				
Principal			37,342	(37,342)
Interest			3,416	(3,416)
Total Expenditures	<u>5,830,695</u>	<u>5,916,441</u>	<u>4,632,057</u>	<u>1,284,384</u>
Excess of Revenues over (under) Expenditures	<u>(1,301,025)</u>	<u>(1,930,542)</u>	<u>(771,826)</u>	<u>1,158,716</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		650,000	650,000	0
Proceeds from sale of capital assets		10,000	5,204	(4,796)
Total Other Financing Sources and Uses	<u>0</u>	<u>660,000</u>	<u>655,204</u>	<u>(4,796)</u>
Net Change in Fund Balance	(1,301,025)	(1,270,542)	(116,622)	1,153,920
Fund Balances - Beginning	<u>703,348</u>	<u>703,348</u>	<u>579,490</u>	<u>(123,858)</u>
Fund Balances - Ending	<u>\$ (597,677)</u>	<u>(567,194)</u>	<u>462,868</u>	<u>1,030,062</u>

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

City Of Louisville, Mississippi
Budgetary Comparison Schedule -
Budget and Actual
Polo Building Lease Fund
For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	15,756	8,631	(7,125)
Total Revenues	<u>0</u>	<u>15,756</u>	<u>8,631</u>	<u>(7,125)</u>
EXPENDITURES				
Current:				
Economic development and assistance			1,336	(1,336)
Debt service:				
Principal		14,420	7,949	6,471
Interest			6,470	(6,470)
Total Expenditures	<u>0</u>	<u>14,420</u>	<u>15,755</u>	<u>(1,335)</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>1,336</u>	<u>(7,124)</u>	<u>(8,460)</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments			7,124	7,124
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>7,124</u>	<u>7,124</u>
Net Change in Fund Balance	0	1,336	0	(1,336)
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u></u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,336</u>	<u>0</u>	<u>(1,336)</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, 2008**

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.

C. Unbudgeted Funds.

The following fund was not budgeted for the year ended September 30, 2008:

Special Revenue Funds:
CDBG Grant Coliseum Fund

The unbudgeted fund is in violation of state law. However, the municipality has no liability associated with the violation.

CITY OF LOUISVILLE, MISSISSIPPI

SUPPLEMENTAL INFORMATION

City of Louisville, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Mississippi Development Authority			
Community Development Block Grants-Entitlement Grants	14.218	R-110-238-01-GZ	\$ 37,037
Community Development Block Grants-Entitlement Grants	14.218	R-103-238-01-KED	212,790
Community Development Block Grants-Entitlement Grants	14.218	1124-07-238-MMED-01	130,000
Community Development Block Grants-Entitlement Grants	14.218	1122-05-238-PF-01	134,520
Total Community Development Block Grants			<u>514,347</u>
Total Expenditures of Major Federal Awards			<u><u>514,347</u></u>
OTHER FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Direct Program			
Community Facility Loans & Grants	10.766		<u>51,813</u>
Total U.S. Department of Agriculture			<u>51,813</u>
<u>Federal Aviation Administration</u>			
Passed through the Mississippi Department of Transportation			
Airport Improvement Program	20.106	03-28-0043-007-2008	<u>127,402</u>
Total Federal Aviation Administration			<u>127,402</u>
<u>U.S. Department of Transportation</u>			
Passed through the Mississippi Department of Transportation			
Highway Planning & Construction	20.205		<u>4,500</u>
Total U.S. Department of Transportation			<u>4,500</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Mississippi Department of Public Safety- Office of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004	07HS238	2,480
State Domestic Preparedness Equipment Support Program	97.004	S5HS238A	<u>44,997</u>
Total U.S. Department of Homeland Security			<u>47,477</u>
Total Expenditures of Other Federal Awards			<u>231,192</u>
Total Expenditures of Federal Awards			<u><u>\$ 745,539</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

CITY OF LOUISVILLE, MISSISSIPPI

COMBINING FINANCIAL STATEMENTS – COMPONENT UNITS

City Of Louisville
Combining Schedule-Component Units
Statement of Net Assets
September 30, 2008

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Total
ASSETS				
Cash and investments	\$ 553,334	5,597,191	1,958,033	8,108,558
Accrued interest receivable	3,090	42,944	6,527	52,561
Accounts receivable, net	2,515	2,748,535	188,193	2,939,243
Other receivables, net		25,256		25,256
CSA stockholder loan			6,737	6,737
Other assets			457	457
Inventories and prepaid items	24,987	834,183	151,316	1,010,486
Restricted assets	14,300	10,098		24,398
Capital assets, net	3,895,222	8,977,768	11,315,245	24,188,235
Total Assets	<u>4,493,448</u>	<u>18,235,975</u>	<u>13,626,508</u>	<u>36,355,931</u>
LIABILITIES				
Accounts payable and accrued liabilities	8,022	2,383,287	218,017	2,609,326
Liabilities payable from restricted assets	14,300			14,300
Intergovernmental payables	41,954	16,062		58,016
Deferred revenue	112	152,646	1,000	153,758
Customer deposits		344,955	177,465	522,420
Long-term liabilities				
Due within one year:				
Capital related debt		-	24,357	24,357
Non-capital debt	712			712
Due in more than one year:				
Capital related debt			28,588	28,588
Non-capital debt	3,474			3,474
Total Liabilities	<u>68,574</u>	<u>2,896,950</u>	<u>449,427</u>	<u>3,414,951</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,895,222	8,977,768	11,262,300	24,135,290
Unrestricted	529,652	6,361,257	1,914,781	8,805,690
Total Net Assets	<u>\$ 4,424,874</u>	<u>15,339,025</u>	<u>13,177,081</u>	<u>32,940,980</u>

City Of Louisville, Mississippi
Combining Schedule - Component Units
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2008

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Totals
Operating Revenues				
Charges for services	\$ 244,799	12,953,942	2,291,869	15,490,610
Miscellaneous			79,289	79,289
Total Operating Revenues	<u>244,799</u>	<u>12,953,942</u>	<u>2,371,158</u>	<u>15,569,899</u>
Operating Expenses				
Cost of power		10,597,741		10,597,741
Uncollectible accounts			2,686	2,686
Operation and maintenance	252,492	334,482	834,574	1,421,548
Protective services	40,965			40,965
Customer services	235	160,551		160,786
Utilities	11,328		209,365	220,693
Depreciation expense	216,629	537,991	456,615	1,211,235
Distribution expense		152,158		152,158
Sales expense		17,784		17,784
Taxes		230,488	52,974	283,462
Administrative and general expense	221,200	398,231	498,994	1,118,425
Insurance premiums			97,328	97,328
Miscellaneous			16,362	16,362
Total Operating Expenses	<u>742,849</u>	<u>12,429,426</u>	<u>2,168,898</u>	<u>15,341,173</u>
Operating Income (Loss)	<u>(498,050)</u>	<u>524,516</u>	<u>202,260</u>	<u>228,726</u>
Nonoperating Revenues (Expenses)				
Interest income	3,965	195,459	68,408	267,832
Operating grants	318,172			318,172
Interest expense			(3,798)	(3,798)
Other income (expenses)	16,130	(2,438)		13,692
Net Nonoperating Revenue (Expenses)	<u>338,267</u>	<u>193,021</u>	<u>64,610</u>	<u>595,898</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(159,783)</u>	<u>717,537</u>	<u>266,870</u>	<u>824,624</u>
Capital grants	57,280		1,088,000	1,145,280
Changes in Net Assets	<u>(102,503)</u>	<u>717,537</u>	<u>1,354,870</u>	<u>1,969,904</u>
Net Assets - Beginning	4,527,377	14,621,488	11,822,211	30,971,076
Prior period adjustment	-			-
Net Assets - Beginning restated	<u>4,527,377</u>	<u>14,621,488</u>	<u>11,822,211</u>	<u>30,971,076</u>
Net Assets Ending	<u>\$ 4,424,874</u>	<u>15,339,025</u>	<u>13,177,081</u>	<u>32,940,980</u>

**CITY OF LOUISVILLE, MISSISSIPPI
 SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
 TO FUND COLLECTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Taxable Assessed Value	Millage		Tax
Adjusted Assessed Valuation				
City:				
Realty	26,932,231	13.30	\$	358,199
Personal-other than auto	12,130,075	13.30		161,330
Public utilities	3,866,284	13.30		51,422
Personal-Auto (remitted by county)	6,423,459	13.30		85,432
Total				656,383
Less: Homestead Exemption Allowed			(54,955)	
Tax Collector's Commissions			(4,272)	(59,227)
Add: Actual Homestead Reimbursement				54,897
Total to be Accounted For			\$	652,053
	Taxes	Reimbursement		
Credit:				
Collections Allocated to:				
Municipal General Funds	\$ 546,755	50,769		
Memorial Park and Cemetery Fund	44,410	4,128		
Total	591,165	54,897	\$	646,062
Balance Represented by Unpaid Property Taxes				5,991
Total Accounted For			\$	652,053

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 2007	675,565
10% Increase	67,557
Total	743,122
Year 2008	652,053
Under (Over) Limitations	91,069
Total	743,122

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS
SEPTEMBER 30, 2008**

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.

Name	Title	Coverages
Daniel E. Yarbrough	Mayor	\$ 50,000
Judy McLeod	Alderwoman	\$ 30,000
Eugene Crosby	Alderman	\$ 30,000
Richard Caperton	Alderman	\$ 30,000
Gwenita Mays	Alderwoman	\$ 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
L.M. Claiborne, JR.	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

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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

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, 2008, and have issued our report thereon dated September 15, 2009. 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's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings **2008-1, 2008-2, and 2008-3**, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings **2008-1 and 2008-2**, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city'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 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
September 15, 2009

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**

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

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, 2008. 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, 2008.

Internal Control Over Compliance

The management of the City of Louisville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the municipality's internal control over compliance.

A control deficiency in a municipality's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the municipality's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the municipality's internal control.

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

This report is intended solely for the information and use of management, the Board of Aldermen, others within the entity, 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
September 15, 2009

Watkins, Ward and Stafford, PLLC



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

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, 2008, and have issued our report thereon dated September 15, 2009. 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 21-35-9, Miss Code Ann. (1972) requires that the Board of Aldermen adopt a budget for each individual fund that receives revenues for the municipality or which will require approval of the board of aldermen for expenditure. A budget was not prepared for Fund #391 CDBG Grant – Coliseum Fund.

Recommendation

We recommend the city comply with MS Code Section 21-35-9 and budget all funds maintained by the municipality.

City's Response

We will comply with MS Code Section 21-35-9 and budget all funds maintained by the municipality.

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
September 15, 2009

Watkins, Ward and Stafford, PLLC

CITY OF LOUISVILLE, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIOND COSTS AND RESPONSES

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Section 1: Summary of Auditors Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified that (is/are) not considered to be a material weakness(es) | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____.510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Community Development Block Grants – Entitlement Grants, CFDA#14.218 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Material Weakness

2008-1 Finding

As discussed in the previous year's audit, it was noted per our review of police fines 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

A detailed list of accounts receivable by docket number for fines incurred prior to 10/01/04 will be compiled so that an aged accounts receivable system is established and maintained.

Material Weakness

2008-2 Finding

Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include the preparation of financial statements after conversion entries to convert the financial statements to the accrual basis of accounting (GASB 34 Conversion).

These financial statements were not prepared as of the beginning of audit field work. We assisted the client with conversion entries and prepared financial statements from the converted information.

Recommendation

We recommend that the city prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work.

Response

Due to restrictive budgets and personnel, the city was unable to prepare year-end financial statements in accordance with generally accepted accounting principles, but the city accepts the recommendation that these year-end financial statements should be available prior to the commencement of audit field work.

Significant Deficiency not Considered to be a Material Weakness

2008-3 Finding

Per testing of general disbursements we noted the following deficiencies in internal control:

1. We noted two instances where purchase orders were prepared after the actual purchase occurred.
2. We noted four instances where there was no receiving documentation noted for a transaction that was paid.

Recommendation

We recommend that purchase orders be prepared prior to the actual purchase of goods and services and that all invoices received for payment be reviewed to ensure that receiving documentation exists to ensure that the goods were actually received prior to the municipality paying for these items.

Response

We will prepare a purchase order prior to the actual purchase of goods and services and we will review all invoices prior to payment and determine that adequate receiving documentation exists prior to the payment of the invoice.

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.