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CITY OF LOUISVILLE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CITY OF LOUISVILLE, MISSISSIPPI

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CITY OF LOUISVILLE, MISSISSIPPI

FINANCIAL SECTION



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

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Louisville, Mississippi, as of and for the year ended September 30, 2009, 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, 2009, 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 24, 2010, 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 Schedules 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 24, 2010

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, 2009**

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, 2009. 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, 2009 by \$5,249,274 (net assets).
- Total net assets increased \$374,208, which includes a prior period adjustment of \$45,656. Net assets of governmental activities increased \$481,142, which includes a prior period adjustment of \$45,656, which represents a 15 percent increase over 2008. Net assets of business-type activities decreased \$106,934 or 7 percent under 2008.
- As of September 30, 2009, the City of Louisville's governmental funds reported combined ending fund balances of \$1,077,115, a increase of \$477,652 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 and each major special revenue 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 \$5,249,274 as of September 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, the governmental activities net assets are \$3,727,902 and the business type activities net assets are \$1,521,372. 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 (81 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 3,076,107	2,180,626	1,163,479	962,237	4,239,586	3,142,863
Capital Assets	3,460,258	3,078,286	793,800	1,024,867	4,254,058	4,103,153
Total Assets	<u>6,536,365</u>	<u>5,258,912</u>	<u>1,957,279</u>	<u>1,987,104</u>	<u>8,493,644</u>	<u>7,246,016</u>
Current and other liabilities	1,703,934	1,189,850	432,024	355,149	2,135,958	1,544,999
Long-term liabilities	1,104,529	822,302	3,883	3,649	1,108,412	825,951
Total Liabilities	<u>2,808,463</u>	<u>2,012,152</u>	<u>435,907</u>	<u>358,798</u>	<u>3,244,370</u>	<u>2,370,950</u>
New assets:						
Invested in capital assets, net of related debt	3,460,258	3,053,286	793,800	1,024,867	4,254,058	4,078,153
Restricted	498,847	178,117	727,572	603,439	1,226,419	781,556
Unrestricted	(231,203)	15,357	0	0	(231,203)	15,357
Total Net Assets	<u>\$ 3,727,902</u>	<u>3,246,760</u>	<u>1,521,372</u>	<u>1,628,306</u>	<u>5,249,274</u>	<u>4,875,066</u>

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for services	\$ 561,558	621,630	863,244	826,799	1,424,802	1,448,429
Operating grants and contributions	601,641	771,469	0	0	601,641	771,469
Capital grants and contributions	488,842	28,772	0	0	488,842	28,772
General revenues:						
Taxes	1,314,743	1,180,005	0	0	1,314,743	1,180,005
Grants and contributions not restricted to specific programs	1,646,628	1,720,630	0	0	1,646,628	1,720,630
Other	55,055	124,429	16,073	27,377	71,128	151,806
Total Revenues	4,668,467	4,446,935	879,317	854,176	5,547,784	5,301,111
Expenses:						
General government	723,251	778,664			723,251	778,664
Public safety	2,096,853	2,367,414			2,096,853	2,367,414
Public works	810,585	555,078			810,585	555,078
Health and Welfare	3,500				3,500	
Culture and recreation	336,962	364,760			336,962	364,760
Economic development and assistance	240,822	521,665			240,822	521,665
Interest on long-term debt	21,008	9,886			21,008	9,886
Sanitation			387,058	367,368	387,058	367,368
Landfill			599,193	319,429	599,193	319,429
Total Expenses	4,232,981	4,597,467	986,251	686,797	5,219,232	5,284,264
Increase (Decrease) in net assets	435,486	(150,532)	(106,934)	167,379	328,552	16,847
Net Assets, October 1	3,246,760	3,381,870	1,628,306	1,306,290	4,875,066	4,688,160
Prior Period Adjustment	45,656	15,422	0	154,637	45,656	170,059
Net Assets, September 30	\$ 3,727,902	3,246,760	1,521,372	1,628,306	5,249,274	4,875,066

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$2,096,853. 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 \$361,725 for the fiscal year ending September 30, 2009. The major components of public safety are police and fire. Other significant governmental expenses for the City include general government and public works at \$723,251 and \$810,585 respectively.

Business-type Activities

- Revenues of the City's business-like activities were \$879,317 for the fiscal year ending September 30, 2009. Expenses for the City's business-type activities were \$986,251 for the year, resulting in a net decrease in net assets of \$106,934.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2009 the City had \$4,254,058 invested in a broad range of capital assets, including police and fire equipment, buildings and park facilities. (See Table 3 below). This amount represents a net increase (including additions and deductions) of \$150,905 or 4 percent (3.67%) over the prior fiscal year.

Table 3
Capital Assets and Year End
Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 745,616	\$ 742,016	\$ 124,000	\$ 124,000	\$ 869,616	\$ 866,016
Construction in progress	561,202	0	0	0	561,202	0
Infrastructure	379,874	388,132	0	0	379,874	388,132
Buildings and improvements	948,302	960,668	0	0	948,302	960,668
Improvements other than buildings	384,037	423,672	460,708	663,983	844,745	1,087,655
Equipment	441,227	563,798	209,092	236,884	650,319	800,682
Totals	\$ 3,460,258	\$ 3,078,286	\$ 793,800	\$ 1,024,867	\$ 4,254,058	\$ 4,103,153

This year's major additions included:

Construction in progress – Louisville Coliseum Improvement \$561,202

Debt

At year-end, the City had \$1,404,776 in capital leases and other loans outstanding as compared to \$1,104,105 at the end of the prior fiscal year, an increase of 27 percent as shown in table 4.

Table 4
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Capital leases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other loans	1,404,776	1,104,105	0	0	1,404,776	1,104,105
Totals	\$ 1,404,775	\$ 1,104,105	\$ 0	\$ 0	\$ 1,404,775	\$ 1,104,105

The City borrowed \$350,000 through the Mississippi Development Authority for a local industry to aid in economic development.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2009 the governmental funds of the City reported a combined fund balance of \$1,077,115. This ending balance includes a decrease in fund balance of \$178,784 in the City's General Fund. The primary reason for the General Fund's decrease is the previous years' fund balance in the Memorial Park and Cemetery Fund was reclassified as a special revenue 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 2010 budget, tax rates, and fees that will be charged for the governmental and business-type activities. One of these factors is the economy. The largest sources of revenues in the general fund are sales tax and property tax revenues which are anticipated to remain consistent 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 and 1 mill for Cemetery).

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, 2009**

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Total
ASSETS				
Cash and investments	\$ 589,581	633,863	1,223,444	8,913,652
Accrued interest receivable			-	27,703
Property tax receivable	1,012,300		1,012,300	-
Accounts receivable, net		117,848	117,848	1,472,711
Fines receivable, net	89,460		89,460	-
Loans receivable, net	409,889		409,889	-
Capital leases receivable	625,132		625,132	-
Intergovernmental receivables	419,939		419,939	200
Other receivables, net			-	26,297
CSA stockholder loan			-	6,737
Internal balances	(70,194)	70,194	-	-
Inventories and prepaid items			-	1,640,372
Other assets			-	323
Restricted assets		341,574	341,574	24,232
Capital assets, net	3,460,258	793,800	4,254,058	24,379,904
Total Assets	6,536,365	1,957,279	8,493,644	36,492,131
LIABILITIES				
Accounts payable and accrued liabilities	268,225	37,780	306,005	2,219,859
Liabilities payable from restricted assets			-	14,100
Intergovernmental payables	8,082	18,089	26,171	60,228
Deferred revenue	1,012,300		1,012,300	122,297
Customer deposits			-	567,743
Liability for closure/postclosure costs		376,155	376,155	-
Long-term liabilities				
Due within one year:				
Capital related debt	-		-	19,997
Non-capital debt	415,327		415,327	708
Due in more than one year:				
Capital related debt	-		-	8,591
Non-capital debt	1,104,529	3,883	1,108,412	6,376
Total Liabilities	2,808,463	435,907	3,244,370	3,019,899
NET ASSETS				
Invested in capital assets, net of related debt	3,460,258	793,800	4,254,058	24,351,316
Restricted net assets:				
Expendable:				
General government	166,972		166,972	
Public safety	311,369		311,369	-
Public works		385,998	385,998	-
Economic development	8,984		8,984	-
Unemployment compensation	11,522		11,522	-
Landfill closure/postclosure costs		341,574	341,574	-
Unrestricted	(231,203)		(231,203)	9,120,916
Total Net Assets	\$ 3,727,902	1,521,372	5,249,274	33,472,232

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, 2009

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	\$ 723,251	199,833	-		(523,418)		(523,418)	
Public safety	2,096,853	361,725	123,707	24,560	(1,586,861)		(1,586,861)	
Public works	810,585		338,763		(471,822)		(471,822)	
Health and welfare	3,500		3,500		-		-	
Culture and recreation	336,962		-	464,282	127,320		127,320	
Economic development and assistance	240,822		135,671		(105,151)		(105,151)	
Interest on long-term debt	21,008				(21,008)		(21,008)	
Total Governmental Activities	<u>4,232,981</u>	<u>561,558</u>	<u>601,641</u>	<u>488,842</u>	<u>(2,580,940)</u>	<u>-</u>	<u>(2,580,940)</u>	
Business-type activities:								
Sanitation	387,058	423,172				36,114	36,114	
Landfill	599,193	440,072				(159,121)	(159,121)	
Total Business-type Activities	<u>986,251</u>	<u>863,244</u>	<u>-</u>	<u>-</u>	<u>(123,007)</u>	<u>(123,007)</u>	<u>(123,007)</u>	
Total Primary Government	<u>\$ 5,219,232</u>	<u>1,424,802</u>	<u>601,641</u>	<u>488,842</u>	<u>(2,580,940)</u>	<u>(123,007)</u>	<u>(2,703,947)</u>	
Component units:								
The Housing Authority of the City of Louisville	\$ 819,503	252,444	275,450	48,385				(243,224)
Louisville Electric System	12,772,037	12,831,629						59,592
Louisville Water System	2,273,415	2,364,868		350,000				441,453
Total Component Units	<u>\$ 15,864,955</u>	<u>15,448,941</u>	<u>275,450</u>	<u>398,385</u>				<u>257,821</u>
General revenues:								
Taxes:								
Property taxes					\$ 1,314,743		1,314,743	
Grants and contributions not restricted to specific programs					1,646,628		1,646,628	
Unrestricted investment income					46,551	16,073	62,624	271,251
Miscellaneous					8,504		8,504	2,180
Total General Revenues, Special Item, Extraordinary Item and Transfers					<u>3,016,426</u>	<u>16,073</u>	<u>3,032,499</u>	<u>273,431</u>
Changes in Net Assets					<u>435,486</u>	<u>(106,934)</u>	<u>328,552</u>	<u>531,252</u>
Net Assets - Beginning					3,246,760	1,628,306	4,875,066	32,940,980
Prior period adjustment					45,656	-	45,656	-
Net Assets - Beginning restated					<u>3,292,416</u>	<u>1,628,306</u>	<u>4,920,722</u>	<u>32,940,980</u>
Net Assets - Ending					<u>\$ 3,727,902</u>	<u>1,521,372</u>	<u>5,249,274</u>	<u>33,472,232</u>

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

City Of Louisville, Mississippi
Balance Sheet - Governmental Funds
September 30, 2009

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Polo Building Lease Fund	Louisville Brick Co. Inc Loan Fund	CDBG Grant Louisville Coliseum	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 199,943				389,638	589,581
Property tax receivable	961,000				51,300	1,012,300
Fines receivable	89,460					89,460
Loans receivable, net			350,000		59,889	409,889
Capital lease receivable		620,925			4,207	625,132
Intergovernmental receivables	348,209			56,273	15,457	419,939
Advances to other funds	17,356				4,776	22,132
Total Assets	\$ 1,615,968	620,925	350,000	56,273	525,267	3,168,433
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 198,372			56,273	13,580	268,225
Intergovernmental payables	8,082					8,082
Advances from other funds	74,970				17,356	92,326
Deferred revenue	1,050,460	620,925			51,300	1,722,685
Total Liabilities	1,331,884	620,925	-	56,273	82,236	2,091,318
Fund balances:						
Reserved for:						
Advances	17,356				4,776	22,132
Ad Valorem	140,606					140,606
Unemployment benefits	11,522					11,522
Loans receivable			350,000		59,889	409,889
Unreserved, reported in:						
General fund	114,600					114,600
Special revenue funds					378,366	378,366
Total Fund Balances	284,084	-	350,000	-	443,031	1,077,115
Total Liabilities and Fund Balances	\$ 1,615,968	620,925	350,000	56,273	525,267	3,168,433

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, 2009

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 1,077,115
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 \$2,452,782.	3,460,258
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fine receivables	89,460
Capital lease receivables	620,925
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(1,519,856)
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>3,727,902</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, 2009

Exhibit 4

	Major Funds					Total Governmental Funds
	General Fund	Polo Building Lease Fund	Louisville Brick Co., Inc Note Fund	CDBG Grant Louisville Coliseum	Other Governmental Funds	
REVENUES						
Property taxes	\$ 1,261,392				53,351	1,314,743
Licenses and permits	91,933				23,869	115,802
Fines and forfeitures	162,188					162,188
Intergovernmental revenues	1,972,245			464,282	209,098	2,645,625
Charges for services	148,386				248,021	396,407
Interest income	10,384	25,316			10,851	46,551
Miscellaneous revenues	8,058					8,058
Total Revenues	3,654,586	25,316	-	464,282	545,190	4,689,374
EXPENDITURES						
Current:						
General government	560,546				153,872	714,418
Public safety	1,773,674				238,441	2,012,115
Public works	758,993					758,993
Health and welfare					3,500	3,500
Culture and recreation	366,195			467,063		833,258
Economic development and assistance	57,263	4,008		-	176,481	237,752
Debt service:						
Principal	25,000	24,329				49,329
Interest	2,078	18,930				21,008
Total Expenditures	3,543,749	47,267	-	467,063	572,294	4,630,373
Excess of Revenues over (under) Expenditures	110,837	(21,951)	-	(2,781)	(27,104)	59,001
OTHER FINANCING SOURCES (USES)						
Long-term non-capital debt issued	-				350,000	350,000
Proceeds from sale of capital assets	16,700					16,700
Transfers in			350,000	2,781	139,520	492,301
Transfers out	(142,301)				(350,000)	(492,301)
Lease principal payments		21,951				21,951
Total Other Financing Sources and Uses	(125,601)	21,951	350,000	2,781	139,520	388,651
Net Changes in Fund Balances	(14,764)	-	350,000	-	112,416	447,652
Fund Balances - Beginning	462,868	-	-	-	166,595	629,463
Fund reclassifications	(164,020)				164,020	-
Fund Balance - Beginning	298,848	-	-	-	330,615	629,463
Fund Balances - Ending	\$ 284,084	-	350,000	-	443,031	1,077,115

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, 2009

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 447,652

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 \$ 548,725 exceeded depreciation \$ 208,986 in the current period. 339,739

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 \$ 20,123 added to the proceeds from the sale of \$ 16,700 in the current period. (3,423)

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 \$ 350,000 exceeded debt repayments of \$ 49,329. (300,671)

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. (20,907)

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. (21,951)

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 (4,953)

Change in net assets of governmental activities (Exhibit 2) \$ 435,486

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, 2009

Exhibit 5

	<u>Business-type Activites-Enterprise Funds</u>		
	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 388,176	245,687	633,863
Accounts receivable, net	71,336	46,512	117,848
Advances to other funds		105,194	105,194
Total Current Assets	<u>459,512</u>	<u>397,393</u>	<u>856,905</u>
Noncurrent assets:			
Restricted assets		341,574	341,574
Capital assets, net	101,399	692,401	793,800
Total Noncurrent Assets	<u>101,399</u>	<u>1,033,975</u>	<u>1,135,374</u>
Total Assets	<u>560,911</u>	<u>1,431,368</u>	<u>1,992,279</u>
LIABILITIES			
Current liabilities:			
Accounts payable	24,642	13,138	37,780
Intergovernmental payables		18,089	18,089
Advances from other funds	35,000		35,000
Total Current Liabilities	<u>59,642</u>	<u>31,227</u>	<u>90,869</u>
Noncurrent liabilities:			
Liability for closure/post closure accounts		376,155	376,155
Non-capital debt:			
Compensated absences payable	1,404	2,479	3,883
Total Noncurrent Liabilities	<u>1,404</u>	<u>378,634</u>	<u>380,038</u>
NET ASSETS			
Invested in capital assets, net of related debt	101,399	692,401	793,800
Restricted for landfill closure/postclosure costs		341,574	341,574
Unrestricted	398,466	(12,468)	385,998
Total Net Assets	<u>\$ 499,865</u>	<u>1,021,507</u>	<u>1,521,372</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, 2009

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	\$ 423,172	440,072	863,244
Total Operating Revenues	<u>423,172</u>	<u>440,072</u>	<u>863,244</u>
Operating Expenses			
Personal services	61,736	166,393	228,129
Contractual services	236,419	110,920	347,339
Materials and supplies	32,425	31,770	64,195
Utilities	43,977	4,627	48,604
Depreciation expense	12,501	218,566	231,067
Closure and postclosure expense		66,917	66,917
Total Operating Expenses	<u>387,058</u>	<u>599,193</u>	<u>986,251</u>
Operating Income (Loss)	<u>36,114</u>	<u>(159,121)</u>	<u>(123,007)</u>
Nonoperating Revenues (Expenses)			
Interest income	10,827	5,246	16,073
Net Nonoperating Revenue (Expenses)	<u>10,827</u>	<u>5,246</u>	<u>16,073</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	46,941	(153,875)	(106,934)
Changes in Net Assets	<u>46,941</u>	<u>(153,875)</u>	<u>(106,934)</u>
Net Assets - Beginning restated	<u>452,924</u>	<u>1,175,382</u>	<u>1,628,306</u>
Net Assets Ending	<u>\$ 499,865</u>	<u>1,021,507</u>	<u>1,521,372</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, 2009

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	\$ 421,630	437,471	859,101
Payments to suppliers	(315,555)	(134,625)	(450,180)
Payments to employees	(61,599)	(166,296)	(227,895)
Net Cash Provided (Used) by Operating Activities	<u>44,476</u>	<u>136,550</u>	<u>181,026</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>0</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Investing Activities			
Interest and dividends on investments	10,827	5,246	16,073
Purchase of investment securities		(7,048)	(7,048)
Net Cash Provided (Used) by Investing Activities	<u>10,827</u>	<u>(1,802)</u>	<u>9,025</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,303	134,748	190,051
Cash and Cash Equivalents at Beginning of Year	332,873	110,939	443,812
Cash and Cash Equivalents at End of Year	<u>\$ 388,176</u>	<u>245,687</u>	<u>633,863</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 36,114	(159,121)	(123,007)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	12,501	218,566	231,067
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,542)	(2,601)	(4,143)
Increase (decrease) in accounts payable	(2,734)	10,523	7,789
Increase (decrease) in solid waste fee payable		2,169	2,169
Increase (decrease) in liability for closure/post closure costs		66,917	66,917
Increase (decrease) in liability for compensated absences	137	97	234
Total Adjustments	<u>8,362</u>	<u>295,671</u>	<u>304,033</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,476</u>	<u>136,550</u>	<u>181,026</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, 2009**

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, 2009**

(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, 2009**

	The Housing Authority of the City of Louisville <u>6/30/2009</u>	Louisville Electric System <u>06/30/2009</u>	Louisville Water System	<u>Total</u>
Assets:				
Current assets	\$ 541,033	\$ 8,852,914	\$ 2,694,048	\$ 12,087,995
Capital assets	3,731,274	9,353,380	11,295,250	24,379,904
Other assets	<u>14,100</u>	<u>10,132</u>	<u>-</u>	<u>24,232</u>
Total Assets	\$ <u>4,286,407</u>	\$ <u>18,216,426</u>	\$ <u>13,989,298</u>	\$ <u>36,492,131</u>
Liabilities:				
Current Liabilities	65,460	2,628,013	311,459	3,004,932
Other Liabilities	<u>6,376</u>	<u>-</u>	<u>8,591</u>	<u>14,967</u>
Total Liabilities	<u>71,836</u>	<u>2,628,013</u>	<u>320,050</u>	<u>3,019,899</u>
Net Assets:				
Investment in Capital Assets	3,731,274	9,353,380	11,266,662	24,351,316
Unrestricted	<u>483,297</u>	<u>6,235,033</u>	<u>2,402,586</u>	<u>9,120,916</u>
Total Net Assets	<u>4,214,571</u>	<u>15,588,413</u>	<u>13,669,248</u>	<u>33,472,232</u>
Total Liabilities and Net Assets	\$ <u>4,286,407</u>	\$ <u>18,216,426</u>	\$ <u>13,989,298</u>	\$ <u>36,492,131</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(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, 2009**

	The Housing Authority of The City of Louisville <u>6/30/2009</u>	Louisville Electric System <u>6/30/09</u>	Louisville Water System	Total
Operating revenues	\$ 252,444	\$ 12,831,629	\$ 2,364,868	\$ 15,448,941
Operating expenses:				
Depreciation	217,207	570,126	510,439	1,297,772
Other	602,296	12,193,858	1,760,095	14,556,249
	<u>819,503</u>	<u>12,763,984</u>	<u>2,270,534</u>	<u>15,854,021</u>
Operating income (loss)	(567,059)	67,645	94,334	(405,080)
Other income	356,756	189,796	400,714	947,266
Other expenses	-	(8,053)	(2,881)	(10,934)
Change in Net Assets	(210,303)	249,388	492,167	531,252
Net Assets - Beginning	4,424,874	15,339,025	13,177,081	32,940,980
Net Assets - Ending	\$ <u>4,214,571</u>	\$ <u>15,588,413</u>	\$ <u>13,669,248</u>	\$ <u>33,472,232</u>

Financial statements for the three discretely presented component units were audited by other auditors, as noted in our opinion letter dated , September 24, 2010. 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, 2009, instead of September 30, 2009. 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, 2009**

(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.

The Louisville Brick Company, Inc. Loan Fund is the fund that accounts for the loan agreement with the Louisville Brick Company, Inc.

The CDBG Grant Louisville Coliseum Fund is the fund that accounts for the CDBG grants received to complete various improvements to the Louisville Coliseum.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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, 2009**

(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, 2009, the City has set aside \$341,574 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, 2009**

(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.

	Capitalization Thresholds	Estimated Useful Life
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, 2009**

(1) Summary of Significant Accounting Policies (Continued)

(J) Equity Classifications

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

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

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

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

Fund Financial Statements:

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

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

(K) Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the municipality. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(1) Summary of Significant Accounting Policies (Continued)

(L) Intergovernmental Revenue in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(M) Compensated Absences

The municipality has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(N) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserved used by the municipality:

Reserved for advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved for unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for loans receivable – An account that represents a portion of the fund balance that is restricted for payments of other loans.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(2) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

Explanations:

Errors in prior period capital assets and related depreciation	\$	<u>45,656</u>
Total	\$	<u>45,656</u>

(3) Deposits and Investments

The carrying amount of the city's total deposits with financial institutions at September 30, 2009, was \$1,223,444, and the bank balance was \$1,278,961. 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 city does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the city. 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, 2009**

(3) Deposits and Investments (Continued)

Investments:

Investment balances at September 30, 2009, 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	341,574	341,574
Total		\$ 341,574	341,574

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 \$341,574 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, 2009:

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
		\$ 127,326

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

B. Transfers In/Out

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Louisville Brick Company, Inc. Loan Fund	CDBG Fund Louisville Brick	\$ 350,000
CDBG Grant Louisville Coliseum	General	2,781
Other Governmental	General	139,520
		\$ 492,301

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

Governmental Activities:

Description	Amount
Sales tax	\$ 132,458
CDBG grants	56,273
Tax equivalent payments due	32,125
Housing Authority Protective Services reimbursement	5,097
Wireless Communication Grant	8,100
E911 reimbursement	11,232
Motor vehicle ad valorem tax – Sept. 09	6,361
3 rd Quarter 2009 franchise fees	5,252
Federal Aviation Administration Grant	157,830
FEMA Training Funds	3,855
Insurance Recovery Funds	<u>1,356</u>
Total Governmental Activities	<u>\$ 419,939</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2009, 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%	9/01/12	59,889
Louisville Brick Company, Inc.	03/02/09	3.00%	1/1/15	350,000
Less: Allowance for uncollectible accounts				(568,604)
Total				<u>\$ 409,889</u>

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

During the year the municipality entered into an agreement with the Mississippi Development Authority to borrow CDBG funds to assist a local industry. As a condition of this loan the municipality received a promissory note from the local industry (Louisville Brick Company, Inc.) in the amount of \$350,000. Payments on this note were not to start until January 2010. This industry has ceased operations as of the date of the audit report with no payments being made on the promissory note. The promissory note is collateralized with a 131.9 acre timber tract and an 80 acre timber tract. City management anticipates that the two properties mentioned above will sufficiently collateralize the \$350,000 promissory note.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1,	Additions	Deletions	Adjustments	Balance Sept. 30,
Non-depreciable capital assets:					
Land	742,016	-	-	3,600	745,616
Construction in progress	-	524,165	-	37,037	561,202
Total non-depreciable capital assets	<u>742,016</u>	<u>524,165</u>	<u>-</u>	<u>40,637</u>	<u>1,306,818</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	1,833,845	24,560	(58,281)	6,875	1,806,999
Leased property under capital leases	-	-	-	-	-
Total depreciable capital assets	<u>4,633,068</u>	<u>24,560</u>	<u>(58,281)</u>	<u>6,875</u>	<u>4,606,222</u>
Less accumulated depreciation for:					
Infrastructure	24,774	8,258	-	-	33,032
Buildings	741,897	24,651	-	(12,285)	754,263
Improvements other than buildings	260,080	27,350	-	12,285	299,715
Equipment	1,270,047	148,727	(54,858)	1,856	1,365,772
Leased property under capital leases	-	-	-	-	-
Total accumulated depreciation	<u>2,296,798</u>	<u>208,986</u>	<u>(54,858)</u>	<u>1,856</u>	<u>2,452,782</u>
Total depreciable capital assets, net	<u>2,336,270</u>	<u>(184,426)</u>	<u>(3,423)</u>	<u>5,019</u>	<u>2,153,440</u>
Governmental activities, assets, net	<u>\$ 3,078,286</u>	<u>339,739</u>	<u>(3,423)</u>	<u>45,656</u>	<u>3,460,258</u>

Business-type activities

Non-depreciable capital assets					
Land	\$ 124,000	-	-	-	124,000
Total non-depreciable capital assets	<u>124,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,000</u>
Depreciable capital assets:					
Improvements other than buildings	1,934,976	-	-	-	1,934,976
Equipment	718,803	-	-	-	718,803
Total depreciable capital assets	<u>2,653,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,653,779</u>
Less accumulated depreciation for:					
Improvements other than buildings	1,270,993	203,275	-	-	1,474,268
Equipment	481,919	27,792	-	-	509,711
Total accumulated depreciation	<u>1,752,912</u>	<u>231,067</u>	<u>-</u>	<u>-</u>	<u>1,983,979</u>
Total depreciable capital assets, net	<u>900,867</u>	<u>(231,067)</u>	<u>-</u>	<u>-</u>	<u>669,800</u>
Business-type activities capital assets, net	<u>\$ 1,024,867</u>	<u>(231,067)</u>	<u>-</u>	<u>-</u>	<u>793,800</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Depreciation expense was charged to the following functions:

Governmental Activities:		
General government	\$	10,050
Public safety		112,004
Public works		56,760
Economic development		3,070
Culture and recreation		<u>27,102</u>
 Total governmental activities depreciation expense	 \$	 <u>208,986</u>
 Business-type activities:		
Sanitation	\$	12,501
Landfill		<u>218,566</u>
 Total business-type activities depreciation expense	 \$	 <u>231,067</u>

* The adjustments column consists of a prior period adjustment of \$45,656. This adjustment represents prior period corrections to the client capital asset listing net of accumulated depreciation.

Comments with respect to unfinished capital projects at September 30, 2010, consist of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Completion Date</u>
Louisville Coliseum Improvement	\$ <u>18,130</u>	Feb-10

(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 2009 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, 2009**

(9) Capital Leases.

As Lessor:

The city leases the following property with varying terms and options as of September 30, 2009:

<u>Classes of Property</u>	<u>Amount</u>
Building	\$ <u>650,000</u>
Total	\$ <u>650,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	27,053	24,433
2011	23,776	23,490
2012	24,745	22,522
2013	25,753	21,514
2014	26,802	20,464
2015-2019	151,307	85,025
2020-2024	184,745	51,587
2025-2029	\$ <u>160,951</u>	<u>12,358</u>
Total	\$ <u>625,132</u>	<u>261,393</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(10) Long-term Debt.

Debt outstanding as of September 30, 2009, 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	\$ 617,722	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
Mississippi Development Authority – Louisville Brick Loan	350,000	3.00%	1/01/15
Total Other Loans	<u>\$ 1,404,776</u>		

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

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2010	\$ 415,327	\$ 155,374
2011	107,168	26,540
2012	170,458	29,823
2013	101,266	19,128
2014	103,923	16,470
2015-2019	176,861	61,633
2020-2024	179,747	36,546
2025-2029	150,026	8,590
Total	<u>\$ 1,404,776</u>	<u>\$ 354,104</u>

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(10) Long-term Debt (Continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1,	Addition	Reduction	Balance Sept. 30,	Amount due Within one Year
Governmental Activities					
Other Loans	\$ 1,104,105	350,000	(49,329)	1,404,776	415,327
Compensated Absences	110,127	4,953	-	115,080	-
Total	\$ 1,214,232	354,953	(49,329)	1,519,856	415,327
Business-type Activities:					
Compensated Absences	3,649	234	-	3,883	-
Total	\$ 3,649	234	-	3,883	-

(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, 2009**

(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 2009. 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 2009. 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 12.00% 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, 2009, 2008, and 2007, were \$237,134, \$245,136, and \$213,754, respectively, which equaled the required contributions for each year.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(14) Municipal Solid Waste Landfill Closure and Postclosure Care Costs

As of September 30, 2009, the municipality is operating the Winston County-City of Louisville Landfill. The landfill has site costs with a net book value of \$460,708 at September 30, 2009. These site costs are reported as a component of net capital assets. The municipality is responsible for all closure and postclosure liabilities in accordance with United States Environmental Protection Agency regulations.

The municipality performs surveys on an annual basis to estimate the disposal capacity at the landfill. The municipal landfill's depletion rates are based on the remaining disposal capacity. Based on the remaining permitted capacity as of September 30, 2009 and projected annual disposal volumes and the fact that the municipality has received approval of lateral expansion of the landfill, the total life of the landfill site is anticipated to exceed 100 years. A calculation of the total estimated capacity of the landfill along with remaining capacity of the landfill is listed below.

Total landfill usage through September 30, 2009	228,211 tons
Total remaining capacity as of September 30, 2009	94,517 tons
Total estimated capacity of landfill	322,728 tons

Below is a breakdown of the total estimated closure and postclosure costs for the landfill site:

	Old Cell	Cell 1, 2 & 3
Estimated Closure Costs		\$ 112,214
Estimated Post Closure Costs	\$ 70,000	358,216
Total	\$ 70,000	\$ 470,340

The calculation of the liability for the closure and postclosure costs of the landfill as of September 30, 2009 is derived from dividing the capacity of the landfill used by the total capacity of the landfill and multiplying this ratio by the total estimated closure and postclosure costs of the landfill. Based on this calculation the total liability for the closure and postclosure costs at September 30, 2009 is \$376,155 with the current year closure and postclosure expense calculated to be \$66,917.

As of September 30, 2009, the municipality has established a trust account with Bancorpsouth to settle future closure postclosure liabilities. The municipality has set aside \$341,574 in these trust accounts to settle this future liability. These amounts have been recorded in restricted assets within the landfill fund.

**CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

(15) Subsequent Events Memo.

The city accepted the low bid from Falcon Contracting in the amount of \$269,265 on the South Church Street paving project. This project is financed with proceeds of a grant from the Department of Transportation.

The city approved payment to Sample and Associates in the amount of \$34,500 for administrative expenses connected with the CDBG Public Facilities Project #1126-09-238-PF-01.

The city approved payment to Calvert Spradling Engineers in the amount of \$30,538 for preliminary engineering fees on the South Church Street Paving project.

The city approved payments to Triangle Maintenance Services in the amounts of \$22,515 and \$28,782, respectively, in connection with the extension of the airport. This project is financed with proceeds of a grant from the Federal Aviation Administration.

The city approved the purchase of property from Richton Land Company, LLC in the amount of \$108,868. This property included a railroad spur and was partially financed through a Rural Impact Fund grant received through the Mississippi Development Authority.

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,121,250	1,271,980	1,261,392	(10,588)
Licenses, commissions and other revenue	97,500	94,000	91,933	(2,067)
Fines and forfeitures	225,500	214,200	162,188	(52,012)
Intergovernmental revenues	1,899,640	2,402,096	1,972,245	(429,851)
Charges for services	157,000	157,000	148,386	(8,614)
Interest income	30,000	30,000	10,384	(19,616)
Miscellaneous revenues	25,000	11,100	8,058	(3,042)
Total Revenues	<u>3,555,890</u>	<u>4,180,376</u>	<u>3,654,586</u>	<u>(525,790)</u>
EXPENDITURES				
Current:				
General government	714,990	667,518	560,546	(106,972)
Public safety	1,879,100	1,953,836	1,773,674	(180,162)
Public works	679,500	1,128,320	758,993	(369,327)
Culture and recreation	389,100	407,200	366,195	(41,005)
Economic development and assistance		112,105	57,263	(54,842)
Debt service:				
Principal			25,000	25,000
Interest			2,078	2,078
Total Expenditures	<u>3,662,690</u>	<u>4,268,979</u>	<u>3,543,749</u>	<u>725,230</u>
Excess of Revenues over (under) Expenditures	<u>(106,800)</u>	<u>(88,603)</u>	<u>110,837</u>	<u>199,440</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		16,700	16,700	(0)
Transfers out		(159,540)	(142,301)	17,239
Total Other Financing Sources and Uses	<u>0</u>	<u>(142,840)</u>	<u>(125,601)</u>	<u>17,239</u>
Net Change in Fund Balance	(106,800)	(231,443)	(14,764)	216,679
Fund Balances - Beginning	<u>67,847</u>	<u>298,848</u>	<u>462,868</u>	<u>164,020</u>
Fund reclassifications			(164,020)	(164,020)
Fund Balances - Beginning restated	<u>67,847</u>	<u>298,848</u>	<u>298,848</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (38,953)</u>	<u>67,405</u>	<u>284,084</u>	<u>216,679</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$		25,316	25,316
Total Revenues	<u>0</u>	<u>0</u>	<u>25,316</u>	<u>25,316</u>
EXPENDITURES				
Current:				
Economic development and assistance			4,008	(4,008)
Debt service:				
Principal	43,259	43,259	24,329	18,930
Interest			18,930	(18,930)
Total Expenditures	<u>43,259</u>	<u>43,259</u>	<u>47,267</u>	<u>(4,008)</u>
Excess of Revenues over (under) Expenditures	<u>(43,259)</u>	<u>(43,259)</u>	<u>(21,951)</u>	<u>21,308</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	43,259	43,259	21,951	(21,308)
Total Other Financing Sources and Uses	<u>43,259</u>	<u>43,259</u>	<u>21,951</u>	<u>(21,308)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u></u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</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
Louisville Brick Co., Inc Note Fund
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$			0
Total Revenues	0	0	0	0
EXPENDITURES				
Current:				
Economic development and assistance				0
Debt service:				
Principal				0
Interest				0
Total Expenditures	0	0	0	0
Excess of Revenues over (under) Expenditures	0	0	0	0
OTHER FINANCING SOURCES (USES)				
Lease principal payments				0
Refunding bonds issued				0
Proceeds from sale of capital assets				0
Premiums on bonds issued				0
Compensation for loss of capital assets				0
Transfers in			350,000	350,000
Transfers out				0
Payment to bond refunding escrow agent				0
Discount on bonds issued				0
Other financing sources				0
Other financing uses				0
Total Other Financing Sources and Uses	0	0	350,000	350,000
Net Change in Fund Balance	0	0	350,000	350,000
Fund Balances - Beginning	0	0		0
Fund Balances - Ending	\$ 0	0	350,000	350,000

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
CDBG Louisville Coliseum
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	674,500	674,500	464,282	(210,218)
Total Revenues	<u>674,500</u>	<u>674,500</u>	<u>464,282</u>	<u>(210,218)</u>
EXPENDITURES				
Current:				
Culture and recreation	674,500	674,500	467,063	207,437
Total Expenditures	<u>674,500</u>	<u>674,500</u>	<u>467,063</u>	<u>207,437</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>(2,781)</u>	<u>(2,781)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			2,781	2,781
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>2,781</u>	<u>2,781</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</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, 2009**

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. Excess of Actual Expenditures Over Budget in Individual Funds

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2009

<u>Fund</u>	<u>Excess</u>
Special Revenue Funds:	
CDBG Public Facilities Grant	\$ 27,594

The fund listed above is in violation of Section 21-35-25, Miss. Code Ann. (1972). However, the city has no liability associated with this violation.

D. Unbudgeted Funds.

The following fund was not budgeted for the year ended September 30, 2009:

Special Revenue Funds:

Home Grant Fund

The unbudgeted fund is in violation of state law. However, the city 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, 2009**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community Development Block Grants-State Administered Small Cities Program	14.228	1102-08-238-LN-01	\$ 367,500
Community Development Block Grants-State Administered Small Cities Program	14.219 & 14.228	R-103-238-01-KED	89,710
Community Development Block Grants-State Administered Small Cities Program	14219 & 14.228	R-110-238-01-GZ	464,282
Community Development Block Grants-State Administered Small Cities Program	14.228	1125-08-238-SH-01	<u>18,743</u>
Total Community Development Block Grants			<u>940,235</u>
Total Expenditures of Major Federal Awards			<u>940,235</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Home Investment Partnership Program	14.239		<u>3,500</u>
Total U.S. Department of Housing and Urban Development			<u>3,500</u>
Federal Aviation Administration			
Passed through the Mississippi Department of Transportation			
Airport Improvement Program	20.106	03-28-0043-007-2009	<u>157,830</u>
Total Federal Aviation Administration			<u>157,830</u>
U.S. Department of Transportation			
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.S. Department of Homeland Security			
Passed through the Mississippi Department of Public Safety-			
Office of Homeland Security			
State and Local Homeland Security National Training Program	97.005		14,635
Homeland Security Preparedness Technical Assistance Program	97.007	2006-014-08-0438	46,687
Hazard Mitigation Grant	97.039	FEMA 1604-0033	<u>171,404</u>
Total U.S. Department of Homeland Security			<u>232,726</u>
Total Expenditures of Other Federal Awards			<u>398,556</u>
Total Expenditures of Federal Awards			<u>1,338,791</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, 2009

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Total
ASSETS				
Cash and investments	\$ 515,329	6,065,780	2,332,543	8,913,652
Accrued interest receivable	433	26,571	699	27,703
Accounts receivable, net	1,104	1,270,384	201,223	1,472,711
Intergovernmental receivables	200			200
Other receivables, net		26,297		26,297
CSA stockholder loan			6,737	6,737
Other assets			323	323
Inventories and prepaid items	23,967	1,463,882	152,523	1,640,372
Restricted assets	14,100	10,132		24,232
Capital assets, net	3,731,274	9,353,380	11,295,250	24,379,904
Total Assets	<u>4,286,407</u>	<u>18,216,426</u>	<u>13,989,298</u>	<u>36,492,131</u>
LIABILITIES				
Accounts payable and accrued liabilities	6,336	2,119,681	93,842	2,219,859
Liabilities payable from restricted assets	14,100			14,100
Intergovernmental payables	44,166	16,062		60,228
Accrued interest payable				-
Deferred revenue	150	122,147		122,297
Customer deposits		370,123	197,620	567,743
Long-term liabilities				
Due within one year:				
Capital related debt		-	19,997	19,997
Non-capital debt	708			708
Due in more than one year:				
Capital related debt			8,591	8,591
Non-capital debt	6,376			6,376
Total Liabilities	<u>71,836</u>	<u>2,628,013</u>	<u>320,050</u>	<u>3,019,899</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,731,274	9,353,380	11,266,662	24,351,316
Unrestricted	483,297	6,235,033	2,402,586	9,120,916
Total Net Assets	<u>\$ 4,214,571</u>	<u>15,588,413</u>	<u>13,669,248</u>	<u>33,472,232</u>

City Of Louisville, Mississippi
Combining Schedule - Component Units
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2009

	The Housing Authority of the City of Louisville	Louisville Electric System	Louisville Water System	Totals
Operating Revenues				
Charges for services	\$ 252,444	12,831,629	2,272,811	15,356,884
Miscellaneous			92,057	92,057
Total Operating Revenues	<u>252,444</u>	<u>12,831,629</u>	<u>2,364,868</u>	<u>15,448,941</u>
Operating Expenses				
Cost of power		10,881,463		10,881,463
Uncollectible accounts			4,727	4,727
Operation and maintenance	244,071	310,472	838,879	1,393,422
Protective services	46,170			46,170
Customer services	2,021	175,338		177,359
Utilities	13,894		229,259	243,153
Depreciation expense	217,207	570,126	510,439	1,297,772
Distribution expense		163,883		163,883
Sales expense		29,274		29,274
Taxes		230,489	54,024	284,513
Administrative and general expense	296,140	402,939	514,407	1,213,486
Insurance premiums			104,986	104,986
Miscellaneous			13,813	13,813
Total Operating Expenses	<u>819,503</u>	<u>12,763,984</u>	<u>2,270,534</u>	<u>15,854,021</u>
Operating Income (Loss)	<u>(567,059)</u>	<u>67,645</u>	<u>94,334</u>	<u>(405,080)</u>
Nonoperating Revenues (Expenses)				
Interest income	30,741	189,796	50,714	271,251
Operating grants	275,450			275,450
Interest expense		(4,986)	(2,881)	(7,867)
Other income (expenses)	2,180	(3,067)		(887)
Net Nonoperating Revenue (Expenses)	<u>308,371</u>	<u>181,743</u>	<u>47,833</u>	<u>537,947</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>(258,688)</u>	<u>249,388</u>	<u>142,167</u>	<u>132,867</u>
Capital grants	48,385		350,000	398,385
Changes in Net Assets	<u>(210,303)</u>	<u>249,388</u>	<u>492,167</u>	<u>531,252</u>
Net Assets - Beginning	4,424,874	15,339,025	13,177,081	32,940,980
Prior period adjustment	-			-
Net Assets - Beginning restated	<u>4,424,874</u>	<u>15,339,025</u>	<u>13,177,081</u>	<u>32,940,980</u>
Net Assets Ending	<u>\$ 4,214,571</u>	<u>15,588,413</u>	<u>13,669,248</u>	<u>33,472,232</u>

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Taxable Assessed Value	Millage		Tax
Adjusted Assessed Valuation				
City:				
Realty	23,706,228	14.63	\$	346,822
Personal-other than auto	21,343,404	14.63		312,254
Public utilities	3,801,640	14.63		55,618
Personal-Auto (remitted by county)	5,799,863	14.63		84,852
Total				799,546
Less: Homestead Exemption				
Allowed		(61,039)		
Tax Collector's Commissions		(4,039)	(65,078)
Add: Actual Homestead Reimbursement				58,191
Total to be Accounted For			\$	792,659
	Taxes	Reimbursement		
Credit:				
Collections Allocated to:				
Municipal General Funds	\$ 679,452	54,213		
Memorial Park and Cemetery Fund	49,238	3,978		
Total	728,690	58,191	\$	786,881
Balance Represented by Unpaid Property Taxes				5,778
Total Accounted For			\$	792,659

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 not found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Ann. (1972). The municipality over collected ad valorem tax and escrowed the excess collections as follows:

	Actual Collections
Base Year 2008	652,053
No increase allowed	- *
Total	652,053
Year 2009	792,659
Ad valorem tax escrow	(140,606)
Total	652,053

*No ad valorem tax increase is allowable since the municipality did not properly advertise the "Notice of Tax Increase" in compliance with Section 27-39-205, Miss. Code Ann. (1972).

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS
SEPTEMBER 30, 2009**

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
Will Hill	Mayor	\$ 50,000
Judy McLeod	Aldерwoman	\$ 50,000
Eugene Crosby	Alderman	\$ 50,000
Richard Caperton	Alderman	\$ 50,000
Gwenita Mays	Aldерwoman	\$ 50,000
Frances Ball	Aldерwoman	\$ 50,000
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
Sue Daniels	Court Clerk	\$ 10,000 *
Andy Taylor	Deputy Court Clerk	\$ 10,000 *
Vernon Eichelberger	Deputy Court Clerk	\$ 10,000 *
Ronnie Graham	Deputy Court Clerk	\$ 10,000 *
Donnie Graham	Deputy Court Clerk	\$ 10,000 *
Leslie Loving	Deputy Court Clerk	\$ 10,000 *

*Effective July 1, 2009, these coverages should have increased to \$50,000. See audit finding 2 on Independent Auditor's Report on Compliance with State Laws and Regulations.

CITY OF LOUISVILLE, MISSISSIPPI

SPECIAL REPORTS



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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, 2009, and have issued our report thereon dated September 24, 2010. 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 weakness. 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 **2009-1, 2009-2, and 2009-3, 2009-4, 2009-5, and 2009-6** 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 **2009-1 2009-2, 2009-3**, 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.

The City of Louisville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Responses. We did not audit the City of Louisville's responses and, accordingly, we express no opinion on them.

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 24, 2010

Watkins, Ward and Stafford, PLLC



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

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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, 2009. 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, 2009.

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 24, 2010

Watkins, Ward and Stafford, PLLC



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 Certified Public Accountants

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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, 2009, and have issued our report thereon dated September 24, 2010. 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 instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

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 #394, Home Grant. Section 21-35-25, Miss Code Ann. (1972) also requires the municipality to amend their budget when actual expenditures exceed budgeted expenditures in any fund that is required to be budgeted. A \$35,000 budget amendment was proposed in the CDBG Public Facilities grant fund, however, that budget amendment was never approved on the minutes of the board meetings; therefore, actual expenditures exceeded budgeted expenditures by \$27,594 in this fund.

Recommendation

We recommend the city comply with Section 21-35-9, Miss Code Ann. (1972) and budget all funds maintained by the municipality. We also recommend the city comply with Section 21-35-25, Miss Code Ann. (1972) and amend all budgets where actual expenditures exceed budgeted expenditures and those amendments be recorded in the minutes of the board meetings. Also, if the amendments exceed 10% of the applicable departments original budget then the amendment should be advertised in a local publication.

City's Response

We will comply with Section 21-35-9, Miss Code Ann. (1972) and budget all funds maintained by the municipality. We will also comply with Section 21-35-25, Miss Code Ann. (1972) and amend all budgets where actual expenditures exceed budgeted expenditures and those amendments will be recorded in the minutes of the board meetings. Also, if the amendments exceed 10% of the applicable departments original budget then the amendment will be advertised in a local publication.

2. Finding

Section(s) 21-15-23 and 21-3-5 Miss Code Ann. (1972) requires that deputy clerks and anyone handling money shall be bonded for at least \$50,000. Effective July 1, 2009, the required bond coverage for these individuals increased from \$10,000 to \$50,000. The city had not increased the bond coverage for these employees at the end of the fiscal year. There were eleven employees who were not bonded for the required amount.

The cause of this condition was due to lack of knowledge about the change in the statute effective on July 1, 2009.

Recommendation

We recommend the city comply with sections(s) 21-15-23 and 21-3-5 Miss Code Ann. (1972) and bond all deputy clerks and anyone handling money for at least \$50,000.

City's Response

We will comply with sections(s) 21-15-23 and 21-3-5 Miss Code Ann. (1972) and bond all deputy clerks and anyone handling money for at least \$50,000.

3. Finding

Section 27-39-205, Miss Code Ann. (1972), requires a governmental unit to advertise its intent to increase ad valorem taxes. This "Notice of Tax Increase" form should be very specific and requires the municipality to quantify the specific numeric increase in the number of mills, as well as the current millage and the proposed millage. For the current year tax levy no such advertisement of "Notice of Tax Increase" was published. We noted this with city officials and proposed an ad valorem tax escrow adjustment of \$140,606 which the city posted onto their financial records.

Recommendation

We recommend the city comply with Section 27-39-205, Miss Code Ann. (1972) and advertise the city's intent to increase ad valorem taxes. This "Notice of Tax Increase" form should be very specific and requires the municipality to quantify the specific numeric increase in the number of mills, as well as the current millage and the proposed millage.

City's Response

We will comply with Section 27-39-205, Miss Code Ann. (1972) and advertise the city's intent to increase ad valorem taxes. This "Notice of Tax Increase" form will be very specific and will quantify the specific numeric increase in the number of mills, as well as the current millage and the proposed millage.

The City of Louisville's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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 24, 2010

Watkins, Ward and Stafford, PLLC

CITY OF LOUISVILLE, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RESPONSES

**CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Section1: 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 – State Administered Small Cities Program CFDA #14.219 & 14.228 | |
| 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 Weaknesses

2009-1 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.

City's 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.

2009-2 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.

City's 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.

2009-3 Finding

During our documentation of internal controls over collection of receipts in the police department we noted a deficiency in the city's internal control system. We noted that the employee who prepares the court docket listing, maintains the accounts receivable ledger for police fines, and submits police department receipts to the city clerk also collects receipts from individuals paying their fines and related fees. The city should segregate the duties so the clerk who receipts the fines from the individuals does not have access to the court docket listing or accounts receivable ledger. This is especially important since the city does not maintain a listing of receivables prior to October 1, 2004, and there is no detailed list of all police funds due that can be reviewed by management on a timely basis.

Recommendation

We recommend the city segregate the duties of the clerk who receipts the fines from the individuals from the clerk who maintains the court docket listing and accounts receivable ledger.

City's Response

We will segregate the duties of the clerk who receipts the fines from the individuals from the clerk who maintains the court docket listing and accounts receivable ledger.

Significant Deficiencies not Considered to be a Material Weakness

2009-4 Finding

As noted in the prior year's audit we noted the following deficiencies in internal control during our testing of general disbursements:

1. We noted one instance where a purchase was completed prior to the actual authorization of the purchase.
2. We noted four instances where there was no receiving documentation 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.

2009-5 Finding

During our testing of payroll disbursements we noted one instance where an employee (a reserve officer) did not have a signed W-4 and state withholding exemption form on hand. All employees should have a signed W-4 and state withholding form on file to comply with Internal Revenue Service and Mississippi state withholding requirements.

Recommendation

We recommend that all employees have a signed W-4 and state withholding form on file to comply with Internal Revenue Service and Mississippi state withholding requirements.

City's Response

We will ensure that all employees have a signed W-4 and state withholding form on file to comply with Internal Revenue Service and Mississippi state withholding requirements.

2009-6 Finding

During our documentation of internal controls we noted a deficiency over computer controls over the purchasing function. The employee who prepares the claims docket and accounts payable checks has unrestricted access to the purchasing function of the software and can prepare purchase orders for city purchases. These duties should be separated more effectively since the employee who prepares the claims docket, accounts payable checks and reconciles the accounts payable bank account can also prepare a purchase order.

Recommendation

We recommend that access to the purchasing function through the city's computer system be restricted so the employee who prepares the claims docket, accounts payable checks and reconciliation for the accounts payable checking account cannot prepare purchase orders for city purchases.

City's Response

We will restrict access to the purchasing function through the city's computer system so the employee who prepares the claims docket, accounts payable checks and reconciliation for the accounts payable checking account cannot prepare purchase orders for city purchases.

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.