

TOWN OF LOUISVILLE, TENNESSEE

ANNUAL FINANCIAL REPORT

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
ANNUAL FINANCIAL REPORT
 June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2012

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF PRINCIPAL OFFICIALS AND SURETY BONDS
June 30, 2012

MAYOR

Tom Bickers
(Surety Bond Coverage - \$5,000)

ALDERMEN

Robert Gormley (Vice Mayor)
Angie J. Holley
Steve Dixon
Joe Gallagher

OTHER OFFICIALS

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

TOWN OF LOUISVILLE, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2012

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

JOE S. INGRAM, CPA (1948 – 2011)
LONAS D. OVERHOLT, CPA
ROBERT L. BEAN, CPA

428 MARILYN LANE
ALCOA, TENNESSEE 37701

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February 26, 2013

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Louisville
Louisville, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Louisville, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Louisville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Louisville, Tennessee, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2012, on our consideration of the Town of Louisville, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, immediately following this report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Louisville's financial statements as a whole. The introductory section, capital assets used in the operation of governmental funds schedules and the miscellaneous schedule as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The capital assets used in the operation of governmental funds schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and miscellaneous schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Ingram, Overholt & Bean, PC



Town of Louisville
P.O. Box 215, Louisville, Tennessee 37777
Phone: 865-681-1983, Fax: 865-681-5541

Tom Bickers, Mayor
Robert Gormley, Vice Mayor
Michael Long, Recorder

Angie Holley, Alderman
Steve Dixon, Alderman
Joe Gallagher, Alderman

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Louisville's (the Town) Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,817,298 (net assets). Of this amount, \$1,441,430 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2012, the Town's governmental funds reported combined ending fund balances of \$1,559,012. At June 30, 2012 approximately 92% of this total amount, or \$1,429,622, is unassigned fund balance available for spending at the government's discretion.
- ◆ At June 30, 2012, total unassigned fund balance for the general fund was \$1,429,622. This amount was 248% of total general fund expenditures.
- ◆ The Town issued no new general obligation debt during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the Town's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include highways and streets, parks and recreation, and general government.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund organized according to its type (general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund (major fund).

The Town adopts an annual appropriated budget for the general fund. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

<u>Assets</u>	Net Assets	
	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current and other assets	\$ 1,679,234	\$ 1,350,150
Capital assets, net	<u>2,258,286</u>	<u>2,219,219</u>
Total Assets	<u>3,937,520</u>	<u>3,569,369</u>
 <u>Liabilities</u>		
Long-term liabilities	-	-
Other liabilities	<u>120,222</u>	<u>12,160</u>
Total Liabilities	<u>120,222</u>	<u>12,160</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	2,258,286	2,219,219
Restricted for State Street Aid	83,571	168,529
Restricted for Town Hall construction	34,011	-
Unrestricted	<u>1,441,430</u>	<u>1,169,461</u>
Total Net Assets	<u>\$ 3,817,298</u>	<u>\$ 3,557,209</u>

The Town’s net assets increased by \$260,089 during the fiscal year ended June 30, 2012. These increases are explained in the governmental activities discussion below.

<u>Revenues</u>	Changes in Net Assets	
	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Program Revenues:		
Charges for services	\$ 57,414	\$ 51,520
Operating grants and contributions	66,509	57,752
Capital grants and contributions	94,700	110,436
General Revenues:		
Sales taxes	341,009	286,322
State income taxes	105,755	48,333
Miscellaneous taxes	113,327	97,911
Other	<u>19,423</u>	<u>14,102</u>
Total Revenues	<u>798,137</u>	<u>666,376</u>
 <u>Expenses</u>		
General government	181,292	150,564
Fire	49,600	49,600
Public works and streets	268,744	95,423
Recreation	<u>38,412</u>	<u>36,316</u>
Total expenses	<u>538,048</u>	<u>331,903</u>
Change in Net Assets	260,089	334,473
Net Assets at Beginning of Year	<u>3,557,209</u>	<u>3,222,736</u>
Net Assets at End of Year	<u>\$ 3,817,298</u>	<u>\$ 3,557,209</u>

FUND STATEMENTS FINANCIAL ANALYSIS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental funds consist of the General Fund.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,429,622 (the nonspendable portion equaled \$11,808 and the restricted portion equaled \$117,582), while total fund balance was \$1,559,012. As a measure of the General Fund's liquidity, it may be useful to compare both total unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents 248% total general fund expenditures of \$577,115, while total fund balance represents 270% of that same amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business type activities as of June 30, 2012 and 2011 amount to \$2,258,286 and \$2,219,219 (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The table below reflects the capital assets at the end of the fiscal year:

	<u>Capital Assets, Net of Depreciation</u> <u>Governmental Activities</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Land	\$ 749,051	\$ 749,051
Buildings	1,550,868	1,537,074
Improvements	114,035	37,976
Machinery and equipment	<u>354,082</u>	<u>359,384</u>
Total Capital Assets	2,768,036	2,683,485
Less: Accumulated Depreciation	<u>(509,750)</u>	<u>(464,266)</u>
Capital Assets, net of depreciation	<u>\$ 2,258,286</u>	<u>\$ 2,219,219</u>

Major capital asset additions include the completion of the new town hall and recreation improvements during the fiscal year ended June 30, 2012 at a cost of \$89,853. Additions to machinery and equipment amounted to \$15,598.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the Town had no outstanding total long-term obligations. The Town issued no new debt during the current fiscal year.

OTHER MATTERS

The final budget for the fiscal year ended June 30, 2012 was \$656,500, including provisions for capital asset additions of \$128,000. The budget was amended during the fiscal year ended June 30, 2012 increasing the total budget by \$51,500.

The preliminary budget for the Town of Louisville for the fiscal year beginning July 1, 2012 and ending June 30, 2013 totals \$612,500, which represents a 7.2% decrease over last year's final budget of \$656,500. The decrease is attributable to the reduction in capital expenditures planned for the fiscal year ending June 30, 2012.

The fiscal 2013 budget will provide the excellent services that the citizens of Louisville have grown accustomed to receiving. This level of service is directly attributable to the Town's well-trained and dedicated workforce coupled with the support of a progressive Town Commission.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the Town's finances. If you have any questions about this report or need additional information, contact:

Town of Louisville, Tennessee
P. O. Box 215
Louisville, TN 37777
(865) 681-1983

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TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012
With Comparative Totals for June 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash in bank.....	\$ 1,596,041	\$ 1,293,289
Accounts receivable	71,385	54,458
Prepaid expenses	11,808	-
Interest receivable	-	2,403
Total Current Assets	1,679,234	1,350,150
Capital Assets:		
Non depreciable	749,051	749,051
Depreciable, net of accumulated depreciation	1,509,235	1,470,168
Total Capital Assets	2,258,286	2,219,219
Total Assets	\$ 3,937,520	\$ 3,569,369
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Current Liabilities:		
Accounts payable – trade	\$ 13,821	\$ 11,260
Accrued payroll and other taxes.....	3,516	900
Deferred revenue	102,885	-
Total Current Liabilities.....	120,222	12,160
Net Assets:		
Invested in capital assets, net of related debt	2,258,286	2,219,219
Restricted	117,582	168,529
Unrestricted	1,441,430	1,169,461
Total Net Assets	3,817,298	3,557,209
Total Liabilities and Net Assets.....	\$ 3,937,520	\$ 3,569,369

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Program Revenues				Net (Expense)	
	Charges for	Operating	Grants and	Capital	Revenue and	
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>	Changes in Net	
					Assets Governmental	
					<u>Activities</u>	
					<u>2012</u>	<u>2011</u>
Function/Programs						
Governmental Activities:						
General Government.....	\$ 181,292	\$ 27,517	\$ -	\$ 94,700	\$ (59,075)	\$ (13,403)
Public Safety.....	49,600	-	-	-	(49,600)	(49,600)
Public Works and Streets.....	268,744	-	62,936	-	(205,808)	(37,671)
Recreation.....	<u>38,412</u>	<u>29,897</u>	<u>3,573</u>	-	<u>(4,942)</u>	<u>(11,521)</u>
	<u>\$ 538,048</u>	<u>\$ 57,414</u>	<u>\$ 66,509</u>	<u>\$ 94,700</u>	<u>(319,425)</u>	<u>(112,195)</u>
General Revenues:						
Sales Tax.....					341,009	286,322
State income taxes and excise taxes					105,755	48,333
Miscellaneous taxes					113,327	97,911
Interest earned.....					8,666	13,487
Gain on sale of capital assets					8,910	-
Miscellaneous					<u>1,847</u>	<u>615</u>
Total General Revenues.....					<u>579,514</u>	<u>446,668</u>
Changes in Net Assets					260,089	334,473
Net Assets – Beginning					<u>3,557,209</u>	<u>3,222,736</u>
Net Assets – Ending					<u>\$ 3,817,298</u>	<u>\$ 3,557,209</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012
With Comparative Totals for June 30, 2011

ASSETS	General Fund	
	2012	2011
Cash in bank	\$ 1,596,041	\$ 1,293,289
Accounts receivable.....	71,385	54,458
Prepaid expenses.....	11,808	-
Interest receivable.....	-	2,403
Total Assets	\$ 1,679,234	\$ 1,350,150
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable – trade	\$ 13,821	\$ 11,260
Accrued payroll and other taxes	3,516	900
Deferred revenue	102,885	-
Total Liabilities	120,222	12,160
Fund Balance:		
Nonspendable	11,808	-
Restricted for State Street Aid	83,571	168,529
Restricted for Town Hall	34,011	-
Unassigned.....	1,429,622	1,169,461
Total Fund Balance	1,559,012	1,337,990
Total Liabilities and Fund Balance	\$ 1,679,234	\$ 1,350,150

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012
With Comparative Totals for June 30, 2011

	<u>2012</u>	<u>2011</u>
Fund balances – total governmental funds	\$ 1,559,012	\$ 1,337,990
<p style="margin-left: 40px;">Amounts reported for the governmental activities in the statement of net assets are different because:</p>		
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>2,258,286</u>	<u>2,219,219</u>
Net assets of governmental activities	<u>\$ 3,817,298</u>	<u>\$ 3,557,209</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
For the Fiscal Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	General Fund	
	<u>2012</u>	<u>2011</u>
Revenues:		
Taxes	\$ 256,624	\$ 213,502
Licenses and permits	23,256	24,035
Recreation	29,897	24,795
Intergovernmental	367,797	276,816
Interest earned	8,666	13,487
Donations	98,273	110,436
Other revenues	13,624	3,305
Total Revenues	798,137	666,376
Expenditures:		
General government:		
Legislative	838	838
Financial Administration	53,687	69,989
Planning & Zoning	6,510	6,800
Town Hall Building	40,734	13,599
Other General Government	42,383	30,709
Public Safety	49,600	49,600
Highways & Streets	111,767	71,775
State Street Aid:		
Contract paving	147,894	-
Recreation	33,849	33,514
Capital Expenditures	89,853	696,721
Total Expenditures	577,115	973,545
Net Change in Fund Balance	221,022	(307,169)
Fund Balance – July 1 st	1,337,990	1,645,159
Fund Balance – June 30th	\$ 1,559,012	\$ 1,337,990

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	<u>2012</u>	<u>2011</u>
Net change in fund balances – total governmental fund	\$ 221,022	\$ (307,169)
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
	34,067	641,642
Changes in net assets of governmental activities	<u>\$ 260,089</u>	<u>\$ 334,473</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012
With Comparative Actual Totals for the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance – Favorable (Unfavorable)</u>	<u>Actual Total 2011</u>
REVENUES:					
TAXES:					
Local sales tax	\$ 70,000	\$ 145,000	\$ 176,286	\$ 31,286	145,091
Wholesale beer tax	42,000	42,000	55,987	13,987	43,835
Cable TV franchise tax.....	<u>20,000</u>	<u>20,000</u>	<u>24,351</u>	<u>4,351</u>	<u>24,576</u>
Total Taxes	<u>132,000</u>	<u>207,000</u>	<u>256,624</u>	<u>49,624</u>	<u>213,502</u>
LICENSE AND PERMITS	<u>25,300</u>	<u>25,300</u>	<u>23,256</u>	<u>(2,044)</u>	<u>24,035</u>
INTERGOVERNMENTAL:					
State sales tax allocation	125,000	140,000	164,723	24,723	141,231
State beer tax allocation	600	600	1,197	597	1,105
State Street Aid	55,000	55,000	62,936	7,936	57,752
State gasoline inspection fee	4,500	4,500	5,007	507	4,548
TVA in lieu allocation.....	22,000	22,000	28,179	6,179	23,847
State income tax allocation	<u>50,000</u>	<u>105,000</u>	<u>105,755</u>	<u>755</u>	<u>48,333</u>
Total Intergovernmental	<u>257,100</u>	<u>327,100</u>	<u>367,797</u>	<u>40,697</u>	<u>276,816</u>
OTHER:					
Interest Earned	12,000	9,000	8,666	(334)	13,487
Recreation	32,000	20,000	29,898	9,898	24,795
Donations	65,000	95,000	98,273	3,273	110,436
Community room rental	2,000	2,500	2,866	366	2,690
Sale of capital assets	-	8,910	8,910	-	-
Miscellaneous.....	<u>600</u>	<u>1,000</u>	<u>1,847</u>	<u>847</u>	<u>615</u>
Total Other	<u>111,600</u>	<u>136,410</u>	<u>150,460</u>	<u>14,050</u>	<u>152,023</u>
TOTAL REVENUES	<u>526,000</u>	<u>695,810</u>	<u>798,137</u>	<u>102,327</u>	<u>666,376</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Legislative:					
Membership dues – TML.....	1,000	1,000	838	162	838
MTAS codification service	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
Total Legislative.....	<u>1,500</u>	<u>1,500</u>	<u>838</u>	<u>662</u>	<u>838</u>
Financial Administration:					
Salaries.....	44,500	44,500	39,834	4,666	38,655
Legal notice publications	600	600	-	600	596
Telephone.....	2,400	2,400	-	2,400	3,863

(Continued)

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012
With Comparative Actual Totals for the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance – Favorable (Unfavorable)	<u>Actual Total 2011</u>
EXPENDITURES (Continued):					
GENERAL GOVERNMENT (Cont):					
Financial Administration (Cont):					
Publicity, dues and subscriptions.....	5,000	5,000	3,269	1,731	3,863
Equipment repairs and contract maintenance.....	-	-	-	-	176
Utilities	-	-	-	-	10,794
Training	-	-	120	(120)	-
Office supplies	10,000	10,000	3,449	6,551	6,762
Office equipment	1,500	1,500	1,255	245	-
Professional services.....	<u>6,000</u>	<u>6,000</u>	<u>5,760</u>	<u>240</u>	<u>5,280</u>
Total Financial Administration.....	<u>70,000</u>	<u>70,000</u>	<u>53,687</u>	<u>16,313</u>	<u>69,989</u>
Town Hall Building:					
Wages	500	500	488	12	-
Electricity and Gas.....	15,000	16,000	14,576	1,424	8,450
Water	1,000	1,000	1,059	(59)	629
Waste disposal	500	500	460	40	-
Internet and cable.....	1,500	1,500	1,422	78	-
Telephone	4,000	4,000	3,654	346	223
Cleaning supplies.....	10,000	10,000	8,564	1,436	1,969
Machinery and equipment	5,000	5,000	4,130	870	855
Repairs and Maintenance.....	6,000	6,500	6,031	469	1,473
Other	<u>-</u>	<u>-</u>	<u>350</u>	<u>(350)</u>	<u>-</u>
Total Town Hall Building	<u>43,500</u>	<u>45,000</u>	<u>40,734</u>	<u>4,266</u>	<u>13,599</u>
Other General Government:					
OASI – Employer’s share.....	9,500	9,500	9,146	354	7,865
Unemployment taxes	1,000	1,500	1,389	111	262
Legal services	4,800	7,300	11,227	(3,927)	11,165
Accounting and auditing services	3,500	3,500	7,000	(3,500)	-
East Tennessee Development					
District.....	500	500	320	180	320
Insurance.....	12,500	12,500	13,178	(678)	10,974
Surety bonds	<u>200</u>	<u>200</u>	<u>123</u>	<u>77</u>	<u>123</u>
Total Other General Government	<u>32,000</u>	<u>35,000</u>	<u>42,383</u>	<u>(7,383)</u>	<u>30,709</u>
Public Safety:					
Animal control.....	5,000	5,000	-	5,000	-
Fire services	<u>57,000</u>	<u>57,000</u>	<u>49,600</u>	<u>7,400</u>	<u>49,600</u>
Total Public Safety	<u>62,000</u>	<u>62,000</u>	<u>49,600</u>	<u>12,400</u>	<u>49,600</u>

(Continued)

See accompanying independent auditors’ report and notes.

TOWN OF LOUISVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012
With Comparative Actual Totals for the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance – Favorable (Unfavorable)</u>	<u>Actual Total 2011</u>
EXPENDITURES (Continued):					
GENERAL GOVERNMENT (Cont):					
Highways and Streets:					
Wages – Regular.....	30,000	30,000	28,344	1,656	26,068
Wages – Part-time.....	32,000	35,000	36,485	(1,485)	28,388
Road maintenance.....	58,500	20,000	15,326	4,674	-
Gas and oil.....	10,000	10,000	9,206	794	8,439
Equipment maintenance and repairs ..	2,500	2,500	6,029	(3,529)	1,599
Other repairs and maintenance.....	2,000	2,000	2,165	(165)	1,657
Sign parts and supplies	1,000	1,000	780	220	858
Materials	5,000	5,000	1,807	3,193	4,522
Machinery and equipment	8,000	8,000	10,213	(2,213)	-
Equipment rental.....	-	500	338	162	-
Utilities	<u>1,000</u>	<u>1,000</u>	<u>1,074</u>	<u>(74)</u>	<u>244</u>
Total Highways and Streets.....	<u>150,000</u>	<u>115,000</u>	<u>111,767</u>	<u>3,233</u>	<u>71,775</u>
State Street Aid:					
Contract paving.....	<u>55,000</u>	<u>155,000</u>	<u>147,894</u>	<u>7,106</u>	<u>-</u>
Planning and Zoning:					
State and local planning.....	9,000	9,000	6,500	2,500	6,800
Publicity, dues and subscriptions.....	500	500	10	490	
Office supplies	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>	
Total Planning and Zoning	<u>10,000</u>	<u>10,000</u>	<u>6,510</u>	<u>3,490</u>	
Other:					
Recreation.....	<u>32,000</u>	<u>35,000</u>	<u>33,849</u>	<u>38,147</u>	<u>33,514</u>
CAPITAL EXPENDITURES:					
Town Hall.....	25,000	46,000	45,755	245	680,390
Recreation	33,000	82,000	44,098	37,902	4,290
Other.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,041</u>
Total Capital Expenditures	<u>58,000</u>	<u>128,000</u>	<u>89,853</u>	<u>38,147</u>	<u>696,721</u>
TOTAL EXPENDITURES	<u>514,000</u>	<u>656,500</u>	<u>577,115</u>	<u>78,234</u>	<u>973,545</u>
Net Change in Fund Balance	12,000	39,310	221,022	181,712	(307,169)
FUND BALANCE – July 1, 2011	<u>1,337,900</u>	<u>1,337,900</u>	<u>1,337,900</u>	<u>-</u>	<u>1,645,519</u>
FUND BALANCE – June 30, 2012.....	<u>\$ 1,349,900</u>	<u>\$ 1,377,300</u>	<u>\$ 1,559,012</u>	<u>\$ 181,712</u>	<u>\$1,337,990</u>

See accompanying independent auditors' report and notes.

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TOWN OF LOUISVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) DEFINITION OF REPORTING ENTITY:

The Town of Louisville, Tennessee, was incorporated under the laws of the State of Tennessee under Public Chapter 154 in 1991, and operates under an elected Mayor-Aldermen form of government. All funds under the control, authority, or oversight of the Town's governing body (Board of Aldermen) are included in these financial statements.

(B) FINANCIAL REPORTING ENTITY:

The accompanying financial statements present the Town of Louisville (primary government) and all funds, organizations, agencies, and offices that are a part of the primary government. The criteria for determining a primary government consist of the following:

- (1) A separately elected governing body
- (2) Separate legal standing – corporate power with the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and, the right to buy, sell, lease, or mortgage property in its own name.
- (3) Fiscal independence of other state and local governments by determining its budget, levying taxes, setting rates or charges, and issuing bonded debt without approval by another government.

Based on applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement 14 – “The Financial Reporting Entity”, as amended by GASB Statement 39 – “Determining Whether Certain Organizations are Component Units”, there are no potential component units for inclusion in the primary government. The financial reporting entity includes all funds, agencies, offices and departments which are a part of the primary government.

(C) BASIC FINANCIAL STATEMENTS – GASB NO. 34:

The basic financial statements include both government-wide (based on the Town as a whole and its component units) and fund financial statements. Both the government-wide and fund financial statements categorize the Town’s activities as governmental activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

(C) **BASIC FINANCIAL STATEMENTS – GASB NO. 34 (Continued):**

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Town does not currently utilize an indirect cost allocation system. The General Fund charges certain administrative fees to departments within other operating funds to support general services used by those funds. The expenditures/expenses are recorded as a reduction of expense in the allocating fund. Therefore, no elimination is required from either the government-wide or fund level financial statements. There are no non-major funds.

(D) **BASIS OF PRESENTATION:**

The Town uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the Town's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the Town:

GOVERNMENTAL FUNDS: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" (susceptible to accrual) when in the hands of intermediary collecting agencies and are recognized as revenues at that time. All other intergovernmental revenues are recorded as revenue when received. Expenditures are recognized when the related fund liability is incurred.

GENERAL FUND: The General Fund is established to account for resources devoted to financing the general services that the Town performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

(E) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the Town's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Revenues susceptible to accrual include local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town reports deferred revenues in the governmental funds if the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenue include 1) charges to customers or users who purchase, use or directly benefit from goods or services provided by a particular department 2) operating grants and contributions that are restricted. Taxes, investment income and other revenues not identifiable with a particular department, are included as general revenues. The general revenues support the net costs of the departments not covered by the program revenues.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

(F) **GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34:**

The Town utilizes the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. This statement affects the manner in which the Town records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

Management's Discussion and Analysis – The financial statements are accompanied by a narrative introduction and analytical overview of the Town's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the Town's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The Town now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the Town are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the Town has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

(G) BUDGETARY DATA:

Formal budgetary accounting is employed as a management control for the General Fund of the Town of Louisville, Tennessee. Annual operating budgets are adopted each fiscal year through passage of a budget ordinance, and amended as required using the same basis of accounting to reflect actual revenues and expenditures recognized in accordance with generally accepted accounting principles. The legal level of budgetary control is by function. All unencumbered budget appropriations lapse at the end of each fiscal year.

(H) FUND BALANCES:

Governmental fund equity is classified as fund balance. During the year ended June 30, 2010, the Town implemented Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance and Government Fund Type Definitions. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of governing body (Board of Aldermen) using its highest level of authority (ordinance).
- d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. This amount can also include amounts needed to balance the next year's budget when the budget is approved by ordinance.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The Town has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. No Town official is granted the authority to assign fund balance. In addition, the Town has no formal policy with regard to stabilization funds.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

(I) USE OF ESTIMATES:

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

NOTE 2 – SERVICE AGREEMENT:

Fire Protection Service Agreement:

Effective July 1, 1992, the Town of Louisville, Tennessee, entered into an agreement with the Blount County Fire Protection Unit (Fire Department) to provide a fire truck to protect the residences within the Town. The Fire Department has trained and equipped up to eight (8) volunteers for the fire protection service. The Town provides housing for the truck in the Town Hall facilities. The perpetual agreement is binding on both parties for as long as either of them exists, or until the Town undertakes to provide its own fire protection.

NOTE 3 – CASH:

In order to provide a safe temporary medium for investments of idle funds, municipalities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

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

Custodial Credit Risk – The Town has no formal policy regarding custodial credit risk. However, cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee State Bank Collateral Pool.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CASH (Continued):

Total cash with a carrying value of \$1,596,041 at June 30, 2012 is summarized as follows:

Cash:	
Cash in checking:	
Foothills Bank and Trust....	\$ 835,227
Citizens Bank.....	5,656
Cash in Savings:	
Citizens Bank.....	<u>755,158</u>
Total Cash	<u>\$1,596,041</u>

NOTE 4 – RISK FINANCING ACTIVITIES:

It is the policy of the Town to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 5 – RECEIVABLES:

Receivables at June 30, 2012 and 2011, consist of the following:

Due from:	
State of Tennessee:	
Sales tax.....	\$ 14,204
State Street Aid.....	5,464
State Gas Inspection Fee.....	417
Others:	
Wholesale beer tax	12,329
Local sales tax	32,404
Cable TV franchise tax	5,976
Other	<u>591</u>
Total	<u>\$ 71,385</u>

NOTE 6 – CAPITAL ASSETS:

Capital assets used in governmental fund type operations are stated at historical cost or the fair market value at the date of donation. Infrastructure capital assets, such as streets, bridges, lighting systems and sidewalks, have not been retroactively stated. However, all infrastructure additions and improvements acquired after July 1, 2003 are recorded.

(Continued)

TOWN OF LOUISVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – CAPITAL ASSETS:

Below is a summary of changes in Capital Assets used in Governmental Activities:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets, non-depreciable:				
Land	\$ 749,051	\$ -	\$ -	\$ 749,051
Capital Assets, depreciable:				
Buildings	1,537,074	13,794	-	1,550,868
Improvements.....	37,976	76,059	-	114,035
Equipment	<u>359,384</u>	<u>15,598</u>	<u>20,900</u>	<u>354,082</u>
Total Capital Assets.....	1,934,434	105,451	20,900	2,018,985
Accumulated Depreciation	<u>(464,266)</u>	<u>(66,384)</u>	<u>(20,900)</u>	<u>(509,750)</u>
Capital Assets, net of accumulated depreciation	<u>1,470,168</u>	<u>39,067</u>	-	<u>1,509,235</u>
Governmental Capital Assets	<u>\$2,219,219</u>	<u>\$ 39,067</u>	<u>\$ -</u>	<u>\$2,258,286</u>

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

Governmental activities:	
General Government	\$ 42,525
Public works/streets	19,296
Recreation	<u>4,563</u>
Total depreciation expense – governmental activities.....	<u>\$ 66,384</u>

The Town uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable s:

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

NOTE 7 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is February 26, 2013, which is the date on which the financial statements were issued.

TOWN OF LOUISVILLE, TENNESSEE
OTHER SUPPLEMENTARY INFORMATION

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE

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

June 30, 2012

TOWN OF LOUISVILLE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2012

<u>Programs</u>	<u>Balance</u> <u>7/1/11</u>	<u>CAPITAL ASSETS</u>			<u>ACCUMULATED DEPRECIATION</u>				<u>Net Book</u> <u>Value</u>
		<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>	
General Government – Land	\$ 749,051	\$ -	\$ -	\$ 749,051	\$ -	\$ -	\$ -	\$ -	\$ 749,051
General Government – Building	1,537,074	13,794	-	1,550,868	178,256	38,457	-	216,713	1,334,155
General Government – Equipment	13,337	1,255	-	14,592	10,869	1,069	-	11,938	2,654
General Government – Improvements	7,880	31,961	-	39,841	5,188	2,998	-	8,186	31,655
Recreation – Improvements	30,096	44,098	-	74,194	13,887	4,563	-	18,450	55,744
Streets - Equipment	<u>346,047</u>	<u>14,343</u>	<u>20,900</u>	<u>339,490</u>	<u>256,066</u>	<u>19,297</u>	<u>20,900</u>	<u>254,463</u>	<u>85,027</u>
Total	<u>\$ 2,683,485</u>	<u>\$ 105,451</u>	<u>\$ 20,900</u>	<u>\$ 2,768,036</u>	<u>\$ 464,266</u>	<u>\$ 66,384</u>	<u>\$ 20,900</u>	<u>\$ 509,750</u>	<u>\$ 2,258,286</u>

See accompanying independent auditors' report and notes.

TOWN OF LOUISVILLE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Capital Assets by Function and Activity
For the Fiscal Year Ended June 30, 2012

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
General Government – Building and Grounds.....	\$ 749,051	\$ 1,550,868	\$ 39,841	\$ -	\$2,339,760
General Government – Finance ...	-	-	-	14,592	14,592
Recreation	-	-	74,194	-	74,194
Streets.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,490</u>	<u>339,490</u>
Total Capital Assets	749,051	1,550,868	114,035	354,082	2,768,036
Accumulated Depreciation.....	<u>-</u>	<u>(216,713)</u>	<u>(26,636)</u>	<u>(266,401)</u>	<u>(509,750)</u>
Net Capital Assets	<u>\$ 749,051</u>	<u>\$ 1,334,155</u>	<u>\$ 87,399</u>	<u>\$ 87,681</u>	<u>\$2,258,286</u>

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TOWN OF LOUISVILLE, TENNESSEE

SECTION THREE

MISCELLANEOUS SCHEDULE

June 30, 2012

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TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2012

General Liability:

Liabilities created by the

Tennessee Governmental Tort Liability Act:

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

Liabilities for which a limit is not imposed by the

Tennessee Governmental Tort Liability Act:

Combined Single Limit	\$700,000
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Automobile Liability, Uninsured Motorist, and Comprehensive Coverage	\$500 deductible
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Fire and Extended Coverage - 90% Co-insurance:

Office building and equipment	\$500 deductible
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Public Officials Personal Errors and Omissions Liability:

Liability limit (\$1,000 deductible)	\$700,000
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Workmen's Compensation and Employer's Liability:

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

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TOWN OF LOUISVILLE, TENNESSEE

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

June 30, 2012

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Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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February 26, 2013

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

The Honorable Mayor and
Members of the Board of Aldermen
Town of Louisville
Louisville, Tennessee

We have audited the financial statements of the governmental activities and the major fund of the Town of Louisville, Tennessee as of and for the year ended June 30, 2012 and 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 26, 2013. 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

Management of the Town of Louisville, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-01.

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response, and accordingly, we express no opinion on it.

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

Ingram, Overholt & Bean, P.C.

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF FINDINGS (Continued)
For the Years Ended June 30, 2012

2012-01 Expenditures exceeding approved budget (2011-07)

Finding:

The Town has established that the legal level of budgetary control is at the function level. Thus, expenditures may not exceed the budget at that level.

During the fiscal year ended June 30, 2012, expenditures for “other general government” exceeded the approved budget.

TCA 6-56-203 states that no funds may be expended, regardless of their source, except in accordance with the budget ordinance adopted by the Board of Mayor and Aldermen.

Recommendation:

We recommend that expenditures be closely monitored and that the Town ensures that such expenditures do not exceed the budget at the legal level of budgetary control.

Management’s Response:

Again, this situation occurred during a previous administration. All administrative staff and bookkeepers will increase their emphasis on compliance and this point will be re-emphasized to the Board.

Disposition of Prior Year Findings

The following prior year findings were addressed with no repeat finding in the current fiscal year:

2011-01	Expenditures paid from statement
2011-02	Minutes not signed
2011-03	Sales tax paid
2011-04	Proper recording of disbursements for capital expenditures
2011-05	Depositories of municipal funds
2011-06	Treasurer shall collect, receive, and receipt all funds
2011-08	Establish escrow account for retained amounts on contracts