

TOWN OF LOUISVILLE

Louisville, Tennessee

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023



TOWN OF LOUISVILLE

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INTRODUCTORY SECTION

TOWN OF LOUISVILLE, TENNESSEE
ROSTER OF TOWN OFFICIALS AND OTHERS
June 30, 2023

Mayor

Jill Pugh

Vice Mayor

Daniel Franklin

Alderman

John Loope
Steve Carico
Steven Kelley

Other Officials

Michael G. Long - Town Recorder

Independent Auditor

Pugh & Company, P.C.
Knoxville, Tennessee

General Counsel

Rob Goddard, Attorney at Law
Goddard and Gamble, LLP
Maryville, Tennessee

FINANCIAL SECTION



PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparison statement for the general fund and the aggregate remaining fund information of the Town of Louisville, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in the financial position and the respective budgetary comparison statement for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standard generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



An independently owned member
RSM US Alliance



TSCPA
Members of the Tennessee Society
Of Certified Public Accountants

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v – x and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information section as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounts and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other supplementary information section and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical information sections as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
February 6, 2024



Town of Louisville

Jill Pugh, Mayor
Daniel Franklin, Vice Mayor
Mike Long, Recorder

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

Steven Kelley, Alderman
John Loope, 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, 2023.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Town exceeded its liabilities at June 30, 2023 by \$6,780,221 (net position). Of this amount, \$3,629,426 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2023, the Town's governmental funds reported an ending fund balance of \$3,789,346. Approximately 79% of this total amount (\$2,993,047) is unassigned fund balance available for spending at the government's discretion.
- ◆ The Town has no outstanding long-term debt. Long-term liabilities consist of compensated absences totaling \$3,817.

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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the current fiscal year. All changes in net position 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 the following comparative analysis of government-wide net position:

**Condensed Statement of Net Position
Governmental Activities**

	<u>2023</u>	<u>2022</u>
Assets		
Current and Other Assets	\$ 4,357,256	\$ 3,344,401
Capital Assets, Net	<u>2,994,692</u>	<u>2,534,836</u>
Total Assets	7,351,948	5,879,237
Deferred Outflows of Resources	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,351,948</u>	<u>\$ 5,879,237</u>
Liabilities, Deferred Inflows and Net Position		
Liabilities		
Current Liabilities	\$ 567,910	\$ 81,957
Long-Term Liabilities	<u>3,817</u>	<u>0</u>
Total Liabilities	<u>571,727</u>	<u>81,957</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	2,994,692	2,534,836
Restricted	177,587	156,103
Unrestricted	<u>3,607,942</u>	<u>3,106,341</u>
Total Net Position	<u>6,780,221</u>	<u>5,797,280</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 7,351,948</u>	<u>\$ 5,879,237</u>

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,780,221 at June 30, 2023.

The largest portion of the Town's net position \$3,607,942 (53.21%) reflects its unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town's net position, \$2,994,692 (44.17%) reflects its investment in capital assets (e.g. land, buildings, improvements, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. \$177,587 (2.62%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the government as a whole.

Analysis of Change in Net Position

The Town's net position increased by \$982,941 during the current fiscal year as shown below:

**Condensed Statement of Activities
Governmental Activities**

	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for Services	\$ 210,209	\$ 214,288
Operating Grants and Contributions	618,522	675,571
General Revenues		
Sales Taxes	1,226,025	1,097,448
Wholesale Beer and Liquor Taxes	103,994	94,505
Other State Taxes	209,072	219,963
TVA In-Lieu Taxes	52,710	45,518
Interest	59,603	2,686
Other Revenues	<u>21,219</u>	<u>191,736</u>
Total Revenues	<u>2,501,354</u>	<u>2,541,715</u>
Program Expenses		
General Government	485,702	387,776
Highways and Streets	646,548	528,292
Public Safety	278,049	264,018
Parks and Recreation	<u>108,114</u>	<u>1,032,199</u>
Total Program Expenses	<u>1,518,413</u>	<u>2,212,285</u>
Change in Net Position	982,941	329,430
Net Position at Beginning of Year	<u>5,797,280</u>	<u>5,467,850</u>
Net Position at End of Year	<u>\$ 6,780,221</u>	<u>\$ 5,797,280</u>

The \$982,941 increase in net position is the result of \$2.5 million in revenues offset by \$1.5 million in expenses in the current year. Revenues of \$2.5 million decreased by \$40 thousand over prior year revenues, primarily due to receiving \$60 thousand state grant money in 2022 that was not received in 2023. Expenses of \$1.5 million decreased by \$693 thousand during the year, primarily due to a large festival occurring in 2022 that had been previously deferred because of the COVID-19 Pandemic. There was not a festival in 2023.

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, unassigned 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 \$2,993,047 (nonspendable portion equaled \$18,712, restricted portion equaled \$177,587, and the committed portion equaled \$600,000, while total fund balance was \$3,789,346. 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 152% of total general fund expenditures of \$1,974,452, while total fund balance represents 192% of that same amount.

In the General Fund, sales taxes increased by \$129 thousand due to increased collections from merchants and wholesalers; interest increased \$57 thousand due to investing more funds into the Local Government Investment Pool (LGIP) yielding higher rates of return due to market volatility during the year. Other revenues decreased \$171 thousand primarily due to there not being a town festival during the year. Regarding General Fund expenditures, general government expenditures increased by \$98 thousand over fiscal year 2022 due mostly to the additional positions and salaries and health insurance costs, while highways and streets expenditures increased by \$118 thousand over fiscal year 2022 due primarily to increases in salaries and employee benefits in addition to an increase in repairs and maintenance expenses. Parks and Recreation decreased \$924 thousand due to not having a festival as in the previous fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental activities as of June 30, 2023 and 2022 amount to \$2,994,692 and \$2,534,836, respectively (net of accumulated depreciation). Capital assets include land, buildings, improvements, and equipment. The table below reflects the capital assets at the end of the fiscal year:

	<u>2023</u>	<u>2022</u>
Land	\$ 917,953	\$ 917,953
Buildings	1,687,010	1,687,010
Improvements	626,228	639,228
Equipment	<u>1,254,840</u>	<u>678,322</u>
Total Capital Assets	4,486,031	3,922,513
Less: Accumulated Depreciation/Amortization	<u>1,491,339</u>	<u>1,387,677</u>
Net Capital Assets	<u>\$ 2,994,692</u>	<u>\$ 2,534,836</u>
Net Capital Assets - Beginning	\$ 2,534,836	\$ 2,521,528
Increase/(Decrease) in Net Capital Assets	<u>459,856</u>	<u>13,308</u>
Net Capital Assets - Ending	<u>\$ 2,994,692</u>	<u>\$ 2,534,836</u>

Major capital asset additions include construction and completion of a new playground in the amount of \$576 thousand during the fiscal year ended June 30, 2023.

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. Long-term liabilities consist of compensated absences of \$3,817 due and payable within the next fiscal year.

OTHER MATTERS

The final budget for the fiscal year ended June 30, 2023 was \$2,354,100. The budget was amended during the fiscal year ended June 30, 2023 increasing the total budget by \$439,100.

The preliminary budget for the Town of Louisville for the fiscal year beginning July 1, 2023 and ending June 30, 2024 totals \$1,702,900, which represents a decrease of \$651,200 over last year's final budget.

The fiscal 2024 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, town alderman, 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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF LOUISVILLE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,132,870
Accounts Receivable	205,674
Prepaid Items and Other	18,712
Capital Assets:	
Nondepreciable	917,953
Depreciable Assets, Net of Accumulated Depreciation	<u>2,076,739</u>
Total Assets	<u>7,351,948</u>
LIABILITIES	
Accounts Payable	567,216
Accrued Liabilities	694
Long-Term Liabilities	
Due Within One Year	<u>3,817</u>
Total Liabilities	<u>571,727</u>
NET POSITION	
Investment In Capital Assets	2,994,692
Restricted for:	
State Street Aid	177,587
Unrestricted	<u>3,607,942</u>
TOTAL NET POSITION	<u>\$ 6,780,221</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LOUISVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities Total</u>
Governmental Activities:					
General Government	\$ 485,702	\$ 128,025	\$ 618,102	\$ 0	\$ 260,425
Highways and Streets	646,548	0	0	0	(646,548)
Public Safety	278,049	0	0	0	(278,049)
Parks and Recreation	108,114	82,184	420	0	(25,510)
	<u>\$ 1,518,413</u>	<u>\$ 210,209</u>	<u>\$ 618,522</u>	<u>\$ 0</u>	<u>(689,682)</u>
General Revenues:					
					1,226,025
					103,994
					209,072
					52,710
					59,603
					21,219
					<u>1,672,623</u>
					982,941
					<u>5,797,280</u>
					<u>\$ 6,780,221</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF LOUISVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 4,132,870
Accounts Receivable	205,674
Prepaid Items	<u>18,712</u>
Total Assets	<u>4,357,256</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	567,216
Accrued Liabilities	<u>694</u>
Total Liabilities	<u>567,910</u>
Fund Balances	
Nonspendable	18,712
Restricted for State Street Aid	177,587
Committed for Capital Projects	600,000
Unassigned	<u>2,993,047</u>
Total Fund Balance	<u>3,789,346</u>
Total Liabilities and Fund Balance	<u>\$ 4,357,256</u>

TOWN OF LOUISVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2023

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

Ending Fund Balance - Governmental Fund	\$	3,789,346
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	4,486,031	
Less: Accumulated Depreciation	<u>(1,491,339)</u>	2,994,692

Long-term liabilities, including compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated Absences	<u>(3,817)</u>
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Net Position of Governmental Activities	\$	<u><u>6,780,221</u></u>
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TOWN OF LOUISVILLE, TENNESSEE
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>
REVENUES	
Local Taxes:	
Local Option Sales Tax	\$ 705,730
Wholesale Beer Tax	99,305
Cable TV Franchise Tax	38,437
Intergovernmental	
State Taxes	675,749
Other Local Revenues	72,580
Federal Grants	614,345
Charges for Services	112,161
Fines, Forfeitures and Court Costs	101,636
Interest	59,603
Other Revenues	<u>21,808</u>
Total Revenues	<u><u>2,501,354</u></u>
EXPENDITURES	
Current	
Legislative	2,400
Financial Administration	159,205
Town Hall	95,371
Parks and Recreation	645,160
Public Safety	278,049
Highways and Streets	493,281
State Street Aid	140,000
Planning and Zoning	71,403
Other General Government	<u>89,584</u>
Total Expenditures	<u><u>1,974,452</u></u>
CHANGES IN FUND BALANCE	526,902
FUND BALANCE, BEGINNING OF YEAR	<u>3,262,444</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,789,346</u></u>

TOWN OF LOUISVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

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

Net Change in Fund Balance – Total Governmental Fund \$ 526,902

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.

Capital Assets Purchased	576,518	
Depreciation Expense	<u>(116,662)</u>	
Net Change in Capital Assets		459,856

Certain assets, liabilities, deferred inflows, and deferred outflows accounted for using the economic resources focus and accrual basis of accounting are reported in the Statement of Net Position but are not report in the fund financial statements, which include only items that are accounted for using current financial resources measurement and modified accrual basis of accounting. These amounts do not provide or require the use of current financial resources and, therefore, are not reflected in the revenues and expenditures of governmental funds.

Change in Liabilities and Deferred Inflows of Resources		
Compensated Absences		<u>(3,817)</u>

Change in Net Position of Governmental Activities		<u>\$ 982,941</u>
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TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGETARY COMPARISON

For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Local Option Sales Tax	\$ 475,000	\$ 600,000	\$ 705,730	\$ 105,730
Wholesale Beer Tax	80,000	100,000	99,305	(695)
Cable TV Franchise Tax	35,000	40,000	38,437	(1,563)
Total Local Taxes	590,000	740,000	843,472	103,472
Intergovernmental				
State Sales Tax	425,000	500,000	520,295	20,295
State Income Tax	10,000	0	0	0
State Beer Tax	2,000	2,000	2,002	2
State Gasoline Tax	135,000	150,000	153,452	3,452
State Transportation and Street Aid	8,000	8,000	8,031	31
Mixed Drink Tax	300	4,000	4,689	689
TVA In-Lieu Taxes	45,000	40,000	52,710	12,710
Federal Grants	614,345	1,228,690	614,345	(614,345)
Sportsbetting Tax	3,500	7,500	7,150	(350)
Total Intergovernmental	1,243,145	1,940,190	1,362,674	(577,516)
Charges for Services				
Code Enforcement Services	5,000	10,000	3,168	(6,832)
Town Hall	15,000	24,000	26,389	2,389
Recreation Fees	75,000	80,500	82,604	2,104
Total Charges for Services	95,000	114,500	112,161	(2,339)
Fine, Forfeitures and Court Costs				
Clerk's Fees	20,000	20,000	20,998	998
Licenses and Permits	62,000	83,250	80,638	(2,612)
Total Fine, Forfeitures and Court Costs	82,000	103,250	101,636	(1,614)
Interest Income	5,000	55,000	59,603	4,603
Other Revenues	50,000	19,300	21,808	2,508
TOTAL REVENUES	2,065,145	2,972,240	2,501,354	(470,886)

See Independent Auditor's Report.

TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGETARY COMPARISON (Continued)

For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Legislative:				
Operating Expenditures	\$ 2,000	\$ 5,000	\$ 2,400	\$ 2,600
Financial Administrative:				
Salaries	110,500	106,500	102,356	4,144
Fringe Benefits	2,500	3,000	3,685	(685)
Operating Expenditures	26,500	38,800	27,858	10,942
Materials and Supplies	10,500	21,000	25,305	(4,305)
Total Financial Administrative	<u>150,000</u>	<u>169,300</u>	<u>159,205</u>	<u>10,095</u>
Town Hall:				
Salaries	22,000	25,000	23,000	2,000
Operating Expenditures	64,500	69,600	61,861	7,739
Materials and Supplies	8,500	12,500	10,510	1,990
Total Town Hall	<u>95,000</u>	<u>107,100</u>	<u>95,371</u>	<u>11,729</u>
Parks and Recreation				
Salaries	21,500	24,000	23,437	563
Operating Expenditures	42,500	59,500	38,839	20,661
Programs and Activities	50,000	30,000	14,338	15,662
Materials and Supplies	1,000	1,500	1,703	(203)
Capital Outlay	500,000	700,000	566,843	133,157
Total Parks and Recreation	<u>615,000</u>	<u>815,000</u>	<u>645,160</u>	<u>169,840</u>
Public Safety:				
Operating Expenditures	278,000	288,000	278,049	9,951
Highways And Streets:				
Salaries	140,000	165,000	165,406	(406)
Fringe Benefits	7,500	7,500	8,820	(1,320)
Operating Expenditures	211,500	276,700	268,019	8,681
Materials and Supplies	141,000	141,500	51,035	90,465
Total Highways and Streets	<u>500,000</u>	<u>590,700</u>	<u>493,281</u>	<u>97,419</u>
State Street Aid:				
Capital Outlay	140,000	140,000	140,000	0
Planning and Zoning:				
Salaries	50,600	66,000	60,362	5,638
Fringe Benefits	0	0	1,294	(1,294)
Operating Expenditures	12,200	20,000	7,904	12,096
Materials and Supplies	2,200	3,000	1,842	1,158
Total Planning and Zoning	<u>65,000</u>	<u>89,000</u>	<u>71,403</u>	<u>17,597</u>

See Independent Auditor's Report.

TOWN OF LOUISVILLE, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES BUDGETARY COMPARISON (Continued)

For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Other General Government:				
OASI Employer Share	26,400	30,000	28,588	1,412
Liability Insurance	30,800	30,800	37,237	(6,437)
Health Insurance	0	30,900	0	30,900
Pension and 401k Matching	0	28,000	0	28,000
Operating Expenditures	12,800	30,300	23,758	6,542
Other General Government	70,000	150,000	89,584	60,416
TOTAL EXPENDITURES	1,915,000	2,354,100	1,974,452	379,648
Net Change in Fund Balance	150,145	618,140	526,902	(850,534)
Fund Balance, Beginning of Year	3,262,444	3,262,444	3,262,444	0
Fund Balance, End of Year	\$ 3,412,589	\$ 3,880,584	\$ 3,789,346	\$ (850,534)

See Independent Auditor's Report.

TOWN OF LOUISVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) FINANCIAL 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.

The financial statements of the Town have been prepared in accordance with generally accepted accounting principles (GAAP) followed in the United States of America. The Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or reviewed standards that are implemented by the Town. The Town is a primary government and has no component units.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, 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 year.

The Town currently has no business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses, including depreciation, of the various departments of the Town 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. However, interfund services, if any, are not eliminated. Net interfund activity is shown in the government-wide financial statements.

The fund financial statements emphasis is on the major funds. There are no non-major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) 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 categories are used by the Town:

Governmental Fund Types

Governmental funds are those through which most of the governmental functions of the Town are financed. The focus of governmental fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. Governmental funds include the following fund types:

General Fund: The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

(D) 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 annual 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 judgments, are recorded only when payment is due.

Revenues susceptible to accrual include local sales tax, state-shared sales tax, other state-shared taxes, highway user tax, wholesale beer and liquor taxes, and interest earned on pooled 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 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 of Louisville 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

As a general rule, the effect of interfund activity, except for interfund services, has been eliminated from the government-wide financial statements. At June 30, 2023, there were no significant encumbrances in the major fund of the Town.

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 to meeting the operational requirements of a particular department, and 3) capital 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 program revenues.

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

(E) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES

Deposits and Investments- Cash and cash equivalents include cash on hand, bank deposits and short-term investments with maturities of three months or less at the time of purchase, including deposits with the State Treasurer's Local Government Investment Pool (LGIP). All bank deposits are fully insured by the Tennessee Investment Collateral Pool.

Deposits with LGIP may be withdrawn with a maximum of one day's notice and are valued at cost. The State Pooled Investment Fund, of which LGIP is a part, is managed like a Rule SEC 2a-7 fund. The same investment guidelines are followed, but the State Pooled Investment Fund is not reported to the SEC.

The State Pooled Investment Fund is governed by the State Funding Board in accordance with Tennessee Code Annotated. The Funding Board is comprised of the State Treasurer, the Comptroller, the Commissioner of Finance and Administration, the Secretary of State and the Governor. Reporting is done monthly, quarterly and annually and there are regularly scheduled meetings. The Funding Board has developed an Investment Policy which meets Rule SEC 2a-7 requirements and State laws.

Receivables - All receivables are stated at the amount management expects to collect from outstanding balances. No allowance for doubtful accounts was considered necessary as of June 30, 2023.

Prepaid Items - Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets - Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES

Capital Assets are depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful Life (Years)</u>
Building	40
Improvements	10-20
Equipment	5-20

Deferred Outflows of Resources/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences - Accumulated unpaid annual leave is accrued in the Government-wide statements. Long-term liabilities of the governmental funds are not shown on the fund financial statements, as these benefits are not expected to be liquidated with expendable available financial resources. Upon resignation or retirement, accrued annual leave may be paid for leave earned as of the resignation or retirement date. Annual leave may be accrued up to a maximum of 80 hours for vacation and 48 hours for sick at the end of each calendar year. Any unused annual leave above the maximum limit on January 1st of each year shall be forfeited.

Net Position and Fund Balance - Government-wide net position is classified into three components. "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by outstanding debt used to finance the purchase or construction of those assets. "Restricted" net position is noncapital net position that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the Town. "Unrestricted" net position is remaining net position that does not meet the definition of the other two categories.

Governmental fund equity is classified as fund balance. The Town follows GASB No. Statement 54, *Fund Balance and Governmental Fund Type Definitions*. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent due to their form (e.g. inventory and prepaids) or funds that legally or contractually are required to be maintained intact.
- a. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitutional provisions or enabling legislation.
- b. Committed fund balances comprise those amounts that are set aside for a specific purpose by the Town's highest level of decision making authority (Board of Mayor and Aldermen) through its highest level of formal action (ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- c. Assigned fund balances consist of amounts that are set aside with the intent to be used for a specific purpose by the Town's highest level of decision making body. Assigned fund balances may not cause a deficit in unassigned fund balance.
- d. Unassigned fund balances consist of excess funds that have not been classified in the previous four categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

(F) ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION/FUND BALANCES

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last. No Town official is granted the authority to assign fund balance.

Use of Estimates - The preparation of basic 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, liabilities, revenue and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

Evaluation of Subsequent Events - Management has evaluated subsequent events through February 6, 2024, which is the date the financial statements were available to be issued. See Note 8.

(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) ADOPTION OF NEW ACCOUNTING STANDARD

The Town adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* during the 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. It (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement's effect on the financial statements was insignificant.

NOTE 3 - DEPOSITS

Custodial Credit Risk - Deposits - For cash and cash equivalents, this is the risk that, in the event of a bank failure, the Town's deposits may not be available, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires that deposits be either (1) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (2) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held.

Included in Cash and Cash equivalents at June 30, 2023 were balances in the State Treasurer's Local Government Investment Pool (LGIP) in the amount of \$2,365,162. Deposits with the LGIP are not subject to categorization and are reported at amortized cost. The LGIP is not registered with the SEC as an investment company. However, the LGIP has a policy that it will operate in a manner consistent with the SEC's Rule 2a-7. SEC Rule 2a-7 allows SEC registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. There are no minimum or maximum dollar limits on the size of withdrawal transactions. In most cases, a withdrawal will be honored the same day it is requested. However, withdrawals of \$5,000,000 or more will be honored the next working day after request.

NOTE 3 - DEPOSITS (Continued)

All of the Town's cash and cash equivalents at June 30, 2023 were covered by Federal Depository Insurance Coverage (FDIC) and the bank collateral pool administered by the Treasurer of the State of Tennessee.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the fiscal year ending June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 917,953	\$ 0	\$ 0	\$ 917,953
Depreciable Assets:				
Buildings	1,687,010	0	0	1,687,010
Improvements	639,228	0	(13,000)	626,228
Equipment	678,322	576,518	0	1,254,840
Total Depreciable Assets	<u>3,004,560</u>	<u>576,518</u>	<u>(13,000)</u>	<u>3,568,078</u>
Accumulated Depreciation:				
Buildings	(623,480)	(42,175)	0	(665,655)
Improvements	(487,494)	(23,166)	13,000	(497,660)
Equipment	(276,703)	(51,321)	0	(328,024)
Total Accumulated Depreciation	<u>(1,387,677)</u>	<u>(116,662)</u>	<u>13,000</u>	<u>(1,491,339)</u>
Total Assets Being Depreciated	<u>1,616,883</u>	<u>459,856</u>	<u>0</u>	<u>2,076,739</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,534,836</u>	<u>\$ 459,856</u>	<u>\$ 0</u>	<u>\$ 2,994,692</u>

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

General Government	\$ 66,344
Highways and Streets	23,612
Parks and Recreation	<u>26,706</u>
Total Capital Assets	<u>\$ 116,662</u>

NOTE 5 - 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 6 - RISK FINANCING ACTIVITIES

The Town purchases commercial insurance through and participates in the Public Entity Partners (PEP) pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the pool and/or an insurance company. No significant reductions were made in insurance coverage from the previous year. No insurance settlements exceeded coverage in any of the prior three years.

Coverage through the pool is for payment of damage claims to defend the Town in and damage suit that is included in the coverage, up to the policy's applicable limits, at the pool's expense. This includes any other necessary costs relating to the defense. The Town has the responsibility of following any reporting requirements, including timely reporting of any incidents that might result in a damage claim. The Town is to everything necessary to protect the rights of recovery of the pool and enforcement of these rights by complying with all terms of the policy. PEP has the right to apply premium rate changes as necessary.

NOTE 7 - PENDING LITIGATION

The Town is involved in various litigations arising in the ordinary course of its operations. The Town is vigorously defending each of the suits. The outcome of these suits is not presently determinable. However, management believes that if any suit results in an unfavorable outcome that its insurance coverage is sufficient to cover any judgment.

NOTE 8 - SUBSEQUENT EVENTS

On July 1, 2023, the Town adopted a defined benefit pension plan (The Plan) through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS) for full time employees. The Plan is designated as a local government hybrid plan under TCRS. The Town will make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation.

On July 1, 2023, the Town adopted the State of Tennessee's deferred compensation plans under section *457(b) and 401(k)* of the Internal Revenue Code for all employees as a component of the TCRS – Hybrid Plan.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2023

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

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

TOWN OF LOUISVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

<u>Federal Program/Pass-through Grantor Program</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Federal Awards				
U.S. Department of the Treasury				
Passed through the Tennessee Department of Finance & Administration:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ <u>0</u>	\$ <u>614,345</u>
Total Federal Awards			<u>0</u>	<u>614,345</u>
State Financial Assistance			\$ <u>0</u>	\$ <u>0</u>

See Independent Auditor's Report.

TOWN OF LOUISVILLE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDED
AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of the Town of Louisville (the "Town") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Town.

Federal Financial Assistance. The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments. Assistance received directly from the Federal government is classified as direct payments on the Schedule.

Pass-through Payments. Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

Major Programs. The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Town were defined using a risk-based approach in accordance with Uniform Guidance.

Assistance Listing Number. The Assistance Listing Number (formerly known as Catalog of Federal Domestic Assistance or CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Assistance Listing Number), which is reflected in the Schedule.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The Town has elected not to use the 10% de minimis indirect rate as allowed under Uniform Guidance.

NOTE 4 - CONTINGENCIES

The federal and state awards received by the government are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, the grantor agency could make a claim for reimbursement.

See Independent Auditor's Report.

COMPLIANCE SECTION



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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund and budgetary comparisons for the Town of Louisville, Tennessee (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Louisville, Tennessee's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
February 6, 2024

TOWN OF LOUISVILLE, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2023

There were no findings or questioned costs reported in the prior year.