

TOWN OF KILLIAN, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/3/10

TOWN OF KILLIAN
LIVINGSTON PARISH, LOUISIANA
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MAYOR

Gillis Windham

COUNCIL

Jerry Barnum, Jr.
Peter W. Bock
Vince T. Deliberto, Jr.
Craig McGehee
Dean A. Sharp

[Term of Mayor & Council is from July 1, 2009 to June 30, 2013]

LEGAL COUNSEL

Brian K. Abels

TOWN CLERK

Tymbra Recatto

CHIEF OF POLICE

Dennis Hill

MEETING DATE

2nd Tuesday of Every Month
6:00 PM - Town Hall

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FOR THE YEAR ENDED JUNE 30, 2009
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George F. Delaune

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Honorable Gillis Windham, Mayor
and Members of the Town Council
Town of Killian, Louisiana

I have audited the accompanying financial statements of the governmental activities and business-type activities of the TOWN OF KILLIAN, LOUISIANA, as of and for the year ended June 30, 2009, 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 Killian, Louisiana, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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, and the Louisiana Governmental Audit Guide. Those standards and the guide require that I plan and perform the audit to obtain reasonable assurance about whether the basic 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the Town of Killian, Louisiana, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated January 6, 2010, on my consideration of the Town of Killian, Louisiana's internal control over financial reporting and my 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 my 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 assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 8 and budgetary comparison information on page 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

George F. Delaune, CPA

January 6, 2010

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REQUIRED SUPPLEMENTAL INFORMATION (Part I)

Management's Discussion and Analysis

This narrative report has been prepared in an easy-to-read format by management. It provides an analytical overview of the Town's financial activities for the year based on currently known facts and management's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the Town's operations.

TOWN OF KILLIAN
Livingston Parish, Louisiana
P. O. Box 546
Springfield, Louisiana 70462-0546

INTRODUCTION

This annual report consists of -

- Our independent auditor's report on the financial statements in which he rendered an unqualified opinion.
- Management's discussion and analysis which provides in plain language an overview of our financial activities for the year.
- The basic financial statements which consists of government-wide financial statements, governmental fund financial statements, and the notes to those financial statements.
- The comparison of actual operations for the year compared to the budget.
- Our independent auditor's report on the Town's compliance with laws and regulations and how management applied internal controls over its financial operations. The results of his tests and observations did not indicate any violations that he considered to be in noncompliance or conditions that required to be disclosed that could affect our operations.

Management's Discussion and Analysis

Within this section of the Town of Killian, Louisiana's (Town) annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's net assets exceeded its liabilities by \$669,975 (net assets) for the fiscal year reported
- Total revenues of \$402,400 exceeded total expenses of \$345,187, which resulted in a current year surplus of \$57,213
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$585,502 which includes property and equipment, net of accumulated depreciation
 - (2) Unrestricted net assets of \$84,473
- The Town's general fund reported fund balance at June 30, 2009 of \$26,556

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Basic Financial Statements

This Management Discussion and Analysis document introduces the Town's basic financial statements. The Town's basic financial statements which are comprised of four components: (1) government-wide financial statements, (2) fund

financial statements, (3) notes to the financial statements, and (4) other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide Financial Statements, presented on pages 10 and 11, 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 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 most recent 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 fiscal periods.

The Town's Government-wide Financial Statements distinguish functions 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 (business-type activities). The Town's sole operation of fire protection is classified as governmental activities.

Fund Financial Statements

A fund is a grouping of related accounts that is 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. The Town has only one fund which is categorized as a governmental fund.

Governmental Funds. Governmental funds, presented on pages 12 and 13, are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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 effect 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget. A budgetary comparison schedule has been provided for the Town's operations to demonstrate compliance with this budget.

Proprietary Fund The proprietary fund accounts for water services for the Town. Enterprise funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail. The proprietary fund financial statements can be found on pages 14 thru 16 of this report.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Whereas the Total column on the Enterprise Fund Financial Statements is the same as the Business-Type column in the Government-wide Financial Statements, the Governmental Fund Financial Statements require a reconciliation to the Governmental-Type column of the Government-wide Financial Statements.

Notes to the Financial Statements

The notes, presented on pages 17 thru 24, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary control, on page 27. This schedule demonstrates compliance with the Town's adopted and final revised budget.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. At the end of the most recent year, the assets of the Town exceeded its liabilities by \$669,975.

The following Table provides a summary of the Town's net assets:

Net Assets			
	2009	2008	% Change
Current and other assets	\$ 98,379	\$ 110,339	-10.84%
Capital assets	585,502	521,438	12.29%
Total assets	683,881	631,777	8.25%
Current and other liabilities	13,106	20,018	-34.53%
Noncurrent liabilities	800	1,725	-53.62%
Total liabilities	13,906	21,743	-36.04%
Net assets -			
Invested in capital assets	585,502	521,438	12.29%
Unrestricted	84,473	88,596	-4.65%
Total net assets	\$ 669,975	\$ 610,034	9.83%

The following Table provides a summary of the Town's changes in net assets:

Changes in Net Assets			
	2009	2008	% Change
Revenues:			
Property taxes	\$ 64,873	\$ 58,986	9.98%
Franchise taxes	58,222	43,519	33.79%
Licenses and permits	13,815	9,663	42.97%
Grants and contributions	75,300	23,551	219.73%
Fines and forfeitures	125,978	39,728	
Charges for services	63,148	62,035	1.79%
Interest earned and other revenues	1,064	4,399	-75.81%
Total revenues	402,400	241,881	66.36%
Expenses:			
General government	74,509	92,305	-19.28%
Police protection	174,307	84,507	106.26%
Streets	5,095	7,633	-33.25%
Water system	91,276	77,523	17.74%
Total expenses	345,187	261,968	31.77%
Change in net assets	\$ 57,213	\$ (20,087)	-384.83%

Fund Financial Analysis

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

The focus of the Town's governmental fund 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 year. Governmental funds reported an ending fund balance of \$26,556. This was a decrease of \$54,121 over the prior year.

The Town primarily relies on ad valorem and franchise taxes to support its governmental activities which represent almost 43% of the Town's total revenues. During the year, fines and forfeitures increased to \$125,978 which represents 80% of the cost to operate the police department.

The Town's programs include general government, police protection, streets and drainage. General government and police protection represents 98.5% of the Town's total expenditures.

The business activities revenue consists of user fee revenue for providing water service to customers.

Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town for governmental activities. A budgetary comparison statement is required and can be found on page 27. This statement compares the original adopted budget, the budget if amended throughout the year, and the actual expenditures prepared on a budgetary basis. The Town was amended once during the year; however, the amendment was not adopted in the same format as the original budget.

Actual revenues of \$286,777 exceeded budgeted revenues of \$155,500 by \$131,277 while actual expenditures of \$340,898 exceeded budgeted expenditures of \$185,500 by \$185,398.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation as of June 30, 2009, was \$172,805 for governmental activities and \$412,697 for business-type activities. There was an overall increase of \$91,017 in capital assets used for governmental activities. The Town's major capital expenditures consisted of a new police vehicle, a search/rescue boat, radars and radios, and renovations to the Town Hall.

The Town implemented GASB Statement No. 34 in 2004. However, as a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to July 1, 2003. Historically, a government's largest group of governmental assets (e.g., roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year 2004, this new statement requires these assets be valued and reported within the Governmental Activities column of the Government-Wide Financial Statements.

During the year, the Town received a state grant in the amount of \$52,250. These funds will be used to pay 90.71% of the \$57,600 contract to replace the water well control system.

Economic Factors and Next Year's Budgets and Rates

Revenues from ad valorem taxes, franchise taxes, and licenses and permits increased from 2008 to 2009 which indicates an up-turn in the economic growth for the area. However, the budget adopted for the year 2010 was very conservative and the Town will not expend any funds unless surplus is there to provide for them.

Various economic factors are affecting not only the revenues of the Town but also it's rising costs to provide services to the residential and business community.

The business-type activities shows a negative return of 44.57% on total revenues. The Town will monitor rates to ensure enough working capital to make improvements to the utilities systems and replace equipment and at same time make it affordable for it's citizens to live in this community as reflected by the tabulation of utility sales and rates.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens , taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tymbra Recatto, Town Clerk at (225) 695-6785.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Governmental funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF KILLIAN, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Busin ess-type Activities	Total
ASSETS			
Cash	\$ 26,341	\$ 57,353	\$ 83,694
Accounts receivable -			
Property taxes	54		54
Franchise taxes	11,253		11,253
Customer charges		1,308	1,308
Due from other funds		1,016	1,016
Restricted assets - cash		1,054	1,054
Noncurrent assets:			
Capital assets (net)	172,805	412,697	585,502
Total Assets	<u>210,453</u>	<u>473,428</u>	<u>683,881</u>
LIABILITIES			
Accounts payable	7,045	1,275	8,320
Accrued payroll liabilities	3,031		3,031
Due to other funds	1,016		1,016
Advance payments from customers		739	739
Noncurrent liabilities:			
Customer deposits		800	800
Total Liabilities	<u>11,092</u>	<u>2,814</u>	<u>13,906</u>
NET ASSETS			
Invested in capital assets, net of related debt	172,805	412,697	585,502
Unrestricted - undesignated	26,556	57,917	84,473
Total Net Assets	<u>\$ 199,361</u>	<u>\$ 470,614</u>	<u>\$ 669,975</u>

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

TOWN OF KILLIAN, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 74,509	\$ 13,814			\$ (60,695)
Police	174,307	125,993	22,156	894	(25,264)
Streets and drainage	5,095				(5,095)
Total governmental activities	<u>253,911</u>	<u>139,807</u>	<u>22,156</u>	<u>894</u>	<u>(91,054)</u>
Business-type activities:					
Water	91,276	63,133		52,250	24,107
Total business-type activities	<u>91,276</u>	<u>63,133</u>	<u>0</u>	<u>52,250</u>	<u>24,107</u>
Total	<u>\$ 345,187</u>	<u>\$ 202,940</u>	<u>\$ 22,156</u>	<u>\$ 53,144</u>	<u>\$ (66,947)</u>
Change in Net Assets:					
			Governmental Activities	Business-type Activities	Total
Net (expense)/revenue			<u>\$ (91,054)</u>	<u>\$ 24,107</u>	<u>\$ (66,947)</u>
General revenues:					
Taxes:					
Property			64,873		64,873
Franchises			58,222		58,222
Intergovernmental					0
Investment income			624	241	865
Miscellaneous			200		200
Total general revenues and transfers			<u>123,919</u>	<u>241</u>	<u>124,160</u>
Change in net assets			32,865	24,348	57,213
Net assets - beginning			<u>166,496</u>	<u>446,266</u>	<u>612,762</u>
Net Assets - Ending			<u>\$ 199,361</u>	<u>\$ 470,614</u>	<u>\$ 669,975</u>

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

TOWN OF KILLIAN, LOUISIANA
 BALANCE SHEET
 GOVERNMENTAL FUND - GENERAL FUND
 JUNE 30, 2009

ASSETS		
Cash		\$ 26,341
Receivables -		
Property taxes		54
Franchise taxes		11,253
Total Assets		37,648
LIABILITIES		
Accounts payable		7,045
Accrued payroll deductions		3,031
Due to Water system		1,016
Total Liabilities		11,092
FUND BALANCES		
Unrestricted and unreserved		26,556
Total Fund Balances		26,556
Total Liabilities and Fund Balances		\$ 37,648
Total Governmental Fund Balances		\$ 26,556
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$60,611		172,805
Net Assets of Governmental Activities		\$ 199,361

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

TOWN OF KILLIAN, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS - GENERAL FUND
 YEAR ENDED JUNE 30, 2009

REVENUES

Taxes	\$ 123,095
Intergovernmental	23,050
Licenses and permits	13,815
Charges for services	15
Fines and forfeitures	125,978
Miscellaneous	824
	286,777
Total Revenues	286,777

EXPENDITURES

Current:	
General government	71,889
Police	156,885
Streets and drainage	5,095
Capital outlays:	
General government	27,432
Police	63,584
Debt service:	
Capital lease payments	16,013
	340,898
Total Expenditures	340,898
Net Change in Fund Balances	(54,121)
Fund Balances - Beginning	80,677
Fund Balances - Ending	\$ 26,556

Reconciliation of the change in fund balances – total governmental funds to the change in net assets of governmental activities:

Net change in fund balances – total governmental funds	\$ (54,121)
<i>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 (\$91,017) exceeded depreciation (\$20,041) in the current period.</i>	70,973
<i>Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.</i>	16,013
Change in Net Assets of Governmental Activities	\$ 32,865

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

TOWN OF KILLIAN, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER SYSTEM
JUNE 30, 2009

ASSETS		
Current Assets:		
Cash	\$	57,353
Receivables - utility customers		1,308
Due from General Fund		1,016
Total Current Assets		<u>59,677</u>
Noncurrent Assets:		
Restricted assets - cash in debt service accounts		1,054
Capital assets (net)		412,697
Total Noncurrent Assets		<u>413,751</u>
Total Assets	\$	<u>473,428</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$	1,275
Advance payments from customers		739
Total Current Liabilities		<u>2,014</u>
Noncurrent Liabilities:		
Customer deposits		800
Total Current Liabilities Payable from Restricted Assets		<u>800</u>
Total Liabilities	\$	<u>2,814</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$	412,697
Unrestricted		57,917
Total Net Assets	\$	<u>470,614</u>

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

TOWN OF KILLIAN, LOUISIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND - WATER SYSTEM
 YEAR ENDED JUNE 30, 2009

Operating Revenues	
Water charges	\$ 58,233
Connection and reconnect fees	3,325
Miscellaneous charges	1,575
Total changes for services	<u>63,133</u>
Total Operating Revenues	<u>63,133</u>
Operating Expenses	
Contract labor	20,390
Engineering fees	845
Repairs and maintenance	11,513
Chlorine	16,204
Safe drinking water fee	806
Insurance	5,693
Current used in pumping	9,093
Office expense	853
Depreciation	25,650
Bad debts	229
Total Operating Expenses	<u>91,276</u>
Net Operating Loss	<u>(28,143)</u>
Nonoperating Revenues	
State grant	52,250
Interest earned	241
Total Nonoperating Revenue	<u>52,491</u>
Net Income	24,348
Net Assets - Beginning	<u>446,266</u>
Net Assets - Ending	<u>\$ 470,614</u>

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

TOWN OF KILLIAN, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER SYSTEM
YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities	
Receipts from customers	\$ 60,869
Payments to suppliers	<u>(66,130)</u>
Net Cash (Used) by Operating Activities	<u>(5,261)</u>
 Cash Flows from Non-Capital Financing Activities	
Advances to General Fund	<u>(5,949)</u>
Net Cash (Used) by Non-Capital Financing Activities	<u>(5,949)</u>
 Cash Flows from Capital and Related Financing Activities	
Grants to purchase capital assets	<u>52,250</u>
Net Cash Provided by Capital and Related Financing Activities	<u>52,250</u>
 Cash Flows from Investing Activities	
Interest earned	<u>241</u>
Net Cash Provided by Investing Activities	<u>241</u>
Net Increase in Cash and Cash Equivalents	41,281
Balances - Beginning of Year	<u>17,126</u>
Balances - End of Year	<u>\$ 58,407</u>
 Reconciliation of Net Operating Loss to Net Cash (Used) by Operating Activities	
Net operating loss	\$ (28,143)
 Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation	25,650
Change in assets and liabilities:	
Decrease in receivables	9,031
Decrease in accounts payable	(504)
Decrease in unearned revenues	(12,034)
Increase in advances on water charges	<u>739</u>
Net Cash (Used) by Operating Activities	<u>\$ (5,261)</u>

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

**TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS**

Note 1. - Introduction

Financial Reporting Entity

The Town of Killian, Louisiana (the "Town") was incorporated as a village in 1968, under the provisions of the "Lawrason Act" (Louisiana Revised Statutes 33:321-481) of the Constitution of the State of Louisiana. By Proclamation No. 67 MJF 2001, issued by the state, the village became a town on November 16, 2001. The Town is located in the Parish of Livingston with a geographic area of approximately 11.1 square miles and a population of 1,375. The Town operates under a Mayor - Board of Aldermen form of government and, as permitted under the act, provides police protection; streets, sidewalks, and drainage maintenance; public improvements; health and social services; culture-recreation; planning and zoning; water utilities; general administration; and sponsorship of federal and state supported programs. The Mayor and five Council Members are elected at large to serve four year terms from July 1, 2006 to June 30, 2009. The Town employees 4 full-time employees. The Town serves 293 water customers.

As the municipal governing authority, for reporting purposes, the Town of Killian is considered a separate financial reporting entity. The financial reporting entity consists of [a] the primary government (municipality), [b] organizations for which the primary government is financially accountable, and [c] other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Killian for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

- Appointing a voting majority of an organization's governing body, and
 - The ability of the municipality to impose its will on that organization and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
- Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
- Organizations for which the reporting entity financial statements should be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, since the Town has no component units, these financial statements present the primary government of the Town of Killian.

Note 2. - Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recognized only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues, when the eligibility requirements are met, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town, or specifically identified.

The Town reports the following governmental funds -

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

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Fund -- account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Encumbrances

Encumbrance represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation (budget item). Encumbrance accounting is not utilized by the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool (LAMP), and mutual funds consisting solely of government backed securities.

Investments for the municipality are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Accounts Receivable and Bad Debts

Accounts receivable for the water system consist of monthly fees billed to users of the system on a quarterly basis. When an account becomes more than 90 days old an allowance for bad debt is established for the balance of the account. At June 30, 2009, the allowance for bad debt is \$7,572.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered and temporary loans. These short-term interfund loans are classified as interfund receivables/payables and classified as due from or due to other funds on the balance sheet.

Inventories

Inventories for supplies are immaterial and are recorded as expenditures when purchased.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Town) are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds. As of December 31, 2008, no interest has been capitalized on projects.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 40 Years
Water System	20 - 30 Years
Equipment	10 - 30 Years
Office Equipment	3 - 5 Years
Police Vehicles	3 - 5 Years
Police Equipment	5 Years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Capital asset acquisitions are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

Compensated Absences

Accumulated unpaid vacation and sick leave is accrued when incurred in proprietary funds. The amount of accumulated vacation and sick leave recorded in the governmental funds is that amount, adjusted to current salary costs, which is expected to be liquidated with expendable available financial resources. Only the current portion is reflected in the funds. The remainder of the liability is reported in the General Long-Term Debt Account Group. The guidelines of GASB Codification Section C60 were applied in determining the liability for both governmental and proprietary funds.

Employees of the Town earn from 5 to 15 days of vacation leave each year, depending on length of service. Vacation leave must be used in the year earned. There is no formal policy on sick leave. Sick leave is approved by the Town based on need. There are no accumulated and vested benefits relating to vacation or sick leave.

Fund Equity and Net Assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the Town, which are not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance – indicates that portion of fund equity which has been legally segregated for specific purposes or is not available for appropriation.

Unreserved Designated Fund Balance – indicates that portion of fund equity for which the Town has made tentative plans.

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unreserved-Undesignated Fund Balance or Deficits – indicates that portion of fund equity which is available for appropriation and expenditures in future periods. A deficit will require future funding.

Estimates

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

Property Taxes

All taxable property located within the State of Louisiana is subject by law to taxation on the basis of its assessed valuation. The assessed value is determined by the Parish Assessor, except for public utility property which is assessed by the Louisiana Tax Commission.

The 1974 Louisiana Constitution provided that, beginning in 1978, all land and residential property were to be assessed at 10% of fair market value; agricultural, horticultural, marsh lands, timber lands and certain historic buildings are to be assessed at 10% of "use" value; and all other property is to be assessed at 15% of fair market value. Fair market values are determined by the elected assessor of the parish and are subject to review and final certification by the Louisiana Tax Commission. The Assessor is required to reappraise all property every four years.

All taxes are due by December 31 of the year and are delinquent on January 1 of the next year, which is also the lien date. If the taxes are not paid by the due date of December 31st, the taxes bear interest at 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Constitution of the State of Louisiana requires the property to be sold in the least quantity of property necessary to settle the taxes and interest owed.

The following is a summary of authorized and levied ad valorem taxes for the year 2008:

Fund	Authorized Millage	Levied Millage	Expiration Date
General Fund	7.00	5.35	Indefinite

The difference between authorized and levied millages is the result of reassessments of taxable property in the parish as required by Article 7, Section 18 of the Louisiana Constitution of 1974.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance–total governmental funds, and nets assets–governmental activities as reported in the government-wide statement of net assets.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances–total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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."

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 4 - Budgets and Budgetary Accounting

The Town must comply with the Louisiana Local Government Budget Law, Title 39:1301-1315:

- Budgets are prepared for the General Fund on the GAAP Basis and appropriations (unexpended budget balances) lapse at year end.
- Since the total anticipated expenditures of the governmental funds does not exceed \$500,000, the Town must publish notices about the availability of the budget.
- Budgetary control is exercised at the line item level.
- When necessary, the Board adopts budget amendments which are included in minutes published in the official journal.

Note 5 - Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2009:

Interest-bearing demand deposits \$ 89,189

These deposits are stated at cost, which approximates market. Under state statutes, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2009, the Town has \$99,698 in deposits (collected bank balances). These deposits are secured from risk by \$99,698 of federal deposit insurance.

Note 6 - Capital Assets

Capital asset activities for the year ended June 30, 2009:

Governmental Activities

	7-1-2008	Increases	Decreases	6-30-2009
Non-depreciable assets:				
Land	\$ 49,200			\$ 49,200
Depreciable assets:				
Buildings	50,250	26,273		76,523
Equipment	49,467		(46,879)	2,588
Police vehicles		33,343	21,008	54,351
Police equipment		30,242	11,829	41,871
Office equipment		1,159	7,724	8,883
Infrastructure				0
Total other capital assets at historical cost	<u>99,717</u>	<u>91,017</u>	<u>(6,518)</u>	<u>184,216</u>
Less: Accumulated depreciation for -				
Buildings	65,826	1,344	(36,823)	30,347
Equipment		259	83	342
Police vehicles		12,898	1,880	14,778
Police equipment		4,524	3,438	7,962
Office equipment		1,017	5,165	7,182
Infrastructure				0
Total accumulated depreciation	<u>65,826</u>	<u>20,042</u>	<u>(25,257)</u>	<u>60,611</u>
Total governmental activities capital assets, net	<u>\$ 83,091</u>	<u>\$ 70,975</u>	<u>\$ 18,739</u>	<u>\$ 172,805</u>

TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Business-Type Activities

	7-1-2008	Increases	Decreases	6-30-2009
Non-depreciable assets:				
Land	\$ 0			\$ 0
Depreciable assets				
Water system	661,237			661,237
Machinery and equipment	17,137			17,137
Office equipment	1,058			1,058
Total other capital assets at historical cost	679,432	0	0	679,432
Less: Accumulated depreciation for -				
Water system	241,083	24,863	(16,302)	249,644
Machinery and equipment		536	15,497	18,033
Office equipment			1,058	1,058
Total accumulated depreciation	241,083	25,399	253	266,735
Total business-type activities capital assets, net	\$ 438,349	\$ (25,399)	\$ 253	\$ 412,697

Note 7 - Franchise Agreements

The Town has granted three franchises:

- DEMCO
- Entergy
- Eatel
- Charter Cable
- Diversion Water
- Mo-Dad Systems

Note 8 - Pension Plan and Retirement Commitments

Social Security System -

All employees of the Town are members of the Federal Social Security System, administered by the State of Louisiana. The total payroll for employees of the Town covered by the System for the fiscal year ended June 30, 2009, was \$102,403.

The total contribution to the System is 12.4% of taxable payroll of which the Town and employees contribute 6.2% each. For the fiscal year ended June 30, 2009, the Town contributed \$6,349 to the System.

Medicare System -

All employees of the Town are members of the Federal Medicare System. The total payroll for employees of the Town covered by the System for the fiscal year ended June 30, 2009, was \$102,403.

The total contribution to the system is 2.9% of taxable payroll of which the Town and employees contribute 1.45% each. For the fiscal year ended June 30, 2009, the Town contributed \$1,485 to the System.

Note 9 - Capital Lease Obligation

On June 24, 2008, the Town entered into a lease agreement to acquire radar unit with a total cost of \$2,227.58 for the use in the police department. The lease was paid off on April 15, 2009.

**TOWN OF KILLIAN, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

On March 3, 2008, the Town entered into a lease agreement to acquire a 2008 Dodge police unit at a total cost of \$21,008. The lease was paid off on March 2, 2009.

Note 10 - On-Behalf Payments

The Town's police personnel received \$8,694 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenues are reported in the General Fund and the expenditures are included in Police Department expenditures.

Note 11- Contingent Liabilities

There is no pending litigation against the Town.

Note 12- Risk Management

The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance. Settlement amounts have not exceeded insurance coverage for the current fiscal year or the three prior fiscal years.

Note 13 - Compensation Paid to Board Members

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the mayor and board members is as follows:

Mayor	- Kathleen Abels	\$	0
Council Members	- James Jay Prather		0
	- Larry Laborde		0
	- Dean Sharp		0
	- Vincent Deliberto		0
	- Paul Canik		0
		<u>\$</u>	<u>0</u>

REQUIRED SUPPLEMENTARY INFORMATION

The following Budgetary Comparison Schedule - General Fund is required by GASB 34. The schedule presents the original adopted budget and final budget for the fiscal year and compares the final budget to actual operations of the Town.

State Law requires the Town to amend it's budget when projected actual revenues and surplus is 5% below the adopted budget or when projected actual expenditures exceed 5% of the adopted budget. For the year ended June 30, 2009, actual revenues were 184.42% and actual expenditures were 219.22% of the originally adopted budget.

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TOWN OF KILLIAN, LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Original Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 103,500	\$ 103,500	\$ 123,095	\$ 19,595
Intergovernmental	3,600	3,600	23,050	19,450
Licenses and permits	10,400	10,400	13,815	3,415
Charges for services	0	0	15	15
Fines and forfeitures	37,000	37,000	125,978	88,978
Miscellaneous	1,000	1,000	824	(176)
Total Revenues	<u>155,500</u>	<u>155,500</u>	<u>286,777</u>	<u>131,277</u>
EXPENDITURES				
Current:				
General government	58,400	58,400	71,889	(13,489)
Police	89,100	89,100	156,885	(67,785)
Streets and drainage	8,000	8,000	5,095	2,905
Capital outlays:				
General government	0	0	27,432	(27,432)
Police	0	0	63,584	(63,584)
Debt service:				
Capital lease payments	0	0	16,013	(16,013)
Total Expenditures	<u>155,500</u>	<u>155,500</u>	<u>340,898</u>	<u>(185,398)</u>
Net Change in Fund Balances	0	0	(54,121)	(54,121)
Fund Balances - Beginning	70,000	70,000	80,677	10,677
Fund Balances - Ending	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 26,556</u>	<u>\$ (43,444)</u>

Note: An amended budget was adopted on June 9, 2009; however, the amendment was adopted in total only in the amount of \$300,000; therefore, the only presentation available is the comparison to the original budget to actual.

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**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

A report on internal controls over financial reporting and on compliance with laws and regulations as required by Government Auditing Standards, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any control deficiency, significant deficiency, and/or material weakness in internal control or compliance matters that would be material to the presented financial statements.

George F. Delaune

CERTIFIED PUBLIC ACCOUNTANT
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OFFICERS ASSOCIATION

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

The Honorable Gillis Windham, Mayor
and Members of the Town Council
Town of Killian, Louisiana

I have audited the financial statements of the governmental activities and business-type activities of the TOWN OF KILLIAN, LOUISIANA, as of and for the year ended June 30, 2009, which collectively comprise the Town of Killian, Louisiana's basic financial statements and have issued my report thereon dated January 6, 2010. I conducted my 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, and the Louisiana Governmental Audit Guide.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Killian, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Killian, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Killian, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Killian, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Town of Killian, Louisiana's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (2009-1, 2009-2, 2009-3, 2009-4, and 2009-5).

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2009-1, 2009-2, 2009-3, and 2009-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Killian, Louisiana's financial statements are free of material misstatement, I 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 my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under Government Auditing Standards; however my tests disclosed five instances of noncompliance that are required to be reported under the provisions of the Louisiana Governmental Audit Guide (2009-6, 2009-7, 2009-8, 2009-9, and 2009-10).

This report is intended solely for the information of management, the Town Council, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

George F. Delaune, CPA

January 6, 2010

**TOWN OF KILLIAN, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Killian, Louisiana.
2. Five significant deficiencies were noted during the audit of the basic financial statements of which four are considered material weaknesses.
3. Five instances of noncompliance were disclosed during the audit of the basic financial statements involving the Town's compliance with state law.
4. The Auditee qualified as a high-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

2009-1 Qualifications of Accountant (Material Weakness)

Condition The Town Clerk lacks sufficient training in governmental accounting, generally accepted accounting principles, and knowledge of state laws applicable to political subdivisions.

Effect The financial statements did not present fairly the financial position of the governmental and business-type activities of the Town; consequently, the Town hired an accountant with sufficient knowledge to correct the application of generally accepted accounting principles, dating of transactions, etc. before the records could be submitted to the auditor for examination.

Recommendation The Town Clerk attend various education seminars to gain sufficient knowledge in governmental accounting, generally accepted accounting principles, and state laws applicable to political subdivisions.

2009-2 Use of Accounting Software (Material Weakness)

Condition The Town uses QuickBooks Accounting to record financial transactions of the Town. The procedures established by QuickBooks in the recording of receivables, payables, and payroll were not properly followed in recording these transactions.

Effect The accountant hired by the Town had to make significant corrections to reconcile the general ledger balances for accounts receivable, accounts payable, and payroll tax deductions/liabilities.

Recommendation The Town Clerk should be adequately trained in QuickBooks to apply the procedures necessary to record the collection of accounts receivable, payment of accounts payable, and payment of payroll tax liabilities.

2009-3 Accounting for Property Taxes (Material Weakness)

Condition The Livingston Parish Assessor prepares the annual Tax Roll for the Town. The Town Clerk then prepares invoices in QuickBooks to control the property tax receivables. After the preparation of the invoices, the total of the invoices was not reconciled to total per the Tax Roll.

Effect Property tax assessments were not properly accounted for in the accounting system; consequently, the financial statements did not accurately reflect the total taxes assessed.

Recommendation Procedures should be adopted to reconcile invoices created in the accounting system to the annual Tax Roll.

2009-4 Accounting for Water Charges (Material Weakness)

Condition The Town has a flat rate water system and invoices are created every quarter to bill customers for water usage; however, there are no controls in place to ascertain the all customers were properly billed.

Effect Analytical procedures were applied to determine the reasonableness of the annual water charges; but an examination of a sample of water charges indicated that some customers were charged for at various times in amounts greater than quarterly.

Recommendation Customers should be billed in accordance with established town policy (quarterly or fraction thereof for new customers).

2009-5 Bank Reconciliations (Significant Deficiency)

Condition Bank reconciliations were not performed on a monthly basis.

Effect The financial statements reviewed by the Mayor and Council did not accurately reflect all transactions of the Town as of a specific date.

Recommendation Bank reconciliations should be performed on a monthly basis.

2009-6 Uniform Chart of Accounts (Compliance)

Criteria Louisiana local government must use the chart of accounts prescribed by the legislative auditor. The chart of accounts is a multi-level chart, designed to meet the needs of all local governments. It should be used as a basis for developing a chart of accounts specific to the governmental entity. The numbering system used in the chart illustrates a uniform method of numbering accounts. The size and informational needs of the political subdivision will guide the application of the chart of accounts.

Condition The Town's chart of accounts did not follow the one prescribed by the legislative auditor.

Effect Noncompliance with LSA-RS 24:515.

Recommendation Prior to commencement of the audit, the Town modified the chart of accounts to comply the LSA-RS 24:515.

2009-7 Local Government Budget Act (Compliance)

Criteria The Local Government Budget Act requires the Town to adopt an annual budget for its General Fund. The proposed budget must be accompanied by a "Budget Message". The budget message includes a summary description of the proposed financial plan, policies and objectives, assumptions, budgetary basis, and a discussion of the most important features. In addition, a budget proposed for consideration shall be accompanied by a proposed budget adoption instrument. The adoption instrument shall define the authority of the Town to make changes within various budget classifications without approval by the governing authority, as well as those powers reserved solely to the governing authority.

Condition The proposed budget was not accompanied by a budget message and the budget was adopted by an ordinance that did not contain all the elements of an adoption instrument. On June 9, 2009, the budget was amended to \$300,000 in revenues and expenditures; however, the budget adopted was in total only without any indication as to what line items were being amended.

Effect Noncompliance with LSA-RS 39:1301-1316.

Recommendation Management should follow the guidance in "Budgeting for Louisiana Local Government" prepared by the Legislative Auditor in the development, adoption, and implementation of its annual budget for the general fund.

2009-8	Monitoring of Adopted Budget (Compliance)
Criteria	The adopted budget and any adopted amendments form the framework from which the chief executive (Mayor) and members of the governing authority (Board of Aldermen) of the Town monitor revenues and control expenditures.
Condition	During the year, monthly financials comparing the budget to actual were not used as a management tool.
Effect	Noncompliance with LSA-RS 39:1311.
Recommendation	Management should post the adopted budget to its accounting software and monitor the budget on a monthly basis.
2009-9	Traffic Tickets Log (Compliance)
Criteria	Accounting for traffic tickets is important to ensure (1) collection of traffic fees or appropriate action for non-payment is taken; (2) compliance with Louisiana laws; and (3) misappropriation of assets or fraud does not occur.
Condition	The spreadsheet used by the Town does not provide all of the information suggested by the Legislative Auditor's example of a Citations Issued Log. Fines collected during the year per the financial statements could not be reconciled to the traffic ticket log maintained by the Town.
Effect	Accounting for traffic tickets were incomplete.
Recommendation	The Town issues approximately 625 traffic tickets; therefore, I suggest that the Town purchase a software system sufficient to provide control of unissued ticket books and disposition of tickets issued.
2009-10	Inventory of Capital Assets (Compliance)
Criteria	Capital assets should be reported in accordance with governmental accounting standards. In addition, capital asset records should include a description of the asset, year of acquisition, method of acquisition (e.g., purchase, donation, etc.), funding source, cost or estimated cost, salvage value, estimated useful life, and the functions that use the asset.
Condition	The Town provided an inventory of fixed assets; however, this inventory did not agree with the depreciation schedule maintained by the previous auditor.
Effect	Incomplete capital asset records in violation of LRS 24:515.
Recommendation	The Town should purchase a fixed asset accounting system to comply with the requirements of LRS 24:515.

TOWN OF KILLIAN, LOUISIANA

**MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2009**

Cognizant or Oversight Agency for Audit
Legislative Auditor - State of Louisiana

The Town of Killian respectfully submits the following corrective action plan for the year ended June 30, 2009.

Name and address of independent public accounting firm:

George F. Delaune, CPA, APC
7663 Anchor Drive
Ventress, LA 70783

Audit period: July 1, 2008 to June 30, 2009

The findings from the June 30, 2009, schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDING - FINANCIAL STATEMENT AUDIT

2009-1 Qualifications of Accountant

Recommendation - The Town Clerk attend various education seminars to gain sufficient knowledge in governmental accounting, generally accepted accounting principles, and state laws applicable to political subdivisions.

Action Taken - The Mayor will require the Town Clerk to attend seminars sponsored by the GFOA and Municipal Clerks Institute.

2009-2 Use of Accounting Software

Recommendation - The Town Clerk should be adequately trained in QuickBooks to apply the procedures necessary to record the collection of accounts receivable, payment of accounts payable, and payment of payroll liabilities.

Action Taken - The Town has consulted with a contract accountant experienced in QuickBooks to train and establish procedures to record transactions.

2009-3 Accounting for Property Taxes

Recommendation - Procedures should be adopted to reconcile invoices created in the accounting system to the annual Tax Roll.

Action Taken - Procedures has been established that will reconcile invoices to the annual Tax Roll.

2009-4 Accounting for Water Charges

Recommendation - Customers should be billed in accordance with established town policy (quarterly or fraction thereof for new customers).

Action Taken - Specific procedures have been adopted which will ensure that billings have been prepared in accordance with Town policy.

2009-5 Bank Reconciliations

Recommendation - Bank reconciliations should be performed on a monthly basis.

Action Taken - A policy has been established by the Mayor requiring the bank reconciliations being submitted to him by the 10th of each month.

2009-6 Uniform Chart of Accounts

Recommendation - Prior to commencement of the audit, the Town modified the chart of accounts to comply with LSA-RS 24:515.

Action Taken - The finding has been corrected as stated above.

2009-7 Local Government Budget Act

Recommendation - Management should follow the guidance in "Budgeting for Louisiana Local Government" prepared by the Legislative Auditor in the development, adoption, and implementation of its annual budget for the general fund.

Action Taken - The Mayor has adopted the guidance and will correct the deficiencies in the future.

2009-8 Monitoring of Adopted Budget

Recommendation - Management should post the adopted budget to it's accounting software and monitor the budget on a monthly basis.

Action Taken - The budget has been processed in the accounting system and is being monitored on a monthly basis.

2009-9 Traffic Tickets Log

Recommendation - I suggest that the Town purchase a software system sufficient to provide control of unissued ticket books and disposition of tickets issued.

Action Taken - The Mayor and Police Chief are in the process of evaluating software that will provide control of unissued ticket books and disposition of tickets issued.

2009-10 Inventory of Capital Assets

Recommendation - The Town should purchase a fixed asset accounting system to comply with the requirements of LRS 24:515.

Action Taken - The Mayor is in the process of evaluating software to control fixed assets.

**TOWN OF KILLIAN, LOUISIANA
RESOLUTION OF PRIOR YEAR OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

There were no prior year audit findings.