

Louisiana

ANNUAL FINANCIAL REPORT

June 30, 2004

Under provisions of state law, this report is a public document. Acopy 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 3/2/05

Louisiana

ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2004

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ANNUAL FINANCIAL REPORT

As of and for the Year Ended June 30, 2004

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ACCOUNTANT'S COMPILATION REPORT

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

I have compiled the accompanying basic financial statements of the Town of Killian, Louisiana, as of and for the year ended June 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis on page 3, which has been prepared by the Town of Killian, Louisiana, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have not compiled, reviewed, or audited the supplementary information and, accordingly, assume no responsibility for it.

The Budgetary Comparison Schedule on page 29 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have compiled the Budgetary Comparison Schedule from information that is the representation of management of the Town of Killian, Louisiana, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

Certified Public Accountant

January 18, 2005

REQUIRED SUPPLEMENTAL INFORMATION (PART 1)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2004

This section of the Town of Killian's (Town) annual financial report presents our discussion and analysis of the Town's financial performance for the year ended June 30, 2004. Because the Town is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. Subsequent reports, however, will include comparative information.

Please read this document in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- 1. The Town's assets exceeded its liabilities at June 30, 2004, by \$591,328 (net assets) or a decrease of \$28,187 as a result of this year's operations. The unrestricted portion of the net assets was a deficit of \$13,819 at June 30, 2004; this means none of the assets may be used to meet the Town's ongoing obligations to its citizens.
- 2. The Town had unrestricted cash of \$7,358 at June 30, 2004, which represents a decrease of \$6,380 from prior year end.
- 3. The Town had land, buildings, furniture and fixtures, and machinery and equipment assets net of accumulated depreciation of \$604,368 on June 30, 2004. Depreciation expense for the year totaled \$36,078.
- 4. The Town had capital asset purchases of \$6,290 for the year ended June 30, 2004, which represents a decrease of \$5,640 from prior year end.

OVERVIEW OF FINANCIAL STATEMENTS

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

BASIC FINANCIAL STATEMENTS:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the operations of the Town as a whole and present a longer-term view of the current Town finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the Town's net assets and changes in them. The net difference between the assets and liabilities measures the health of the Town's finances. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund financial statements include the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance. All of the Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short term view of the Town's general government operations and the basic services provided the Town. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's operations as well as what remains for the future expense needs. The basic governmental fund financial statements can be found on pages 9 through 17 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. 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 reconciliations can be found on pages 11 and 14 of this report.

The proprietary fund accounts for water utility services provided by the Town to its customers. Proprietary fund statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail. The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

Financial Analysis of the Entity:

STATEMENT OF NET ASSETS As of June 30, 2004

	Governmental <u>Activities</u>	Business-Type <u>Activity</u>	<u>Total</u>
Current and other assets Capital assets (net)	\$ 16,875 <u>90,009</u>	\$ 23,865 <u>514,359</u>	\$ 40,740 <u>604,368</u>
Total Assets	<u>106,884</u>	538,224	645,108
Current liabilities Customer deposits	23,756 	28,949 1,075	52,705 <u>1,075</u>
Total Liabilities	23,756	<u>30,024</u>	<u>53,780</u>
Net Assets: Investment in capital assets Restricted for customer deposits Unrestricted (deficit)	90,009 - <u>(6,881</u>)	514,359 779 <u>(6,938</u>)	604,368 779 <u>(13,819</u>)
Total Net Assets	<u>\$ 83,128</u>	<u>\$508,200</u>	<u>\$591,328</u>

Net assets of the Town decreased by \$28,187 from the previous year, or a 5% decrease.

CHANGES IN NET ASSETS For the Year Ended June 30, 2004

	Governmental <u>Activities</u>	Business-Type <u>Activity</u>	Total
Revenues:	A 74 070	£ 40.070	#404.054
Program Revenues	\$ 71,672	\$ 49,979	\$121,651
General Revenues	<u>90,179</u>	<u>105</u>	90,284
Total Revenues	<u>161,851</u>	<u>50,084</u>	<u>211,935</u>
Program Expenses:			
General Government	169,321	~	169,321
Water Utility	- -	_ <u>70,801</u>	<u>70,801</u>
Total Expenses	169,321	70,801	240,122
Changes in Net Assets	(7,470)	(20,717)	(28,187)
Net Assets Beginning	90,598	528,917	619,515
Net Assets Ending	\$ 83,128	\$508,200	\$591,328
			

CAPITAL ASSETS

At June 30, 2004, the town had \$604,368, net of depreciation, invested in a broad range of capital assets (see table below). This amount represents a net decrease (including additions and deductions) of \$4,591.

Capital Assets at June 30, 2004 (Net of Depreciation)

	Governmental <u>Activities</u>	Business-Type <u>Activity</u>	_Total
Land	\$49,200	\$ -	\$ 49,200
Buildings	26,250	-	26,250
Vehicles/Equipment	14,559	5,861	20,420
Water Utility System		508,498	<u>508,498</u>
Total	<u>\$90,009</u>	<u>\$514,359</u>	<u>\$604,368</u>

This year's major additions included the purchases of a police car and police radios. The decreases represent removal of obsolete items from the capital asset listing.

DEBT

For the year ended June 30, 2004, the Town did not have any long-term debt.

VARIATIONS BETWEEN ORIGINAL BUDGET AND ACTUAL

Actual revenues were \$23,951 more than budgeted amounts due to grants and donations not being budgeted.

Actual expenditures were \$31,829 more than budgeted amounts mostly due to the police department being over budget \$16,551 and not budgeting the purchases of the police car and radios. These account for most of the overage.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

- 1. Public safety expenses need to be less.
- 2. Street repair needs more money.
- 3. Better collection procedures on taxes is planned.

CONTACTING THE TOWN OF KILLIAN'S MANAGEMENT

The 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 any questions about this report or need additional financial information contact Carolyn Maloney, Town Clerk, P.O. Box 546, Springfield, LA 70462.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-Type <u>Activity</u>	Total
ASSETS			
Cash	\$ 990	\$ 6,368	\$ 7,358
Taxes receivable, net	12,303	- -	12,303
Accounts receivable, net	-	20,300	20,300
Internal balances	3,582	(3,582)	-
Restricted cash	-	779	779
Land	49,200	-	49,200
Capital assets, net	<u>40,809</u>	<u>514,359</u>	_ <u>555,168</u>
TOTAL ASSETS	<u>106,884</u>	538,224	645,108
<u>LIABILITIES</u>			
Accounts payable	16,479	1,584	18,063
Accrued payroli	3,117	-	3,117
Other payables	4,160	-	4,160
Unearned revenue	-	24,850	24,850
Unidentified A/R credits	-	2,515	2,515
Customer deposits		<u>1,075</u>	1,075
TOTAL LIABILITIES	23,756	30,024	53,780
NET_ASSETS			
Investment in capital assets	90,009	514,359	604,368
Restricted for utility customer deposits	-	779	779
Unrestricted (deficit)	<u>(6,881</u>)	<u>(6,938</u>)	<u>(13,819</u>)
TOTAL NET ASSETS	<u>\$ 83,128</u>	<u>\$508,200</u>	<u>\$591,328</u>

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

		Program Revenues					expense) Revenue hanges in Net Ass		
Functions/Programs	<u>Expenses</u>	Charges fo Services	r G	perating rants and ntributions		vernmental	Business-Type Activity	1	<u> Fotal</u>
Governmental Activities:									
General and Administrative	\$ 71,477	\$ 8,02	3 \$	-	\$	(63,454)	\$ -	\$	(63,454)
Police Department	85,282	43,99	2	19,657		(21,633)	•	((21,633)
Streets	12,562					(12,562)			(12,562)
Total Governmental Activities	<u>169,321</u>	52,01	<u> </u>	19,657		(97,649)			<u>(97,649)</u>
Business-Type Activity:									
Water Utility	70,801	49,97	9		_,		(20,822)		(20,822)
Total Business-Type Activity	70,801	49,979	<u> </u>				(20,822)		(20,822)
Total	<u>\$ 240,122</u>	<u>\$ 101,994</u>	<u>\$</u>	19,657		(97,649)	(20,822)	(1	18,471)
	General Rev	venues:							
	Taxes:								
	Prope	erty Taxes				45,661	•		45,661
	Franc	hise Taxes				42,321	-		42,321
	Interest I	ncome				70	105		175
	Miscellar	neous				2,127			2,127
	Tota	al General Re	venues			90,179	105	 -	90,284
	Change in N	let Assets				(7,470)	(20,717)	((28,187)
	Net Asse	ets, Beginning				90,598	528,917	6	6 <u>19,515</u>
	Net Asse	ets, Ending			<u>\$</u>	83,128	\$ 508,200	\$	<u>591,328</u>

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2004

ASSETS Cash Receivables, (net of allowance for uncollectible accounts) Interfund receivables	\$ 990 12,303 <u>3,582</u>
TOTAL ASSETS	<u>\$16,875</u>
LIABILITIES AND FUND BALANCE Liabilities Accounts payable Accrued payroll Other payables	\$16,479 3,117 <u>4,160</u>
Total Liabilities	23,756
<u>Fund Balance</u> Fund balance (deficit) - unreserved - undesignated	<u>(6,881</u>)
TOTAL LIABILITIES AND FUND BALANCE	\$16,875

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2004

Fund Deficit, Governmental Fund

\$ (6,881)

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 governmental funds. These assets consist of:

Capital assets, net of depreciation

90,009

Net Assets, Governmental Activities

\$83,128

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended June 30, 2004

Revenues	
Taxes -	
Ad valorem	\$ 45,661
Public utilities franchise	42,321
Licenses and permits	8,023
Intergovernmental -	
Parish grants	3,600
State grants	4,209
On behalf payments by state	3,950
Fines	43,992
Miscellaneous	2,127
Donations	7,898
Interest earnings	70
Total Revenues	<u> 161,851</u>
Expenditures	
General and administrative	70,175
Public safety	75,651
Streets	12,562
Capital outlay	6,290
Interest	<u>51</u>
Total Expenditures	<u> 164,729</u>
Net change in fund balance (deficit)	(2,878)
Fund balance (deficit), beginning	(4,003)
Fund balance (deficit), ending	<u>\$ (6,881</u>)

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

For the Year Ended June 30, 2004

Net Change in Fund Balance (Deficit), General Fund

\$ (2,878)

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

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital outlay 6,289
Depreciation expense (10,881)

Change in Net Assets, Governmental Activities

\$ (7,470)

STATEMENT OF NET ASSETS PROPRIETARY FUND

June 30, 2004

	Enterprise Fund
AS <u>S</u> ETS	
Current Assets:	
Cash	\$ 6,368
Accounts receivable, net	20,300
Restricted cash	779
Total Current Assets	27,447
Non-Current Assets:	
Capital Assets (net of accumulated depreciation)	<u>514,359</u>
Total Non-Current Assets	<u>514,359</u>
Total Assets	<u>541,806</u>
<u>LIABILITIES</u>	
Current Liabilities (Payable From Current Assets):	
Accounts payable	1,584
Due to General Fund	3,582
Unearned revenue	24,850
Unidentified A/R credits	<u> </u>
Total Current Liabilities (Payable From Current Assets)	<u>32,531</u>
Current Liabilities (Payable From Restricted Assets)	
Customer deposits payable	<u>1,075</u>
Total Current Liabilities (Payable From Restricted Assets)	<u> </u>
Total Liabilities	33,606
NET ASSETS	
Invested in capital assets	514,359
Restricted for utility customer deposits	779
Unrestricted (deficit)	(6,938)
Total Net Assets	<u>\$508,200</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUND

For the Year Ended June 30, 2004

	Enterprise <u>Fund</u>
Operating Revenues	
Water sales	\$ 48,164
Other income	<u>1,815</u>
Total Operating Revenues	<u>49,979</u>
Operating Expenses	
Advertising	252
Bad debts	13,148
Bank charges	12
Chemicals	3,780
Contract labor	13,140
Depreciation	25,197
Dues and subscriptions	363
Insurance	4,039
Miscellaneous	154
Repairs and maintenance	4,921
Supplies	1,240
Utilities	<u>4,555</u>
Total Operating Expenses	<u>70,801</u>
Operating loss	(20,822)
Non-operating Revenues (Expenses)	
Interest income	105
Change in net assets	(20,717)
Net assets, beginning	<u>528,917</u>
Net assets, ending	<u>\$508,200</u>

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended June 30, 2004

	Enterprise Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 47,517
Receipts for customer deposits	150
Payments to suppliers	<u>(48,043</u>)
Net Cash (Used) by Operating Activities	<u>(376</u>)
Cash Flows From Investing Activities	
Interest Income .	<u> </u>
Net Cash Provided by Investing Activities	105
Net Increase (Decrease) in Cash	(271)
Cash balance, Beginning of Year	7,418
Cash balance, End of Year	<u>\$ 7,147</u>
Reconciliation of Cash to the Statement of Net Assets	
Cash, Unrestricted	\$ 6,368
Cash, Restricted	779
Total Cash	<u>\$ 7,147</u>
Reconciliation of Net Operating (Loss) to Net Cash	
(Used) by Operating Activities	4 /22 222
Operating (Loss)	\$(20,822)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:	
Depreciation	25,197
Change in accounts receivable	(19,800)
Change in unearned revenue	18,201
Change in unidentified A/R credits	(863)
Change in accounts payable	(900)
Change in customer deposits	150
Change in interfund payable	<u>(1,539)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (376</u>)

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

INTRODUCTION

The Town of Killian (the Town) was incorporated as a village in 1968, under the provisions of the "Lawrason Act" [Louisiana Revised Statutes (R.S.) 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 and has a population of 1,053. The Town operates under a Board of Aldermen - Mayor form of government and, as permitted under the act, provides police protection; roads, streets, and sidewalks; sponsorship of federal and state supported programs; water utilities; and other necessary public services.

The accounting and reporting policies of the Town of Killian conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statues 24:513 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY AND REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary government if it satisfies all of the following criteria:

- The entity has a separate governing body elected by the citizenry in a general, popular election.
- The entity is legally separate from other entities.
- The entity is fiscally independent of other state and local governmental entities.

Based on the above criteria the Town has determined that the Town of Killian, Louisiana, is a primary government and financial reporting entity in accordance with GASB Statement No. 14. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

However, as a Phase 3 government, the Town has elected not to report major general infrastructure assets retroactively.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the General Fund followed by major funds. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

The Town has two funds: The General Fund and the Waterworks Enterprise Fund. Both are considered major funds under the above criteria.

C. 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 fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental fund:

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 other funds.

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

The Town reports the following proprietary fund:

The Enterprise Fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that 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, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town maintains one enterprise fund, the Waterworks Fund, which provides water services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. BUDGETS

The Louisiana Local Government Budget Act and the Lawrason Act requires the Town to adopt an annual budget for its governmental fund. The Town did adopt a budget for the current fiscal year, however, it contained an expense item identified as "Unpaid Bills" for \$5,000. Due to the vagueness of this item it has been omitted from the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposit accounts. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

Under state law, the Town may also invest in U.S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

F. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables. Uncollectible amounts for property taxes are recorded as a reduction of current revenues.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a Phase 3 government, the Town has elected not to report major infrastructure assets retroactively. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their 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 outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line basis over the following useful lives:

Buildings Vehicles and Equipment Water Utility System 40 Years 5 Years 15 - 40 Years

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

I. COMPENSATED ABSENCES

The Town has adopted a personnel policy ordinance which contains guidelines for compensated absences. However, the Town has not begun to accrue leave.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Town had no long-term obligations at June 30, 2004.

K. FUND EQUITY

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

L. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Livingston Parish.

M. ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

N. RECONCILIATIONS 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 is presented in the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balance and the government-wide statement of activities is presented in the basic financial statements.

(2) **FUND DEFICIT**

The following individual fund had a deficit in fund balance at June 30, 2004:

<u>Fund</u> <u>Deficit Amount</u>

General Fund \$(6,881)

(3) REVENUES AND EXPENDITURES - ACTUAL AND BUDGET

The General Fund had actual expenditures over budgeted expenditures for the year ended June 30, 2004:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	Unfavorable <u>Variance</u>	Percent
Expenditures: General Fund	\$132,900	\$164,729	\$(31,829)	23.95%

The Louisiana Municipal Budget Law requires a local government to amend its operating budget when the total actual expenditures and other uses exceed the total budgeted expenditures and other uses by 5% or more. The Town failed to amend the budget for the General Fund for the fiscal year ended June 30, 2004.

(4) CASH

At June 30, 2004, the Town had cash (book balances) of \$8,137 in interest bearing demand deposits (including \$779 of restricted cash).

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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. The bank balances of \$4,978 at June 30, 2004, are secured from risk by federal deposit insurance (GASB Risk Category 1).

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

(5) **RECEIVABLES**

Receivables at June 30, 2004, consist of the following:

Class of Receivables	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Taxes -			
Franchise	\$ 9,097	\$ -	\$ 9,097
Ad valorem	7,027	-	7,027
Accounts -			
Water	-	64,705	64,705
Less: Allowance for			
Uncollectibles	<u>(3,821)</u>	_ <u>(44,405</u>)	(48,226)
Totals .	<u>\$12,303</u>	\$ 20,300	<u>\$ 32,603</u>

(6) LEVIED TAXES

For the year ended June 30, 2004, taxes of 7.0 mills were levied on property with assessed valuations totaling \$6,286,940.

Total taxes levied were \$44,009. Taxes receivable at June 30, 2004, were \$3,206, net of allowance for uncollectibles.

(7) CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2004:

Governmental Activities:	Balance June 30, _ 2003	Increases	Decrea <u>ses</u>	Balance June 30, 2004
Capital Assets Not Being Depreciated:				
Land	<u>\$ 49,200</u>	<u>\$</u>	<u>\$</u>	<u>\$ 49,200</u>
Other Capital Assets:				
Buildings	50,250	-	-	50,250
Vehicles and Equipment	<u>61,611</u>	<u>6,290</u>	<u>9,828</u>	<u>58,073</u>
Total Other Capital Assets	<u> 111,861</u>	6,290	<u>9,828</u>	<u> 108,323</u>
Less: Accumulated Depreciation				
Buildings	22,750	1,250	-	24,000
Vehicles and Equipment	<u>43,711</u>	<u>9,631</u>	<u>9,828</u>	<u>43,514</u>
Total Accumulated Depreciation	<u>66,461</u>	<u> 10,881</u>	<u>9,828</u>	<u>67,514</u>
Other Capital Assets, Net	<u>45,400</u>	<u>(4,591</u>)		40,809
Total Governmental Activities				
Capital Assets, Net	<u>\$ 94,600</u>	<u>\$(4,591</u>)	<u>\$</u>	<u>\$ 90,009</u>

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

Depreciation was charged to governmental functions as follows:

General administration Police protection	\$ 9,631 1,250 \$10,881
A summary of proprietary property, plant, and equipment at June 30, 2004, follows:	<u>Ψ10,001</u>
Utility Equipment Water System Office Equipment Sub-total Less: accumulated depreciation	\$ 17,136 635,180 <u>1,058</u> 653,374 (139,015)
Net	<u>\$ 514,359</u>

During the fiscal year, the proprietary fund had no additions or deletions to property, plant, and equipment. Depreciation expense of the proprietary fund was \$25,197.

(8) **RETIREMENT SYSTEM**

Employees of the Town are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employee contributions. Aggregate contributions to the social security system for the year ended June 30, 2004, were \$13,684 of which \$6,842 was contributed by the Town.

(9) INTERFUND RECEIVABLES/PAYABLES

Amounts due to or from other funds at June 30, 2004, consisted of the following:

	Interfund <u>Receivableş</u>	Interfund <u>Payables</u>
General Fund	\$3,582	\$ -
Enterprise Fund - Waterworks Fund Total	<u>-</u> \$3,582	<u>3,582</u> \$3,582

(10) UNEARNED REVENUE

Unearned revenue represents the amount of advanced utility billings for water services. The billing that takes place at the end of June is for July services.

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2004

(11) LITIGATION AND CLAIMS

The Town is not involved in any litigation.

(12) COMPENSATION PAID MAYOR, CHIEF OF POLICE, AND BOARD OF ALDERMEN

The amount paid to the Chief of Police, Jeff Shaffer, for compensation for the month of July, 2003, was \$1,800. This includes \$300 supplemental pay received from the Livingston Parish Sheriff's office. Jeff Shaffer resigned on August 5, 2003. The amount paid to the Chief of Police, Lloyd Wild, effective October 1, 2003, was \$16,200. This includes \$2,700 supplemental pay received from the Livingston Parish Sheriff's office.

No compensation was paid to the Mayor or members of the Board of Aldermen.

(13) ON BEHALF PAYMENTS BY STATE OF LOUISIANA

For the year ended June 30, 2004, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town of Killian's Chief of Police Jeff Shafer, and one police officer. In accordance with GASB 24, the Town has recorded \$3,950 of on behalf payments as revenue and as expense in the general fund.

(14) RISK MANAGEMENT

The Town of Killian is exposed to various risks of losses related 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.

(15) GOING CONCERN

As of June 30, 2004, the general fund had a deficit fund balance of \$6,881 compared to a deficit fund balance of \$4,003 at June 30, 2003. This represents a \$2,878 increase in the fund deficit. The operating loss for the water fund was \$20,822 for the year ended June 30, 2004, compared to a loss of \$19,681 in the prior year. Both of these changes indicate a negative trend in the financial position of the Town. If the Town does not increase revenues or decrease expenditures, it may be forced to suspend services to its citizens. These services may include police protection, maintenance of the roads, and the providing of water utilities in Killian.

(16) SUBSEQUENT EVENTS

There were no subsequent events that would have a material effect on these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(PART II)

Town of Killian

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues			
Taxes -			
Ad valorem	\$ 43,000	\$ 45,661	\$ 2,661
Public utilities franchise	38,200	42,321	4,121
Licenses and permits -		,	•
Occupational licenses	300	1,235	935
Occupational licenses - insurance	3,900	5,428	1,528
Permits	900	1,360	460
Intergovernmental -		,	
LA Comm. Law Enforcement Grant	_	2,746	2,746
LA Hwy. Safety Comm. Grant	-	1,463	1,463
Supplemental - from Sheriff's office	3,600	3,600	<u>-</u>
Supplemental pay - DPS	- -	3,950	3,950
Fines	48,000	43,992	(4,008)
Miscellaneous revenues -	·	•	,
Miscellaneous revenues	-	2,127	2,127
Donations	-	7,898	7,898
Interest earnings	_	70	70
Total revenues	137,900	161,851	23,951
Expenditures			
General and administrative	63,800	70,175	(6,375)
Public safety	59,100	75,651	(16,551)
Streets	10,000	12,562	(2,562)
Capital outlay	-	6,290	(6,290)
Interest		<u>51</u>	(<u>51</u>)
Total expenditures	132,900	<u>164,729</u>	<u>(31,829</u>)
Excess revenues over (under) expenditures	<u>\$ 5,000</u>	(2,878)	<u>\$ (7,878</u>)
Fund balance (deficit), beginning		(4,003)	
Fund balance (deficit), ending		<u>\$ (6,881</u>)	

See accountant's report.



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

I have performed the procedures included in the Louisiana Governmental Audit guide and enumerated below, which were agreed to by the management of the Town of Killian, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town of Killian's compliance with certain laws and regulations during the year ended June 30, 2004, included in the accompanying Louisiana Attestation Questionnaire and the additional agreed-upon procedures as required by the Legislative Auditor, State of Louisiana for the fiscal year ended June 30, 2004. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

 Select all expenditures made during the year for material and supplies exceeding \$20,000 or public works exceeding \$100,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no expenditures made during the year that were subject to public bid law.

Code of Ethics for Public Officials and Public Employees

- Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.
 - Management provided me with the required list including the noted information.
- Obtain from management a listing of all employees paid during the period under examination.
 - Management provided me with the required list.

Town of Killian
Independent Accountant's Report
on Applying Agreed-Upon Procedures - (continued)

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

The Town did not have any employees who were family members of the board.

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided me with a copy of the budget. There were no amendments.

6. Trace the budget adoption and amendments to the minute book.

I traced the adoption of the original budget to the minutes of a meeting held June 26, 2003.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by more than 5%.

I compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual expenditures exceeded budgeted expenditures by 23.95%. The Town had a \$31.829 unfavorable variance.

Accounting and Reporting

- 8. Randomly select 6 disbursements made during the period under examination and:
 - (a) trace payments to supporting documentation as to proper amount and payee:

General Fund - I examined supporting documentation for the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

Water Fund - I examined supporting documentation for four of the six selected disbursements and found that payment was for the proper amount and made to the correct payee. Invoices could not be located for two of the selected disbursements.

(b) determine if payments were properly coded to the correct fund and general ledger account; and

General Fund - One payment was coded to a general ledger account entitled "reimbursement". It is recommended that employee reimbursements be coded to the proper expenditure account (travel, police supplies, etc.)

Water Fund - The payments that had supporting documentation appear to have been properly coded to the correct fund and general ledger account.

Town of Killian Independent Accountant's Report on Applying Agreed-Upon Procedures - (continued)

(c) determine whether payments received approval from proper authorities.

General Fund - Supporting documentation for all payments contain the mayor's approval.

Water Fund - An invoice for labor to repair a water leak did not contain the mayor's approval. No backup documentation on this payment precluded me from determining proper approval. In the other payment missing supporting documentation, the Town does not have a written contract nor obtains invoices from this individual, nor is there proof of authorization to pay this individual.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Town is required to post a notice of each meeting and the accompanying agenda on the door of the Town Hall. I examined documentation that such notices were posted.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I did not find any evidence of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the Town for the year indicated no approval for payments which may constitute bonuses, advances, or gifts. I also inspected payroll records for the year and noted no instances which would indicated payments to employees which would constitute bonuses, advances or gifts.

Timely Completion of Compilation/Attestation

12. The Town of Killian is required by R.S. 24:513 to have its financial statements compiled and an attestation performed no later than six months after the close of its fiscal year.

The Town failed to pay the accountant for the compilation/attestation of the prior year in a timely manner. Consequently, the compilation/attestation as of and for the year ended June 30, 2004, was not approved by the Legislative Auditor and completed until after December 31, 2004. The Legislative Auditor has agreed to extend the deadline to February 28, 2005.

Town of Killian Independent Accountant's Report on Applying Agreed-Upon Procedures - (continued)

Additional Procedures as Required by the Legislative Auditor

13. Test compliance with laws and regulations which have been a problem with the Town's previous audits.

(Referred to below as Compliance.)

14. Review the control problem the Town has faced in prior audits. (Referred to below as Control.)

A. Lack of Segregation of Duties (Control)

The limited size of the Town precludes an adequate segregation of duties and other features of an adequate system of internal control, and to employ such controls may not be cost beneficial.

B. Failure to Comply with the Local Government Budget Act/Lawrason Act (Compliance/Control)

The Town partially resolved this finding by including a budget message and estimated beginning fund balance in the budget for the fiscal year ended June 30, 2004. However the budget continued to contain an expense category identified as "Unpaid Bills" (for \$5,000). Due to the vagueness of this item, the amount "Unpaid Bills" for \$5,000 was not included in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

C. Inadequate Controls over Receipts and Disbursements (Control)

The cash drawers at the Town are not balanced daily to an established cash balance. The two cash drawers of the previous year were combined into one during the fiscal year ended June 30, 2004. Balancing of the cash drawers was documented during some days in March and April of 2004, but it was not done daily. Evidence of balancing for other months during the fiscal year was not available.

The monthly financial statements presented to the board do not include comparisons to budgeted amounts.

D. Compensation of Municipal Officers (Compliance)

The Town failed to fix by ordinance the compensation of the Chief of Police and Clerk.

Town of Killian Independent Accountant's Report on Applying Agreed-Upon Procedures - (concluded)

E. Fixed Assets Records Incomplete (Compliance/Control)

The Town purchased tags and there was some evidence of the tagging of fixed assets. The list of fixed assets that was provide to me in the prior year (which does not contain the date of purchase or value) has not been updated.

F. Inadequate Controls Over Water Receivables (Control)

The Town adopted an ordinance policy on water meters and cutoff valves on April 1, 2003. However, efforts to collect past due water bills remain inadequate. The Town needs to prepare and retain for each billing cycle a billing register and a trial balance.

G. Inadequate Controls Over Ad Valorem Taxes (Compliance/Control)

The Town's tax collection efforts continue to be weak. The tax receivable listing is not reconciled to the general ledger. Tax sales are not held for property whose owners have failed to pay the Town's ad valorem tax as required by R.S. 33:461 (B) (1).

H. Inadequate Controls Over Traffic Tickets (Compliance/Control)

The computer Citation Program for keeping track of tickets (Lemus) is no longer operable. There is, therefore, no balancing of the fines received per the general ledger with any record established with the actual tickets. There is also not a consolidated listing of unpaid tickets.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of the board of Aldermen, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

January 18, 2005

LOUISIANA
ATTESTATION
QUESTIONNAIRE

LOUISIANA ATTESTATION QUESTIONNAIRE (For Attestation Engagements of Government)

	1-4-05 (Date T	ransmitted)
Lea Gray	CDA	
-20 DOV 36 X		
amite, LA 70	122	(Auditors

in connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office... Yes [No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a It is true that no employees or officials have accepted anything or violation of LSA-RS 42:110 1124, service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:110 1124, Yes [V] No [V]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119. Yes [No [

Budgeting

We have complied with the state budgeting requirements of the Local Government, Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes [V No[]

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36. Yes No [] We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes No []

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes [// No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes (i A No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65

Yes No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in Violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA+RS 14:138, and AG opinion 79-729.

Yes No [

Date

Date

We have disclosed to you all known noncompliance of the foragoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may eccur subsequent to the issuance of your report.

TOWN OF KILLIAN SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS Year Ended June 30, 2004

INTERN	INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
Finding Reference No.		Corrective Action Taken	
2002-01	Lack of Segregation of Duties	Unresolved. See procedure 13/14 (A).	
2002-02	Failure to Comply with the Local Government Budget Act/Lawrason Act	Partially resolved. See procedure 13/14 (B).	
2002-03	Lack of Grant Documents	Resolved in prior year.	
2002-04	Inadequate Controls Over Receipts and Disbursements	Partially resolved. See procedure 13/14 (C).	
2002-05	Inadequate Controls over Payroll	Resolved in prior fiscal year.	
2002-06	Compensation of Municipal Officers	Unresolved. See procedure 13/14 (D).	
2002-07	Fixed Asset Records Incomplete	Partially resolved. See procedure 13/14 (E)	
2002-08	Inadequate Controls Over Water Receivables	Partially resolved. See procedure 13/14 (F).	
2002-09	Inadequate Controls Over Ad Valorem Taxes	Unresolved. See procedure 13/14 (G).	
2002-10	Traffic Violations Not Reported in Violation of Law	Resolved in prior fiscal year.	
2002-11	Inadequate Controls Over Traffic Tickets	Partially resolved. See procedure 13/14 (H).	
2002-12	Fines and Mayor's Court Records	Resolved in prior fiscal year.	
2002-13	Failure To Maintain Insurance Coverage	Resolved in prior fiscal year.	

Management's Corrective Action Plan for Current Year Attestation Findings

For the Year Ended June 30, 2004

Agreed- Upon Procedure No.	Description of Finding	Corrective Action Planned
7	Town failed to amend its budget. Actual expenditures exceed budgeted expenditures by 23.95%.	This was due to donations and expense over run of the Police Department of \$16,551, and attorney fees due to Bruce law suit.
8 (a)	Water Fund - Supporting documentation was not available for two disbursements.	Documentation had been lost.
8 (b)	General Fund - A payment was coded to a general ledger account entitled "reimbursement".	Has been corrected.
8 (c)	Water Fund - One invoice did not contain the mayor's approval. Also, a check was written to an individual whom the Town has contracted with to perform monthly work for the water department. The Town does not have a written contract nor obtains invoices from this individual. There is no proof of authorization to pay this individual.	The only invoice that was found without the Mayor's okay was because the original invoice had been lost. Will supply written invoices for O. Ratcliff & R. Sharp for contract labor in the future.
12	The Town failed to complete its compilation/attestation within six months of the close of its fiscal year.	Oversight.
13/14 (A)	Lack of Segregation of Duties	Do not have funds to support needed staff for segregation of duties.

Management's Corrective Action Plan for Current Year Attestation Findings

For the Year Ended June 30, 2004 Continued

Agreed- Upon Procedure No.	Description of Finding	Corrective Action Planned
13/14 (B)	Failure to Comply with the Local Government Budget Act/Lawrason Act	Constant changes in Clerk position delayed accounting of budget to actual comparisons.
13/14 (C)	Inadequate Controls Over Receipts and Disbursements	The only two missing invoices were for outside labor - which were previously in the office.
13/14 (D)	Compensation of Municipal Officers	I failed to put the Chief of Police and Clerk pay in an ordinance.
13/14 (E)	Fixed Asset Records Incomplete	Asset list needs updating.
13/14 (F)	Inadequate Controls Over Water Receivables	Receivables contain lists of people who have moved or died; also, there were people who paid but were not credited by Clerk, which represents the biggest portion of past dues. The remaining portion needs to have service discontinued.
13/14 (G)	Inadequate Controls Over Ad Valorem Taxes	Being addressed with new town attorney.
13/14 (H)	Inadequate Controls Over Traffic Tickets	Need Lemus program - have ordered new computer.

Contact Person: Gillis Windham, Mayor