

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Village of Killian
Killian, Louisiana

May 2, 2001



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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VILLAGE OF KILLIAN
Killian, Louisiana

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

May 2, 2001

VILLAGE OF KILLIAN
Killian, Louisiana

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

March 21, 2001

Independent Auditor's Report

**HONORABLE GILLIS WINDHAM, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF KILLIAN**
Killian, Louisiana

We have audited the accompanying general purpose financial statements of the Village of Killian, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Killian's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Killian, as of June 30, 2000, and the results of its operations and the cash flows of its Water Enterprise Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2001, on our consideration of the Village of Killian's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CPE
Legislative Auditor

ESS:GLM:GCA:dl
[KILLIAN]

VILLAGE OF KILLIAN
Killian, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 2000

	GOVERNMENTAL FUND - GENERAL	PROPRIETARY FUND - WATER ENTERPRISE	ACCOUNT GROUP - GENERAL FIXED ASSETS	ACCOUNT GROUP - GENERAL LONG-TERM OBLIGATIONS	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS					
Assets:					
Cash (note 2)		\$4,008			\$4,008
Receivables, (net of allowance for uncollectible accounts, where applicable) (note 3)	\$14,039	22,235			36,274
Interfund receivables (note 5)	13,314				13,314
Property, plant, and equipment (net of accumulated depreciation, where applicable) (note 6)		613,802	\$147,387		761,189
Other debts - amount to be provided for retirement of general long-term lease obligation (notes 9 & 10)				\$16,199	16,199
TOTAL ASSETS AND OTHER DEBITS	\$27,353	\$640,045	\$147,387	\$16,199	\$830,984
LIABILITIES AND EQUITY					
Liabilities:					
Cash overdraft (note 7)	\$2,966				\$2,966
Accounts and other payables (note 7)	14,137	\$8,230			22,367
Interfund payables (note 5)		13,314			13,314
Unearned revenues (note 8)		19,635			19,635
Obligation under capital lease agreement (notes 9 & 10)				\$16,199	16,199
Total Liabilities	17,103	41,179	NONE	16,199	74,481
Equity:					
Contributed capital (net of accumulated amortization) (note 11)		571,852			571,852
Investment in general fixed assets			\$147,387		147,387
Retained earnings		27,014			27,014
Fund balance - unreserved - undesignated	10,250				10,250
Total Equity	10,250	598,866	147,387	NONE	756,503
TOTAL LIABILITIES AND EQUITY	\$27,353	\$640,045	\$147,387	\$16,199	\$830,984

The accompanying notes are an integral part of this statement.

VILLAGE OF KILLIAN
Killian, Louisiana
GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2000

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES			
Taxes	\$64,388		\$64,388
Licenses and permits	3,140		3,140
Intergovernmental revenues	4,745	\$6,512	11,257
Fines	80,871		80,871
Law Enforcement Grants	6,627		6,627
COPS FAST Grant	9,000		9,000
Rural Development Grant	15,000		15,000
Louisiana Highway Safety Grant	4,950		4,950
On-behalf payments by state	6,900		6,900
Total revenues	<u>195,621</u>	<u>6,512</u>	<u>202,133</u>
EXPENDITURES			
General and administrative	77,246		77,246
Public safety	87,533		87,533
Road maintenance	29,010		29,010
Capital outlays	28,352	6,512	34,864
Capital lease - principal	4,316		4,316
Capital lease - interest	684		684
Total expenditures	<u>227,141</u>	<u>6,512</u>	<u>233,653</u>
EXCESS OF EXPENDITURES OVER REVENUES	(31,520)	NONE	(31,520)
OTHER FINANCING SOURCES			
Capital lease	<u>20,515</u>	NONE	<u>20,515</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(11,005)	NONE	(11,005)
FUND BALANCES AT BEGINNING OF YEAR	<u>21,255</u>	NONE	<u>21,255</u>
FUND BALANCES AT END OF YEAR	<u>\$10,250</u>	NONE	<u>\$10,250</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF KILLIAN
Killian, Louisiana
GOVERNMENTAL FUND - GENERAL FUND

**Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget
(Non-GAAP Basis) and Actual
For the Year Ended June 30, 2000**

	GENERAL FUND				VARIANCE FAVORABLE (UNFAVORABLE)
	ACTUAL ON GAAP BASIS	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	BUDGET	
REVENUES					
Fines	\$80,871		\$80,871	\$85,000	(\$4,129)
Franchise tax	37,257	\$817	38,074	40,000	(1,926)
Property tax	27,131	(510)	26,621	25,000	1,621
Grants	35,577	(812)	34,765	20,000	14,765
Occupational licenses	2,840		2,840	2,400	440
Permits	300		300	200	100
On-behalf payments	6,900	(6,900)			
Miscellaneous	4,745	(974)	3,771	2,400	1,371
Total revenue	<u>195,621</u>	<u>(8,379)</u>	<u>187,242</u>	<u>175,000</u>	<u>12,242</u>
EXPENDITURES					
Advertisement	747	55	802	1,700	898
Attorney	2,543	(419)	2,124	1,000	(1,124)
Auditor	13,556	(6,270)	7,286	6,000	(1,286)
Auto maintenance	4,825	(958)	3,867	4,000	133
Bank charges	512		512	400	(112)
Capital lease	20,515	(20,515)			
Capital lease - interest	684		684		(684)
Capital lease - principal	4,316		4,316		(4,316)
Capital outlay	7,837		7,837	2,000	(5,837)
CMIS	493	156	649	650	1
Contract labor	1,662		1,662		(1,662)
Conventions				700	700
Dues	300		300	400	100
Inmate upkeep	120	(3)	117	200	83
Insurance - hospitalization and retirement	5,425		5,425	10,000	4,575
Insurance	9,645		9,645	14,000	4,355
Louisiana Commission on Law Enforcement	649	305	954	1,400	446
Maintenance	2,347	(55)	2,292	1,000	(1,292)
Office salaries	27,157	1,050	28,207	25,000	(3,207)
Office supplies	2,160	24	2,184	2,000	(184)
On-behalf payments	6,900	(6,900)			
Payroll taxes	10,641		10,641		(10,641)
Police gas	5,106	(632)	4,474	4,000	(474)
Police salaries	58,500	1,075	59,575	50,000	(9,575)
Police supplies	3,686		3,686	4,200	514
Postage	728		728	1,000	272
Road maintenance	29,010	893	29,903	40,000	10,097
Telephone	3,133	59	3,192	3,500	308
Utilities	1,654	(34)	1,620	1,800	180
Miscellaneous	2,290	236	2,526	50	(2,476)
Total expenditures	<u>227,141</u>	<u>(31,933)</u>	<u>195,208</u>	<u>175,000</u>	<u>(20,208)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(31,520)</u>	<u>23,554</u>	<u>(7,966)</u>	<u>NONE</u>	<u>(\$7,966)</u>
OTHER FINANCING SOURCES					
Capital lease	<u>20,515</u>	<u>(20,515)</u>	<u>NONE</u>		
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(11,005)</u>	<u>3,039</u>	<u>(7,966)</u>		
FUND BALANCE AT BEGINNING OF YEAR	<u>21,255</u>	<u>NONE</u>	<u>21,255</u>		
FUND BALANCE AT END OF YEAR	<u>\$10,250</u>	<u>\$3,039</u>	<u>\$13,289</u>		

The accompanying notes are an integral part of this statement.

VILLAGE OF KILLIAN
Killian, Louisiana
PROPRIETARY FUND - WATER ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended June 30, 2000

OPERATING REVENUES

Water sales	<u>\$45,512</u>
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OPERATING EXPENSES

Bad debts	5,549
Bank charges	130
Contract labor	5,940
Depreciation	24,931
Miscellaneous	1,274
Rentals	1,300
Repairs and maintenance	11,106
Utilities	5,396
Total operating expenses	<u>55,626</u>

OPERATING LOSS	(10,114)
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RETAINED EARNINGS AT BEGINNING OF YEAR	14,118
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AMORTIZATION OF CONTRIBUTED CAPITAL	<u>23,010</u>
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RETAINED EARNINGS AT END OF YEAR	<u><u>\$27,014</u></u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF KILLIAN
Killian, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 2000

INTRODUCTION

The Village of Killian was incorporated 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. The village is located in the parish of Livingston and has a population of 790. The village 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Village of Killian have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

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

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits or to impose specific burdens on the municipality.

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Continued)

2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Village of Killian. Based on the criteria of GASB Statement No. 14, there are no component units to be included either blended within the village's funds or discretely presented in these financial statements.

C. FUND ACCOUNTING

The accounts of the village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Funds

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. General Fund--The General Fund is the general operating fund of the village. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund--The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of water facilities (other than those financed by proprietary funds).

Proprietary Fund

The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Continued)

that its focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the village is the Water Enterprise Fund, which accounts for the operations of the waterworks system. The intent of the village for these facilities is that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Activities accounted for in the village's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds, including General and Capital Projects Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the funds on the balance sheet with long-term assets and liabilities reported in the account groups. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other uses) in net current assets.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, are recognized in the period for which the taxes are levied. Franchise tax revenues and related assets are recognized in the same period that the exchange transaction on which the tax is imposed occurs. State shared revenues such as tobacco and gaming taxes are recorded in the period collected by the state. Licenses, permits, fines, forfeits, and miscellaneous revenues are recorded as revenues when received. Charges for services are recorded when earned since they are measurable and available. Revenues from state and federal grants are recognized when the reimbursable expenditures have been incurred. Expenditures are recognized in the accounting period in which the liability is incurred, except for principal and interest payments for general long-term obligations which are recognized when due.

The Water Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. The operating statement for the enterprise fund presents increases (revenues) and decreases (expenses) in net total assets.

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Continued)

The Water Enterprise Fund is maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

E. BUDGET PRACTICES

The village followed these procedures in establishing the budgetary data reflected in the financial statements:

1. The mayor prepared a proposed budget and submitted it to the Board of Aldermen for approval at the August 4, 1999, board meeting (subsequent to July 1, 1999). The budget was prepared using the same amounts as received and expended for the prior fiscal year. The budget was adopted and included in the August 4, 1999, board minutes.
2. The budget for the General Fund was prepared on a cash basis that is not consistent with generally accepted accounting principles (GAAP). Statement C provides the reconciliation from the actual on the GAAP basis to the actual on the budgetary basis. Budgeted amounts presented are as originally adopted. The budget was not amended during the year.
3. Fund balance is not budgeted.
4. Appropriations (unexpended budget balances) lapse at year-end.

F. ENCUMBRANCES

The village does not use encumbrance accounting.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposit accounts. Under state law, the village 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 village 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.

H. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water sales are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the

VILLAGE OF KILLIAN
Killian, Louisiana
Notes to the Financial Statements (Continued)

uncollectibility of the particular receivables. Estimated uncollectible amounts for property taxes are recorded as a reduction of current revenues.

I. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, temporary loans are made between individual funds to meet obligations as they become due. These short-term interfund loans are classified as interfund receivables/payables.

J. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost. Donated assets are recorded at their fair market value at the date of donation.

Fixed assets used in the Water Enterprise Fund operations are included on the balance sheet net of accumulated depreciation. Interest and other financing costs incurred during construction, if any, of Water Enterprise Fund fixed assets are capitalized. Depreciation of all exhaustible fixed assets used by the Water Enterprise Fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

Water well	30 years
Storage tanks	20 years
Water lines and meters	30 years
Miscellaneous equipment	5-15 years

Contributed capital is recorded in the Water Enterprise Fund to account for contributions of capital assets from other governments, private developers, and others and to recognize grants and other contributed funds dedicated and restricted to the acquisition or construction of capital assets.

K. COMPENSATED ABSENCES, POSTEMPLOYMENT BENEFITS AND RETIREMENT SYSTEM

The village has no policies for compensated absences or postemployment benefits. All employees of the village participate in the Social Security System. The village and its employees contribute a percentage of each employee's salary to the system (6.2% contributed by the village and 6.2% contributed by the employee). The village's contribution during the year ended June 30, 2000, amounted to \$5,441.

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Continued)

L. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

M. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This *depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.*

N. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. 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 village in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

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

P. TOTAL COLUMNS ON STATEMENTS

Total columns on the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a

VILLAGE OF KILLIAN
 Killian, Louisiana
 Notes to the Financial Statements (Continued)

consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH

At June 30, 2000, the village has cash (book balances) of \$1,042 in noninterest-bearing demand deposits. 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 village has deposit balances (collected bank balances) of \$4,648 at June 30, 2000. These deposits are fully secured from risk by federal deposit insurance (GASB Risk Category 1).

3. RECEIVABLES

Receivables as of June 30, 2000, are as follows:

	<u>General Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
Taxes:			
Franchise	\$8,443		\$8,443
Ad valorem	509		509
Intergovernmental:			
Tobacco tax	975		975
State grants	4,112		4,112
Water:			
Billed water		\$28,735	28,735
Less - allowance for uncollectibles		(6,500)	(6,500)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$14,039</u>	<u>\$22,235</u>	<u>\$36,274</u>

4. AD VALOREM TAXES

For the year ended June 30, 2000, taxes of 7.00 mills were authorized and levied on property with assessed valuations totaling \$4,118,220.

Total taxes levied for the year ended June 30, 2000, totaled \$28,828.

VILLAGE OF KILLIAN
 Killian, Louisiana
 Notes to the Financial Statements (Continued)

5. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables as of June 30, 2000, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$13,314	
Water Enterprise Fund		\$13,314
Total	<u>\$13,314</u>	<u>\$13,314</u>

6. FIXED ASSETS

The changes in general fixed assets follow:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2000</u>
Land	\$49,200			\$49,200
Buildings	50,250			50,250
Equipment	19,934	\$8,837	(\$1,349)	27,422
Asset under capital lease		20,515		20,515
Total	<u>\$119,384</u>	<u>\$29,352</u>	<u>(\$1,349)</u>	<u>\$147,387</u>

Additions include \$28,352 purchased during the fiscal year and \$1,000 of donated assets.

A summary of proprietary property, plant, and equipment for the year ended June 30, 2000, follows:

Equipment	\$17,137
Water system	635,180
Subtotal	<u>652,317</u>
Less - accumulated depreciation	<u>(38,515)</u>
Total	<u>\$613,802</u>

During the fiscal year, the proprietary fund had additions of \$11,275 and deletions of \$0 to property, plant, and equipment. Depreciation expense of the proprietary fund was \$24,931.

VILLAGE OF KILLIAN
 Killian, Louisiana
 Notes to the Financial Statements (Continued)

7. PAYABLES

The following is a summary of payables at June 30, 2000:

	General Fund	Water Enterprise Fund	Total
Cash overdraft	\$2,966		\$2,966
Accounts payable	10,877	\$3,304	14,181
Sales taxes		4,926	4,926
Accrued wages	604		604
Payroll taxes	2,656		2,656
Total	<u>\$17,103</u>	<u>\$8,230</u>	<u>\$25,333</u>

8. UNEARNED REVENUES

The village bills its water customers, in advance, on a semiannual basis (December and June). The December water billing covers the six-month time period from January through June, and the June water billing covers the six-month time period from July through December. Therefore, the water billed by the village in June 2000 is unearned revenue at June 30, 2000, and totaled \$19,635.

9. CAPITAL LEASE

The village recorded a vehicle purchased (\$20,515) under capital lease as an asset and obligation in the accompanying financial statements. The leased asset and related obligation is accounted for in the General Fixed Assets Account Group and General Long-Term Debt Account Group, respectively.

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of June 30, 2000:

VILLAGE OF KILLIAN
 Killian, Louisiana
 Notes to the Financial Statements (Continued)

<u>Year Ending June 30</u>	<u>General Long-Term Obligations Account Group</u>
2001	\$8,107
2002	7,483
2003	<u>1,871</u>
Total minimum lease payments	17,461
Less - amount representing interest	<u>(1,262)</u>
Present value of net minimum lease payments	<u><u>\$16,199</u></u>

10. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2000:

Long-term obligations at July 1, 1999	NONE
Additions - capital lease obligation	\$20,515
Deductions - capital lease obligation	<u>(4,316)</u>
Long-term obligation under capital lease at June 30, 2000	<u><u>\$16,199</u></u>

11. CONTRIBUTED CAPITAL

The Water Enterprise Fund received contributions from state sources for the purposes of acquiring or constructing water facilities.

The addition and source of contributed capital during the year ended June 30, 2000, follows:

Contributed capital - July 1, 1999	\$588,350
Additions - Louisiana Community Development Block Grant - water system improvements	6,512
Deductions - depreciation on fixed assets acquired by grants	<u>(23,010)</u>
Contributed capital - June 30, 2000	<u><u>\$571,852</u></u>

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Continued)

12. LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT

On March 16, 2000, the State of Louisiana Office of Community Development accepted a conditional closeout of the village's 1997 Louisiana Community Development Block Grant (Federal CFDA Number 14.219 and Pass-through Entity Identifying Number 107-800179) program. The \$600,000 grant was obtained to improve the village's water system and is accounted for in the Capital Projects Fund during construction. At June 30, 2000, the Capital Projects Fund has no assets or liabilities, which reflects the program's closeout and the transfer of water system improvements to the Water Enterprise fund. Louisiana Community Development Block Grant expenditures totaled \$6,512 during the year ended June 30, 2000.

13. COMPENSATION PAID MAYOR AND ALDERMEN

No compensation was paid to the mayor or members of the Board of Aldermen during the year ended June 30, 2000.

14. ON-BEHALF PAYMENTS

The village's police chief and one policeman received \$3,600 and \$3,300, respectively, in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The village recognizes this supplemental pay received by the employees as revenues and expenditures of the village. The revenues are reported in the General Fund and the expenditures are included in Public Safety expenditures.

15. CONTINGENCIES

The village is involved in two lawsuits. The village's legal counsel does not anticipate a loss to the village resulting from these lawsuits.

16. ESTIMATES

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

17. RISK MANAGEMENT

The village 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 village attempts to minimize risk from significant losses through the purchase of commercial insurance.

VILLAGE OF KILLIAN

Killian, Louisiana

Notes to the Financial Statements (Concluded)

18. GASB 33 AND GASB 34 IMPLEMENTATION

The GASB issued Statement Number 33, Accounting and Financial Reporting for Nonexchange Transactions, in December of 1998. The provisions for the pronouncement are effective for financial statements for periods beginning after June 15, 2000. The effects on the village's financial statement are not known at this time; however, the pronouncement will be implemented for the fiscal year ending June 30, 2001.

The GASB issued Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, in June of 1999. The date of implementation is effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999 (earlier application is encouraged). The Village of Killian's total annual revenues were less than \$10 million in the fiscal year ending June 30, 1999; therefore, the Village of Killian is (phase 3) required to implement the provisions for the pronouncement for financial statements for the period beginning after June 15, 2003. GASB Statement Number 34 establishes a new governmental financial reporting model that will feature, among other significant changes, management discussion and analysis, a unique combination of fund-based and governmentwide financial statements, required supplementary information, accounting for infrastructure assets, and accounting for the depreciation of infrastructure assets. The effects on the village's financial statement are not known at this time; however, the pronouncement will be implemented for the fiscal year ending June 30, 2004, if not implemented earlier.

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws, regulations, contracts, and grants and on internal control over financial reporting 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 reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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March 21, 2001

Report on Compliance and on Internal Control Over Financial
Reporting Based Solely on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

**HONORABLE GILLIS WINDHAM, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF KILLIAN**
Killian, Louisiana

We have audited the general purpose financial statements of the Village of Killian as of and for the year ended June 30, 2000, and have issued our report thereon dated March 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Killian's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2000-01, 2000-02, 2000-03, 2000-04, 2000-05, 2000-06, 2000-07, 2000-10(2), 2000-11(5), 2000-12(7), and 2000-14. Immaterial instances of noncompliance were not noted; therefore, a separate letter was not issued to management of the Village of Killian.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Killian's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted certain matters involving the *internal control over financial reporting and its operation that we considered to be reportable conditions*. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Killian's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as

EXHIBIT A

LEGISLATIVE AUDITOR

HONORABLE GILLIS WINDHAM, MAYOR,
AND MEMBERS OF THE BOARD OF ALDERMEN
VILLAGE OF KILLIAN

Compliance and Internal Control Report

March 21, 2001

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items 2000-01, 2000-02, 2000-03, 2000-04, 2000-05, 2000-08, 2000-09, 2000-10, 2000-11, 2000-12, 2000-13, 2000-14, 2000-15, and 2000-16.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously, we considered all items to be material weaknesses.

This report is intended for the information and use of the mayor, certain other elected officials of the Village of Killian, and federal awarding agency and pass-through entity 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.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

ESS:GLM:GCA:dl

[KILLIAN]

VILLAGE OF KILLIAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2000

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> yes <u> </u> no
Reportable condition(s) identified not considered to be material weaknesses?	<u> X </u> yes <u> </u> no
Noncompliance material to financial statements noted?	<u> X </u> yes <u> </u> no

Section II - Financial Statement Findings

See attached Schedule B.

LEGISLATIVE AUDITOR

Schedule B

VILLAGE OF KILLIAN
Killian, Louisiana

Financial Statement Findings
For the Year Ended June 30, 2000

COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS

2000-01 Public Bid Law Violation

The village violated the public bid law because bids were not obtained for the purchase of a vehicle. Louisiana Revised Statute (R.S.) 38:2212.1(A)(1)(a) requires all purchases for materials or supplies exceeding fifteen thousand dollars to be advertised and let by contract to the lowest responsible bidder. In addition, R.S. 38:2212.1(A)(1)(b)(2) requires the village to advertise and let by contract purchases of new and used motor vehicles that are converted into law enforcement vehicles that cost in excess of fifteen thousand dollars.

The village entered into a lease purchase agreement for the acquisition of a 2000 Ford Crown Victoria Sedan for \$20,515 on October 29, 1999, and did not advertise for bids. The vehicle was subsequently converted into a law enforcement vehicle.

The village should strictly comply with the competitive bidding requirements of the Louisiana public bid law.

2000-02 Debt Incurred Without Approval

The village incurred long-term debt without obtaining State Bond Commission consent and approval as required by Louisiana law. R.S. 39:1410.60(A) provides that municipalities cannot borrow money or incur debt without the consent and approval of the State Bond Commission.

The village entered into a three-year lease purchase agreement with Ford Motor Credit Company (for the 2000 Ford Crown Victoria Sedan) on October 29, 1999, and did not obtain State Bond Commission consent and approval. Including interest, the total debt incurred by the village under the three-year lease was \$22,451.

The village should comply with Louisiana law if borrowing money or incurring debt in the future.

2000-03 Local Government Budget Act Violations

The village violated the Local Government Budget Act because the General Fund budget (1) did not include a budget message; (2) did not include the estimated fund balance at the beginning and end of year; (3) was not accompanied by a proposed budget adoption instrument; (4) was not submitted to the board and made available for public inspection

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

Page 2

before the beginning of the budget year; and (5) was not amended. R.S. 39:1305 requires the mayor to prepare and sign a budget message that includes, among other items, a summary description of the proposed financial plan. Also required is a budget adoption instrument that specifies the mayor's authority to make changes within various budget classifications without approval of the board of aldermen, as well as those powers reserved solely to the board of aldermen. In addition, the budget is required to reflect estimated beginning and ending fund balances. R.S. 39:1306 requires that the proposed budget be submitted to the board of aldermen and made available for public inspection at least 15 days before the beginning of the budget year. R.S. 39:1310-13 require the village's budget to be amended in an open meeting when total expenditures plus projected expenditures for the remainder of the year are exceeding the total budgeted expenditures by 5% or more.

The village's 1999-2000 General Fund budget was presented and adopted at the August 4, 1999, board meeting (subsequent to July 1, 1999, the beginning of the fiscal year). The budget did not include the required budget message, was not accompanied by a proposed budget adoption instrument, and did not contain the beginning and end of year estimated fund balances. In addition, the General Fund budget was not amended during the year, although actual expenditures exceeded budgeted expenditures by 11.5%.

All action necessary to adopt and finalize future budgets should be done before the start of the fiscal year. The monthly financial statements should include comparisons to budgeted amounts and the budget should be amended when actual expenditures plus projected expenditures exceed budgeted expenditures by 5% or more.

2000-04 Rural Development Grant Violation

The village spent Rural Development Grant monies on paving a road that was not listed in the approved grant application. The Office of Rural Development Grant agreement (Grant #9899-LVN-0401) stipulates that any use of grant funds to pay for other projects not described in the grant application will be grounds for immediate disqualification and revocation of the funds.

On December 6, 1999, the village paid \$15,000 of Rural Development Grant monies to the Livingston Parish Council for paving Patricia Drive. Patricia Drive is not listed in the approved grant application. The mayor informed us that the Livingston Parish Council paved four roads (Johnson Drive, Ratcliff Boulevard, Lynda Drive, and Patricia Drive), of which three (Johnson Drive, Ratcliff Boulevard, and Lynda Drive) were on the Livingston Parish Council's capital improvements project list to be paved at no cost to the village. The mayor said that the fourth paved road, Patricia Drive, was "torn up" by the parish's heavy road equipment and that he talked with Mr. Dewey Ratcliff, Livingston Parish Council President, about having the road re-paved. We contacted Mr. Ratcliff and he verified what the mayor told us. Mr. Ratcliff informed

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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us that the village's \$15,000 payment to the Livingston Parish Council was for the re-paving of the fourth road, Patricia Drive.

The village should contact the Governor's Office of Rural Development for guidance in resolving this grant violation. In the future, the village should strictly comply with all grant provisions.

**2000-05 Fines Dismissed and Traffic Violations
Not Reported in Violation of Law**

The village appointed a magistrate to conduct mayor's court; however, the mayor is also exercising such powers and authority over the court by reducing and dismissing (nolle prosequed) fines. In addition, traffic tickets are not reported to the Louisiana Department of Public Safety as required by law. R.S. 33:441(B) provides that whenever a magistrate is designated to preside over the mayor's court, the magistrate exercises the powers and authority of the mayor over the court. Louisiana Attorney General Opinion (AG) No. 78-326 provides that the mayor cannot retain concurrent powers with the magistrate after a magistrate has been appointed. Also, AG No. 93-313 provides that the mayor retains no authority to dismiss citations once a magistrate has been appointed, and thus is prohibited from dismissing traffic citations. In addition, R.S. 32:398.3 provides that any person who cancels a traffic citation, in any manner other than as provided by the law, shall be guilty of a misdemeanor, and may be subject to fines and/or imprisonment. Also, R.S. 32:393(C) requires that the village keep a full report of every case in which a person is charged with a traffic violation and send the report to the Louisiana Department of Public Safety (DPS).

In April 2000, the village appointed a magistrate to conduct mayor's court (held one day per month); however, the mayor continued to exercise the powers and authority over the court by reducing and dismissing (nolle prosequed) fines. We reviewed the village's ticket log for tickets issued in June 2000, and noted that the mayor dismissed two tickets and reduced eight tickets.

Traffic tickets are not reported to DPS. Failure to report these violations to DPS result in inaccuracies in the offenders' driving records and is a violation of state law. The village clerk informed us that the only report filed with DPS is to request a suspension of drivers' licenses when fines are not paid.

The mayor should be strictly prohibited from exercising any powers and authority over mayor's court during the time a magistrate is designated to preside over the court. Also, management of the village should comply with state law and report all appropriate traffic violations to DPS. In addition, management of the village should contact DPS to determine what action should be taken for previous unfiled traffic violation reports.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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2000-06 Failure to Comply With Louisiana Audit Law

The village made no attempt to comply with the Louisiana audit law. R.S. 24:513 requires the village audit to be completed within six months of the close of the village's fiscal year.

The village did not pay the certified public accountant (CPA) the total amount owed him for the village's 1998-1999 audit in a timely manner. Consequently, this prevented the CPA from conducting the 1999-2000 audit. Because the village failed to demonstrate a willingness to comply with state law, the Legislative Auditor performed the village's 1999-2000 audit.

In the future, the village should strictly comply with the Louisiana Audit Law.

2000-07 Minutes Not Published

Proceedings of the board meetings are not published as required by Louisiana law. (REPEAT FINDING - SEE PRIOR YEAR FINDING No. 99-25) R.S. 43:143 requires that the proceedings of the board meetings be published in the official journal of the village. In addition, R.S. 43:144 requires the publication of minutes within ten days from the date of the meeting and provides for fines and/or imprisonment as penalty for noncompliance.

There was no evidence that the minutes of six board meetings (July 1999, September 1999, October 1999, April 2000, May 2000, and June 2000) were published in the village's official journal.

The village should (1) develop procedures to ensure that all minutes and other official proceedings of the board are published within the ten-day limit, without exception; and (2) keep the newspaper clippings of the minutes as evidence.

INTERNAL CONTROL OVER FINANCIAL REPORTING

2000-08 Lack of Segregation of Duties

The village clerk is the sole employee involved in the recording, processing, summarizing, and reporting of village financial data. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-2) An adequate system of internal control requires an appropriate segregation of duties consistent with control objectives. A lack of segregation of duties could

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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adversely affect the entity's ability to record, process, summarize, and report financial data consistent with management's objectives.

Although the limited size of the village precludes an adequate segregation of duties, we recommend that all monthly bank statements be received unopened by the mayor or designated board member for his/her detailed review.

2000-09 Need to Improve Controls Over Receipts and Disbursements

Controls over receipts and disbursements need to be improved. The control weaknesses are as follows:

1. The cash drawer at the village hall is not balanced daily to an established cash balance.
2. A part-time clerical employee accepts payments and works out of the same cash drawer that is used by the clerk.
3. The monthly financial statement presented to the board does not include comparisons to budgeted amounts.
4. There is no formal policy requiring board approval for expenditures over a certain dollar limit.
5. Five payroll checks issued on June 30, 2000, cleared the bank on the same day (June 30, 2000); however, the checks were not recorded in the village's books until the following month, July 2000.
6. One bank statement was missing (Water Fund's December 1999 bank statement).
7. Invoices do not contain evidence that the mathematical accuracy has been checked.
8. Approval to pay is not always documented on invoices.
9. Original invoices do not support all village disbursements. We found disbursements that were supported only by copies of invoices and disbursements that were supported only by vendor statements.
10. The village does not have a formal travel policy.

LEGISLATIVE AUDITOR

Schedule B

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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11. The computer-generated bank reconciliation is not accurate. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-4)
12. Deposits are not made timely. We were informed that deposits are made on a weekly basis. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-4)
13. The cash receipt book entries are not reconciled to the cash recorded on the deposit slip. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-4)
14. The cash drawer is not locked at all times. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-4)
15. Allowing the village clerk to sign checks is incompatible for a proper system of checks and balances. We were informed that the mayor, village clerk, and one board member are the signatories for checking accounts (two signatures are required on all checks, of which one is required to be the mayor's signature). Eight checks were written during the period from July 22, 1999, through October 26, 1999, totaling \$2,458.52, which did not evidence the mayor's signature. Five of the checks (totaling \$872.16) were signed by the clerk and assistant clerk, two of the checks (totaling \$1,549.50) were signed by the assistant clerk and an alderman, and one check (\$36.86) was signed solely by the clerk. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-5)
16. Paid invoices were not maintained for three disbursements totaling \$363.62. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-23)
17. Paid invoices are not always canceled or marked "Paid" to prevent duplicate payment. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-23)
18. Invoices for the purchase of gasoline did not always reflect the description of vehicles receiving the gasoline or the vehicle's odometer readings. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-23)
19. The village's telephone bills are not reviewed for employee personal long-distance calls. In addition, the mayor does not always document the business purpose of calls made using his cellular phone. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-12)

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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The village should:

- Establish a cash balance for the cash drawer. On a daily basis, balance the cash drawer to the established cash balance.
- Establish a separate cash drawer for use by the part-time clerical employee.
- Prepare a monthly report of the operations of the village (revenues and expenditures) compared to budgeted amounts and present to the board for discussion and review.
- Establish an expenditure amount that requires specific board approval before disbursement/payment.
- Record all receipt and disbursement transactions in the proper accounting periods.
- Keep all bank statements on file and maintain them in an organized manner.
- Require that the math accuracy of all invoices be checked before payment.
- Require the mayor to initial all invoices as evidence of review and approval. Also, the water supervisor should document his review and approval on all appropriate water fund invoices.
- Obtain original (not copies) vendor invoices before payment is made. Also, individual invoices should be maintained on file to support payments made to vendors that are paid by statement.
- Adopt a formal travel policy. We suggest that the village adopt the State of Louisiana's travel policies. At a minimum, the policies should (1) require that travel advances be made only for extraordinary travel and be cleared immediately upon completion of the travel (accounted for with appropriate receipts and travel expense report); and (2) limit amounts that employees are reimbursed for meals and lodging.
- Review the computer-generated bank reconciliation for accuracy each month. The outstanding checks and deposits in transit amounts listed, if any, should be reviewed for propriety and adjustment if necessary.
- Deposit cash receipts daily if the receipts exceed \$200.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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- Reconcile the total cash received as noted in the cash receipt book to the total cash amount recorded on the deposit slip on a daily basis.
- Require that the cash drawer be locked at all times, and that keys be secured.
- Require that all checks be signed by the mayor and designated board member. Also, a third village official should be designated to sign village checks only in situations when the mayor or board member is unavailable to sign checks.
- Maintain all documentation (invoice, receiving report, etc.) that supports village disbursements.
- Cancel invoices upon payment by writing the check number and date paid.
- Require all invoices for gasoline purchases to document the particular vehicle receiving the gasoline and the vehicle's odometer readings. On a monthly basis, the invoices should be reviewed to determine whether the gasoline usage is reasonable (e.g., calculating miles per gallon, et cetera.).
- Strictly prohibit employees from charging personal long-distance calls to the village. Also, employees should be required to maintain a log of all long-distance telephone calls made which the mayor should review in conjunction with the monthly telephone bill. In addition, the mayor should document the business purpose of all cellular telephone calls reimbursed to him by the village.

2000-10 Controls Over Payroll Need to Be Improved

The village needs to improve payroll procedures. Our review of payroll and personnel records revealed the following:

1. The village does not have a formal payroll/personnel policy.
2. Form I-9 - "Employment Eligibility Verification" is not maintained for all employees hired after November 6, 1986, as required by the U.S. Department of Justice Immigration and Naturalization Service. In addition, other federal and state income tax withholding forms (Federal form W-4 and Louisiana form L-4) are not maintained on all employees.
3. "Holiday pay" totaling \$151.58 (check number 4432 dated January 6, 2000) paid to the village clerk was not entered into the payroll system and included as wages.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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4. Taxable wages reported to the Louisiana Department of Labor, during the year ended June 30, 2000, were overstated and resulted in approximately \$483 in additional taxes paid.
5. Time sheets prepared by employees do not always evidence the review and approval of the mayor. Also, time sheets prepared by police officers do not evidence the review and approval of the police chief. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-21)
6. Although pay rates are recorded in the computer payroll system, there is no written documentation maintained of the approved pay rates for the chief of police, one policeman, and the part-time clerical employee. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-21)
7. The village is not withholding, remitting, or reporting the required social security and Medicare taxes on police supplemental pay received from the State of Louisiana, Department of Public Safety and Corrections. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-22)
8. Federal and state quarterly payroll tax deposit rules and form reporting requirements were not properly followed, which resulted in the village paying \$1,876 in penalties and interest. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-22)

The village should:

- Develop, adopt, and implement written policies and procedures relating to payroll and personnel.
- Establish a personnel file on each employee that contains, at a minimum, (1) documentation of the employee's approved pay rates; (2) a completed Form I-9 – U.S. Department of Justice Immigration and Naturalization Service "Employment Eligibility Verification" for all employees hired after November 6, 1986; (3) completed federal and state income tax withholding forms (Forms W-4 and L-4); and (4) sick leave records, if applicable.
- Implement procedures to ensure that all checks issued for employee wages are recorded into the payroll system.
- Amend the fiscal year ending June 30, 2000, Louisiana Department of Labor quarterly payroll tax reporting forms and seek reimbursement of overpaid funds.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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- Require the mayor to document his review and approval on all time sheets before payment. Also, require the police chief to document his review and approval of all policemen time sheets.
- Report police supplemental pay as social security and Medicare wages on the quarterly Internal Revenue Service (IRS) Form 941 and withhold and remit the employee's and employer's share of social security and Medicare taxes monthly.
- Deposit IRS Form 941 taxes with the fiscal agent by the 15th day of the month following the payment of wages. Also, file all other federal and state quarterly and annual payroll tax reporting forms (with balances due) on a timely basis.

2000-11 Inadequate Controls Over Ad Valorem Taxes

The village needs to improve controls over the record-keeping and collection of ad valorem taxes. Our review of the village's record-keeping and collection of ad valorem taxes revealed the following:

1. A tax receivable listing is not maintained and reconciled to the general ledger. We prepared the 1999 tax receivable listing using the tax notices maintained on file at village hall. However, in preparing the receivable listing, we found numerous instances whereby the taxes were paid and were not noted as such on the tax notices.
2. The manual ledger book maintained by the clerk to account for tax receipts does not contain all relevant information. Ledger book entries do not contain (1) the tax year(s) that the tax payment(s) relate; (2) the taxpayer's name in the event the payment is made by someone other than the taxpayer (e.g., mortgage company, attorney, family member, et cetera); and (3) cross-referencing to ensure that the taxpayer tax notices were marked "Paid."
3. The village does not have a formal tax collection policy and the village's tax collection efforts are weak. Ad valorem taxes billed to a significant number of property owners are not being collected, which results in the village losing much needed revenues.
4. Certified mail receipts on file support one delinquent notice mailing during the year ended June 30, 2000. Our review and comparison of certified mail receipts to delinquent taxpayers' names revealed that not all of the delinquent taxpayers received a delinquent notice. No documentation is on file as to the reasons delinquent notices were not mailed to certain delinquent taxpayers. Also, copies

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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of delinquent notices mailed to taxpayers are not maintained on file at village hall.

5. The village assesses interest and a delinquent fee on tax collections subsequent to March 31. However, we noted instances whereby interest and delinquent fees were not collected with tax payments received subsequent to March 31. No documentation is on file as to the reason(s) why the interest and delinquent fee was not charged/collected. Also, the interest and other delinquent fees collected are recorded as tax revenues by the village.
6. Tax sales are not held for property whose owners have failed to pay the village's ad valorem tax, as required by R.S. 33:461(B)(1). Louisiana law provides that the sales for the nonpayment of taxes are to be made by the tax collector. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-7)

The village should:

- Maintain a detailed listing of taxpayers with tax amounts owed to the village, by year, and reconcile to the general ledger on a monthly basis.
- Document in the receipt ledger book (1) the tax year(s) that relate to the tax payment(s); (2) the taxpayer's name when payment is made by someone other than the taxpayer; and (3) a cross-referencing notation that ensures taxpayer tax notices were marked "Paid."
- Develop, adopt, and implement policies and procedures for collecting delinquent taxes and require strict adherence.
- Maintain documentation on file to support any waivers of interest and delinquent fees. Also, separate general ledger accounts should be established to record interest collections and delinquent fees.
- Comply with state law by following proper legal procedures to conduct annual tax sales on property whose owners are delinquent in the remittance of ad valorem taxes.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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2000-12 Inadequate Controls Over Water Receivables

The village needs to improve controls over water receivables. Our review of the village's water receivables revealed the following:

1. The water customer accounts receivable subsidiary ledger is not reconciled with the general ledger.
2. Eighteen customer accounts totaling \$3,392 were "written off" by the village clerk without mayor and/or board approval. The clerk informed us that she deleted these accounts from the accounts receivable system because these water customers were either billed for water in error (not on village water system) or the customers moved and could not be located for collection. However, there is no documentation maintained that supports the reason(s) for the customer accounts being removed.
3. Customer accounts that are "written off" are not separately controlled and followed up for future collection. The customer account information is deleted in the computer system and is not retrievable for future information and collection purposes.
4. Customer water usage is not metered. We were informed that water meters are not installed on all customer water lines. All water customers are billed the same amount (\$90 semiannually, which equates to \$15 per month) regardless of water usage.
5. Our review of customer water billings during the fiscal year ending June 30, 2000, revealed that 15 customers were not billed for the required 3% sales tax and four customers were not included in the village's semiannual water billing; therefore, the customers received six months of free water.
6. The village does not have a formal water cut-off policy and the village's collection efforts are weak. At June 30, 2000, 34% or \$10,369 of water receivables were past due more than 90 days, including \$5,712 (or 19%) past due more than one year. Also, the village does not disconnect water services for past due customers. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-8)
7. The village did not prepare a sales tax return or remit sales taxes to the Louisiana Department of Revenue for the semiannual water billings in December 1999. In addition, the village owes prior years' sales taxes totaling \$3,727. (REPEAT FINDING - SEE PRIOR YEAR FINDING 99-27) Also, we were unable to determine how the village calculated the water sales amount reflected on the

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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sales tax return filed for the June 2000 semiannual water billings. In addition, the village does not prepare sales tax returns for interim periods to remit the sales taxes billed on pro-rated water sales.

The village should:

- Reconcile the accounts receivable subsidiary ledger to the general ledger on a monthly basis and investigate and resolve any differences in a timely manner.
- Prohibit the clerk from "writing off" customer accounts receivable balances for any reason (e.g., bad debts, transfers, errors, et cetera) without prior written approval from the mayor and/or board. Also, village records should contain adequate documentation of the mayor's and/or board's reasoning for each *customer account written off*.
- Print out all customer-related account information (maintained on the computer system) for accounts written off and maintain at village hall for future collection follow-up and reference.
- Meter all water usage and read the meters on a monthly basis.
- Charge all water customers the required sales tax without exception. Also, the village should implement procedures to ensure that all water customers are included in the semiannual water billings.
- Adopt and implement formal procedures that will ensure all delinquent accounts are collected on a timely basis or service will be discontinued.
- Prepare and file all required sales tax returns on a timely basis and remit the monies owed to the Louisiana Department of Revenue. Also, the village should *prepare, file, and remit sales tax monies owed (delinquent) on prior years' water sales*. In addition, village records should contain documentation as to the calculation of water sales reflected on sales tax returns.

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Killian, Louisiana

Financial Statement Findings, June 30, 2000

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2000-13 Need to Improve Controls Over Traffic Tickets

The supply of traffic ticket books is not adequately safeguarded, tickets issued to police officers are not reconciled with the issued citations returned by those officers, and accounting for the final disposition of citations is not done. (PARTIAL REPEAT FINDING - SEE PRIOR YEAR FINDING No. 99-10) Good controls over ticket books require that the supply of ticket books be locked, ticket books be issued only when police officers return those tickets as issued citations, and those citations have been recorded as issued citations. Also, good controls require that records be maintained that account for all issued citations and their final disposition.

The supply of traffic ticket books are kept in an opened box on the floor in the police chief's office located in village hall. Police officers obtain new ticket books as needed; however, no records account for issuance and receipt. Police officers turn in the copies of issued citations to the village clerk for fine calculation, collection, and final disposition. The clerk maintains an alphabetical file of citations by offender; however, no records are maintained that account for the numerical sequence of citations. Upon request, the tickets issued during the fiscal year ended June 30, 2000, were put in numerical sequence. We determined that there were five missing tickets, of which three tickets were voided tickets.

Management of the village should establish procedures to ensure that the Police Department (1) stores unused ticket books in a locked cabinet; (2) maintains a record of ticket books issued to police officers that provides the date of receipt, ticket numbers received, and the police officer's signature of receipt; (3) issues a police officer a ticket book only after the previously issued book has been accounted for and all issued citations have been received from the police officer; (4) prohibit police officers from voiding citations; and (5) account for the numerical sequence of all citations and the final disposition of those citations monthly.

2000-14 Fixed Asset Records Should Be Complete

Detailed fixed asset records are not complete, all assets are not tagged, and physical inventories of fixed assets are not conducted annually. R.S. 24:515(B)(1) requires the village to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost.

The village's detailed fixed asset records were not updated for fixed asset additions and deletions during the fiscal year. Also, the fixed asset listing did not include tag numbers.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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The village should (1) define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) take a physical inventory at least annually and follow up on items not found during the physical inventory; and (3) identify (tag) assets that belong to the village and include the tag number on the listing of fixed assets.

2000-15 Computer Backup Diskette Is Not Maintained Off-Site

The daily computer backup diskette containing the village's financial records is not maintained off-site. Village financial records should be properly safeguarded. If not, in the event of a disaster (e.g., fire, flood, et cetera), financial records of the village could be destroyed and not be readily reconstructed/replaced. In addition, a defective diskette or unsuccessful backup could cause financial data to be corrupted or not retrievable.

The village clerk performs the daily computer system backup; however, the backup diskette is kept in the clerk's office on top of her credenza. Also, the same diskette is used for each backup (no evidence on diskette of the date of the last backup), which results in the overwriting of the previous day backup information.

The village clerk should (1) perform the daily computer system backup twice so that one diskette can be taken off-site each day and (2) rotate daily the use of diskettes to provide for the maintenance of financial information for a certain period of time.

2000-16 Employee vs. Independent Contractor Needs to Be Determined

The water supervisor is paid as an independent contractor; however, it appears he may be an employee of the village. An employer is required to withhold income and social security taxes and to pay social security and unemployment taxes on wage payments for an employee. Independent contractors, on the other hand, are considered self-employed persons and are responsible for making their own tax payments.

The village pays the water supervisor \$495 per month. In addition, the village pays the water supervisor \$150 per month for renting his equipment and truck. The clerk informed us that the water supervisor is on call 24 hours a day and is responsible for identifying water lines and leaks and arranging for someone to make necessary repairs. None of these payments or duties are evidenced in writing, and the payments to the water supervisor are not supported by invoices. We suggest that the village review this issue to determine if an employee-employer relationship exists. If the water supervisor is found to be an independent contractor, the village should have a written agreement with the water supervisor that provides the terms and conditions, fee or rate of pay, and what the village expects.

VILLAGE OF KILLIAN

Killian, Louisiana

Financial Statement Findings, June 30, 2000

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It is important that the village makes the correct determination, because if the IRS reclassifies the water supervisor from an independent contractor to an employee, the village may be required to pay certain amounts of the employment tax liability that was not withheld because of the misclassification. Under the Internal Revenue Code, an employer may have to pay amounts equal to (1) 1.5% of the employee's federal income tax liability, and (2) 20% of the amount that should have been withheld for the employee's FICA taxes. Failure to withhold taxes because of intentional disregard of the withholding requirement may result in more stringent penalties.

LEGISLATIVE AUDITOR

Schedule C

VILLAGE OF KILLIAN
Killian, Louisiana

Schedule of Prior Year Findings
For the Year Ended June 30, 2000

INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS

1999-1	Possible infringement of the mayor's authority and possible misuse of public funds	Resolved.
1999-2	Lack of segregation of duties	Unresolved. See finding 2000-08.
1999-3	Failure to adopt a budget	Partially resolved. See finding 2000-03.
1999-4	Inadequate control over cash	Partially resolved. See finding 2000-09.
1999-5	Inadequate controls over check signing	Resolved in October 1999.
1999-6	Weakness in controls over payroll disbursements	Resolved.
1999-7	Inadequate controls over collection of ad valorem taxes	Unresolved. See finding 2000-11.
1999-8	Inadequate controls over the collection of water receivables	Unresolved. See finding 2000-12.
1999-9	Increase in water rates not accomplished by ordinance	Resolved in April 2000.
1999-10	Weak controls over police fine revenue	Unresolved. See finding 2000-13.
1999-11	Mayor's court procedures improperly conducted	Resolved in April 2000.
1999-12	Lack of documentation regarding personal telephone calls	Partially resolved. See finding 2000-09.
1999-13	Failure to post meeting notices and agendas	Resolved in October 1999.

VILLAGE OF KILLIAN

Killian, Louisiana

Schedule of Prior Year Findings, June 30, 2000

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**INTERNAL CONTROL AND COMPLIANCE MATERIAL
TO THE FINANCIAL STATEMENTS (CONT.)**

1999-14	Inadequate recording of proceedings of meetings	Resolved in September 1999.
1999-15	Delayed completion of the Louisiana Compliance Questionnaire	Resolved.

**INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS**

1999-16	Missing bank statements	Resolved.
1999-17	Inadequate filing system	Resolved.
1999-18	No approval of LCDBG transactions by village	Resolved.
1999-19	No general ledger of the LCDBG program	Resolved.
1999-20	LCDBG program check signer not bonded	Resolved.

MANAGEMENT LETTER

1999-21	Inadequate payroll records	Partially resolved. See finding 2000-10.
1999-22	Delinquent payroll tax payments and required reporting to federal agencies	Partially resolved. See finding 2000-10.

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

2397

Village of Killian
LIVINGSTON PARISH, LOUISIANA
POST OFFICE BOX 546
SPRINGFIELD, LA 70462
TELEPHONE: 504-695-6785

MAYOR
Gillis Windham

ALDERMAN
Steve Yarborough
Jeanie Fallon
John Henry

April 26, 2001

Dr. Daniel G. Kyle, CPA, CFF
P O Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

I am sending you my reply to the audit findings on the Village of Killian. Please forgive my handwriting of this instrument, my secretary has been out with a death in the family and because of my busy work schedule, I did not make time to find someone to type it for me.

Sincerely,



The Honorable Gillis Windham
Mayor of Killian

/gw

Enclosure

April 27, 2001 Gillis Windham
Mayor of Killian

2000-01 Public Bid Law Violation

The Chief of Police did obtain verbal quotes for the lease of a 2000 Ford Crown Victoria. The Chief (Jeff Shaffer) in a scheduled town meeting reviewed the quotes with the town Council, and assured us that we were entering into a lease and not a purchase agreement and that this said lease agreement was the way other towns obtain their police cars. Obviously the Chief was wrong.

This mistake will not be made again.

02 Debt Incurred Without Approval

I recommended contacting the State Bond Commission, but the Council approved the Chief of Police request with his recommendation that the agreement was a lease rather than a purchase.

03 Budget Act Violation

With the continuous usurping of the Mayor's authority by the Mayor Pro Tem and the Municipal Clerk, how can the Mayor control expenditures?

04 Grant Violation

Before receiving grant funds, I did contact the Office of Rural Development and explain what took place with the paving of the 4 roads.

Although 3 roads were on the Parish lists, the additional 15,000 grant was originally to be used for concreting

rather than paving, which of course costs considerably more. When the Parish refused to use concrete rather than asphalt, the \$15000 was no longer needed for the roads on the Parish capital improvement lists

05 Fines dismissed and not reported
Upon my appointment of a Magistrate I read from paragraph B on page 19 of the Laurason Act, which pertains to Mayor's Court. I appointed the Magistrate to serve at the pleasure of the Mayor and that he would from time to time be designated to serve in my stead as the presiding official over the Mayor's court. It was my understanding that the Mayor would always stay in charge of the disposition of the tickets.

From the date of the appointment, the Magistrate, the Chief of Police, the Clerk and the Council knew that I was involved with the collection of the tickets, and no one objected.

Then in March of 2001 I discovered that the Chief of Police (Jeff Shaffer) and the Magistrate (John Watts) have been in a business relationship whereas they have a Used Car Business. The Council approved the appointment of John Watts at the recommendation of Jeff Shaffer. Who did not disclose to us that they have a business relationship, (Jeff Shaffer + John Watts)

The nondisclosure of their business relationship and the Chief's recommendation for the appointment of John Watts is in itself a strong Ethics violation.

In March I also discovered that their Used Car business is under investigation by the State Police for multiple violations that will probably lead to criminal charges.

As of April 2001, John Watts has been terminated as the Magistrate.

The Municipal Clerk has been instructed to report tickets to the La. Dept. of Public Safety, but has not done so.

06 La. Audit Law

Aldermen John Henry and Steve Yarborough and Clerk Stacy Bruce continuously made efforts to prevent the payment to Lee Gray for the prior audit. This in itself prevented a timely audit.

07 Minutes not Published

The Municipal Clerk has repeatedly been asked to publish the minutes in a timely fashion, but has refused to do so.

08 Lack of Segregation of Duties

It is very difficult to manage a Clerk who is repeatedly insubordinate, but has the support of the majority of the aldermen.

09 Control over receipts and disbursements

1. The clerk has repeatedly been instructed to do so.
2. I will concur
3. I will concur
4. I presented a policy + procedure manual about 2½ years ago that is used by other towns. The majority of the Council tried to amend the manual with restrictions that clearly usurped the authority of the Mayor. The manual never went to a vote.
5. These 5 payroll checks should have been dated July 1st.
6. The Clerk has been instructed to properly file bank statements.
7. I will concur and I have concurred in the past. It is very difficult to control expenses when the Clerk and Mayor Pro Tem are incurring the expenses and writing the checks without the Mayor's approval.
8. Many invoices + debts were incurred without the approval of the Mayor.
9. I will concur
10. I presented a Policy + Procedure manual that would have set policy on travel expenses about 2½ years ago. The Council chose not to have a Policy + Procedure Manual.
11. The Clerk has been repeatedly instructed to clean up this discrepancy.

12. The Clerk has been repeatedly instructed to make daily deposits.
13. The Clerk has been repeatedly instructed to reconcile the cash deposits.
14. The Clerk has been repeatedly instructed to keep the cash under lock.
15. I have repeatedly objected to the disbursement of checks without my signature, but the Clerk has refused to obey my orders.
16. The Clerk has been repeatedly asked to maintain invoices.
17. This is very difficult to control when the Clerk + Mayor Pro Tem are continuously usurping the authority of the Mayor.
18. The Chief of Police has repeatedly been asked to concur.
19. I installed a telephone log system to track personal and long distance calls. The Clerk and the Police dept. refused to obey my request.

2000-10 Controversy over Payroll

I will concur and seek a Clerk who will concur

2000-11 Ad Valorem Taxes

By Resolution, the Chief of Police has been the tax collector, for which he receive \$250 a month salary.

The Chief has repeatedly been asked to work the past due taxes and collect the funds.

2000-12 Water Receivables

The Clerk has repeatedly been asked to concur with (1,3,5,6,7) findings, but has failed to do so.

2000-13 Traffic Ticket Controls

The Chief of Police has repeatedly been given instruction to safeguard, reconcile and account for the tickets.

2000-14 Fixed Asset Records

I will concur

2000-15 Computer backups diskette

I will concur

2000-16 Employee vs. Independent Contractor

The Water Supervisor is an Independent Contractor. His responsibility is the repair of water leaks and the installation of new water lines.

In Closing, I would like to say:

No Mayor should have to endure gross insubordination, misrepresentations, misconduct, inadequate job performance and infringement of the Mayor's authority because the majority vote of the Board of Aldermen are close personal friends with the Clerk and will not allow the Mayor to reprimand, suspend or replace the Municipal Clerk.

A town clerk should not be allowed to turn the town hall into a place of loitering, constant telephone visitations and the sharing of hard core pornography.

I am disappointed that this audit did not address this situation and I am enclosing a copy of Minutes and correspondence that is a small sample of the problems I encountered when I tried to hire competent Clerical assistance and to pay Lee Gray for the last audit.

4-27-01

Mayor
Gillis Windham

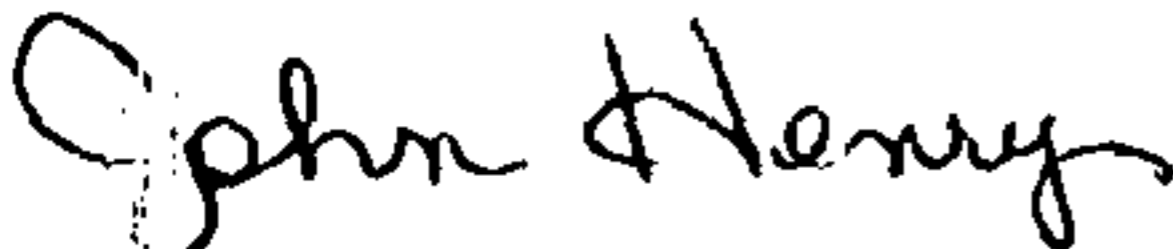
Daniel G. Kyle
April 30, 2001

As requested at the recent exit conference I would like the following comments included in the final report as pertains to the findings listed.

- 2001-04 The summary as presented in the audit was accurate and I informed the rural development representative that I felt the money being spent on Patricia Drive was a violation of the grant rules.
- 2001-05 The magistrate was appointed by the Mayor and approved by the Board of Aldermen to perform all duties of the Mayor's court and not conduct the one day function of the actual court. It was discussed at the meeting that this would take the politics out of the court and increase ticket revenue.
- 2001-06 The board of Aldermen felt the fee for the audit was excessive and should have been presented to the board of aldermen for a budget amendment. I had a AG opinion issued on the matter which was ignored.

I appreciate the opportunity to have these comments included in the final report and would be available to discuss them further if necessary.

Sincerely,



John Henry
Alderman Village of Killian