

TOWN OF LIVONIA, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2010

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

Release Date 6/8/11

TOWN OF LIVONIA, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA (TOWN)** as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, 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 25 2011, on our consideration of the **TOWN OF LIVONIA, LOUISIANA's** internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The budget and actual comparison information (Exhibits B through B-3) and individual nonmajor fund financial statements (Exhibits C through C-1) are presented for purposes of additional analysis and are not a required part of the basic financial statements of the PARISH. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements, and, in our opinion, based on our audit and the report of other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **TOWN OF LIVONIA, LOUISIANA's** financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Faulkner & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 25, 2011

TOWN OF LIVONIA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Livonia's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2010. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2010, the Town of Livonia experienced a slight decrease in governmental revenues (3%) relative to the prior year, while governmental expenditures increased slightly (5%). The utility fund revenues increased significantly (76%) due to capital grants awarded to build a new sewer system.

The major financial highlights for 2010 are as follows:

Government-wide financial statements

- Assets of the Town's primary government exceeded its liabilities at the close of the year by approximately \$4.6 million (net assets). Of this amount, approximately \$514,000 (unrestricted net assets) may be used without restrictions to meet the Town's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by approximately \$682,000 during 2010.
- Governmental activities' net assets increased by approximately \$159,000.
- Business-type total net assets increased by approximately \$523,000, primarily due to a capital grant received during the year of approximately \$535,000.

Governmental Funds financial statements

- As of the end of the year, the primary government's governmental funds reported a fund balance of approximately \$1.25 million, a decrease of approximately \$327,000 in comparison to the prior year. Approximately 30% of the fund balance is assigned for purposes (\$376,000) relating to recreation and municipal complex construction.

Significant aspects of the Town's financial well being, as of and for the year ended December 31, 2010, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 14. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. *Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information.* A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The analysis of the Town as a whole begins on page 12. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. *These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.*

These two statements report the Town's net assets and related changes. The Town's financial health, or financial position, can be measured by its net assets—the difference between assets and liabilities. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors should be considered such as changes in the Town's property and sales tax base and the condition of the Town's buildings, to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - the Town charges a fee to customers to fund the cost of the gas and water services it provides. The business-type activities have historically generated an operating surplus.

At December 31, 2010, the Town's net assets were approximately \$4.6 million, of which approximately \$514,000 was unrestricted. Restricted net assets are reported separately to show legal constraints from legislation that limits the Town's ability to use those net assets for day-to-day operations.

The analysis of the primary government focuses on the net assets and change in net assets of the Town's governmental activities and is as follows:

Town of Livonia, Louisiana						
Statement of Net Assets						
December 31, 2010 and 2009						
(in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 1,323	\$ 1,620	\$ 150	\$ 150	\$ 1,473	\$ 1,770
Capital assets	<u>1,380</u>	<u>894</u>	<u>1,954</u>	<u>1,421</u>	<u>3,334</u>	<u>2,315</u>
Total assets	<u>2,703</u>	<u>2,514</u>	<u>2,104</u>	<u>1,571</u>	<u>4,807</u>	<u>4,085</u>
Current and other liabilities	<u>66</u>	<u>36</u>	<u>112</u>	<u>102</u>	<u>178</u>	<u>138</u>
Net assets:						
Invested in capital assets,						
net of related debt	1,380	894	1,954	1,421	3,334	2,315
Restricted	781	1,345	-	-	781	1,345
Unrestricted	<u>476</u>	<u>239</u>	<u>38</u>	<u>48</u>	<u>514</u>	<u>287</u>
Total net assets	<u>\$ 2,637</u>	<u>\$ 2,478</u>	<u>\$ 1,992</u>	<u>\$ 1,469</u>	<u>\$ 4,629</u>	<u>\$ 3,947</u>

Net assets of the Town's governmental activities increased by approximately 6% or \$159,000 during 2010. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$476,000 in unrestricted net assets of governmental activities represents the accumulated results of operations. The changes in net assets are discussed later in this analysis.

The net assets of the Town's business activities increased by approximately \$523,000 during 2010. The Town operates gas and water services and is in the process of constructing a sewer collection and treatment system.

The results of this year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

Town of Livonia
Changes in Net Assets
For the years ended December 31, 2010 and 2009
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 817	\$ 771	\$ 413	\$ 506	\$ 1,230	\$ 1,277
Operating grant and contributions	48	81	-	31	48	112
Capital grant and contributions	111	76	535	-	646	76
General revenues:						
Sales taxes	230	281	-	-	230	281
Franchise taxes	75	64	-	-	75	64
Ad valorem taxes	37	37	-	-	37	37
Other general revenues	11	67	-	-	11	67
Total revenues	1,329	1,377	948	537	2,277	1,914
Functions/Program Expenses:						
General government	162	164	-	-	162	164
Public safety	571	617	-	-	571	617
Highway and streets	354	239	-	-	354	239
Health and welfare	3	3	-	-	3	3
Culture and recreation	15	22	-	-	15	22
Utility operations	-	-	490	514	490	514
Total expenses	1,105	1,045	490	514	1,595	1,559
Increase in net assets before transfers	224	332	458	23	682	355
Transfers	(65)	(224)	65	224	-	-
Increase in net assets	159	108	523	247	682	355
Beginning net assets	2,478	2,370	1,469	1,222	3,947	3,592
Ending net assets	\$ 2,637	\$ 2,478	\$ 1,992	\$ 1,469	\$ 4,629	\$ 3,947

The increase in net assets of approximately \$682,000 is primarily attributable to the increase in capital grants for 2010. During the year, the Town's financial position

increased over the prior year by approximately \$682,000, although its cash position decreased by \$289,000 during 2010.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 14 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are 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 it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town has five governmental funds, which are the General Fund, the Sales Tax Fund, the Special Fund, the Municipal Complex Fund and the Parks and Recreation Fund.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows; for proprietary funds. The Town has only one proprietary fund, the Public Utilities Fund.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The following is a summary of general governmental operations for 2010 by fund type:

	General Fund	Special Revenue Funds	Capital Project Funds	(in thousands)	
				2010	2009
Revenues and transfers in	\$ 1,128	\$ 380	\$ 232	\$ 1,740	\$ 2,069
Expenditures and transfers out	<u>1,183</u>	<u>472</u>	<u>412</u>	<u>2,067</u>	<u>2,221</u>
Excess (deficiency) of revenues over expenditures	(55)	(92)	(180)	(327)	(152)
Beginning fund balance	<u>232</u>	<u>789</u>	<u>556</u>	<u>1,577</u>	<u>1,729</u>
Ending fund balance	<u>\$ 177</u>	<u>\$ 697</u>	<u>\$ 376</u>	<u>\$ 1,250</u>	<u>\$ 1,577</u>

The Town's governmental funds experienced a decrease in fund balance of approximately \$327,000 during 2010 that primarily related to an increase in capital outlay expenditures of recreation of approximately \$275,000, compared to the prior year. At year end, fund balances were approximately \$1.25 million. Approximately \$1.2 million is undesignated and available for utilization at the Town's discretion. The remainder of the fund balance is designated for the subsequent year's expenditures.

The General Fund is the primary operating fund of the Town. At the end of the year, fund balance of the General Fund was approximately \$177,000 compared to the fund balance of \$232,000 in 2009. This decrease in fund balance resulted from an increase in expenditures from capital outlay during 2010.

The Town's other major funds are the Special Fund and Sales Tax Fund special revenue funds, and the Municipal Complex Fund and Parks and Recreation Fund capital project funds. The Sales Tax Fund's fund balance decreased by approximately \$171,000 during

funds. The Sales Tax Fund's fund balance decreased by approximately \$171,000 during 2010 to approximately \$291,000 at year end due to the amount of transfers to other funds exceeding sales tax received.

The Special Fund collects video poker fees from businesses in the Town. Video poker fee collections during 2010 were approximately \$148,000 which is 9% lower than 2009 collections.

The fund balance of the Municipal Complex Fund and Parks and Recreation Fund decreased by approximately \$180,000 during 2010, collectively. These fund balance decreases resulted from increased capital outlay spending in the parks and recreation fund.

Sources of governmental revenues, excluding other financing sources, are summarized below.

<u>Source of Revenue</u>	<u>(In thousands)</u>			
	<u>2010</u>		<u>2009</u>	
Taxes	\$ 345	26%	\$ 385	29%
Intergovernmental	310	23%	315	24%
Licenses and permits	74	6%	70	5%
Fines	570	43%	520	40%
Miscellaneous	30	2%	23	2%
Total	\$ 1,329	100%	\$ 1,313	100%

Revenues of the primary government for general governmental fund types for 2010 totaled approximately \$1.3 million, which was consistent with the revenues for the previous year. As noted above, the Town's activities are largely supported by fines, tax and intergovernmental revenues, which represent 92% of total governmental resources.

Expenditures of the primary government increased in 2010 by approximately \$324,000 or 25%. The change is attributable to an increases in capital outlay and public safety spending. *General governmental expenditures by functions are summarized as follows:*

<u>Function</u>	<u>(In thousands)</u>			
	<u>2010</u>		<u>2009</u>	
General government	\$ 152	10%	\$ 150	12%
Public safety	667	42%	604	47%
Public works	169	11%	175	14%
Health and welfare	2	1%	3	1%
Culture and recreation	12	1%	21	2%
Capital Outlay	596	35%	321	24%
Total	\$ 1,598	100%	\$ 1,274	100%

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial related matters. The most significant changes during 2010 were as follows:

- A decrease in intergovernmental revenue of approximately \$150,000.
- A decrease in public works expenditures of approximately \$229,000, primarily related to capital outlay.
- A decrease in capital outlay expenditures of approximately \$190,000.

With these adjustments, the actual charges to appropriations (expenditures) were approximately \$10,000 more than the related final budget appropriation of \$1.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the Town had approximately \$3.3 million invested in a broad range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water distribution systems, and gas distribution systems. This amount represents a net increase of approximately \$1 million, or 44%, over the prior year. The increase primarily relates to the construction in progress of a new sewer system and improvements currently in progress to the Town's baseball field.

	(in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 131	\$ 131	\$ 36	\$ 27	\$ 167	\$ 158
Construction in process	405	60	832	265	1,237	325
Infrastructure	336	204	-	-	336	204
Buildings	234	246	60	39	294	285
Vehicles and equipment	154	91	-	-	154	91
Tractors	56	75	-	-	56	75
Furniture	64	87	21	16	85	103
Utility systems	-	-	1,005	1,074	1,005	1,074
Total assets, net of depreciation	\$ 1,380	\$ 894	\$ 1,954	\$ 1,421	\$ 3,334	\$ 2,315

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is provided by GASB No. 34. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and tax rates. One of those factors is the economy. The major economic industries in the surrounding area are agriculture and manufacturing. These industries impact the local economy of the Town and its businesses.

An important factor affecting the budget is the Town's fines and forfeitures revenue that approximate 41% of budgeted revenue in the governmental funds. The Town budgeted a decrease in overall revenue of approximately \$245,000. The decrease relates to a reduction in the amount of grant money received from other governments. Additionally, the Town is projecting a decrease in expenditures of \$230,000 that relates primarily to a decrease in scheduled capital outlay expenditures in the governmental funds. These decreases will not affect the Town's ongoing projects, as the Town plans to continue the development of capital projects in progress at the end of 2010. If these estimates are realized during 2011, the Town's budgetary fund balances will decrease by approximately \$150,000, as compared to a \$328,000 decrease during 2010.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. Questions about this report or need additional financial information, contact the Town's Finance Office at (225) 637-2981 or P.O. Box 307, Livonia, LA 70755.

BASIC FINANCIAL STATEMENTS

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET ASSETS

December 31, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,129,451	\$ 149,318	\$ 1,278,769
Accounts receivable, net	50,146	56,323	106,469
Internal balances	125,304	(125,304)	-
Due from other governments	18,346	26,681	45,027
Restricted assets - utility deposits	-	43,411	43,411
Capital assets:			
Nondepreciable	535,703	867,690	1,403,393
Depreciable, net	844,764	1,086,298	1,931,062
Total assets	\$ 2,703,714	\$ 2,104,417	\$ 4,808,131
LIABILITIES			
Accounts payable and accrued liabilities	\$ 46,538	\$ 69,256	\$ 115,794
Due to other governments	19,696	-	19,696
Payable from restricted assets	-	43,411	43,411
Total liabilities	66,234	112,667	178,901
NET ASSETS			
Investment in capital assets	1,380,467	1,953,988	3,334,455
Restricted for:			
General government	371,783	-	371,783
Culture and recreation	4,626	-	4,626
Other purposes	404,727	-	404,727
Unrestricted	475,877	37,762	513,639
Total net assets	2,637,480	1,991,750	4,629,230
Total liabilities and net assets	\$ 2,703,714	\$ 2,104,417	\$ 4,808,131

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 161,778	\$ 237,002	\$ -	\$ 91,770	\$ 166,994	\$ -	\$ 166,994
Public safety	571,277	570,317	48,000	423	47,463	-	47,463
Highway and streets	354,833	-	-	-	(354,833)	-	(354,833)
Health and welfare	2,471	3,303	-	-	832	-	832
Culture and recreation	15,015	6,500	-	18,720	10,205	-	10,205
Total governmental activities	1,105,374	817,122	48,000	110,913	(129,339)	-	(129,339)
Business-type activities:							
Utility operations	490,494	412,782	-	534,902	-	457,190	457,190
Total primary government	\$ 1,595,868	\$ 1,229,904	\$ 48,000	\$ 645,815	\$ (129,339)	\$ 457,190	\$ 327,851
General revenues:							
Taxes:							
Sales					230,147	-	230,147
Franchise					74,774	-	74,774
Ad valorem					37,190	-	37,190
Beer					3,631	-	3,631
Grants and contributions not restricted to specific programs					7,186	-	7,186
Investment earnings					3,169	-	3,169
Loss on sale of capital assets					(2,217)	-	(2,217)
Transfers					(65,000)	65,000	-
Total general revenues					288,880	65,000	353,880
Change in net assets					159,541	522,190	681,731
Net assets - beginning of year					2,477,939	1,469,560	3,947,499
Net assets - end of year					\$ 2,637,480	\$ 1,991,750	\$ 4,629,230

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2010

	General Fund	Sales Tax	Special Fund	Municipal Complex	Parks and Recreation	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 32,204	\$ 289,347	\$ 393,001	\$ 371,783	\$ 35,662	\$ 1,121,997
Accounts receivable, net	50,146	-	-	-	-	50,146
Due from Utility Fund	125,304	-	-	-	-	125,304
Due from other governments	4,584	2,036	11,726	-	-	18,346
Total assets	\$ 212,238	\$ 291,383	\$ 404,727	\$ 371,783	\$ 35,662	\$ 1,315,793
LIABILITIES						
Accounts payable and accrued liabilities	\$ 15,502	\$ -	\$ -	\$ -	\$ 31,036	\$ 46,538
Due to other governments	19,696	-	-	-	-	19,696
Total liabilities	35,198	-	-	-	31,036	66,234
FUND BALANCE						
Unreserved:						
Designated for subsequent year's expenditures	11,200	-	-	-	4,626	15,826
Undesignated, reported in:						
General fund	165,840	-	-	-	-	165,840
Special revenue funds	-	291,383	404,727	-	-	696,110
Capital project funds	-	-	-	371,783	-	371,783
Total fund balance	177,040	291,383	404,727	371,783	4,626	1,249,559
Total liabilities and fund balance	\$ 212,238	\$ 291,383	\$ 404,727	\$ 371,783	\$ 35,662	\$ 1,315,793

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

December 31, 2010

Total net assets reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds (Exhibit A-2)	\$ 1,249,559
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation.	1,380,467
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>7,454</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 2,637,480</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended December 31, 2010

	General Fund	Sales Tax	Special Fund	Municipal Complex	Parks and Recreation	Total Governmental Funds
REVENUES						
Taxes:						
Sales and use	\$ -	\$ 230,147	\$ -	\$ -	\$ -	\$ 230,147
Franchise	74,774	-	-	-	-	74,774
Ad valorem	37,190	-	-	-	-	37,190
Beer	3,631	-	-	-	-	3,631
Fines	570,317	-	-	-	-	570,317
Intergovernmental	143,270	-	148,026	-	18,720	310,016
License and permits	73,705	-	-	-	-	73,705
Charges for services	13,074	-	-	-	6,500	19,574
Investment income	406	928	677	562	556	3,129
Miscellaneous	5,856	-	-	-	1,000	6,856
Total revenues	922,223	231,075	148,703	562	26,776	1,329,339
EXPENDITURES						
Current function						
General government	148,672	3,171	-	-	-	151,843
Public safety	666,936	-	-	-	-	666,936
Public works	168,856	-	-	-	-	168,856
Health and welfare	2,471	-	-	-	-	2,471
Culture and recreation	-	-	-	-	12,208	12,208
Capital outlay	195,876	-	-	-	399,881	595,757
Total expenditures	1,182,811	3,171	-	-	412,089	1,598,071
Excess (deficiency) of revenues over expenditures	(260,588)	227,904	148,703	562	(385,313)	(268,732)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	5,600	-	-	-	-	5,600
Proceeds from insurance claims	625	-	-	-	-	625
Transfers in	199,000	-	-	50,000	155,000	404,000
Transfers out	-	(399,000)	(70,000)	-	-	(469,000)
Total other financing sources (uses)	205,225	(399,000)	(70,000)	50,000	155,000	(58,775)
Net change in fund balance	(55,363)	(171,096)	78,703	50,562	(230,313)	(327,507)
FUND BALANCE						
Beginning of year	232,403	462,479	326,024	321,221	234,939	1,577,066
End of year	\$ 177,040	\$ 291,383	\$ 404,727	\$ 371,783	\$ 4,626	\$ 1,249,559

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

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

For the year ended December 31, 2010

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental funds (Exhibit A-4)		\$ (327,507)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		
Capital outlay	595,757	
Depreciation expense	(101,706)	494,051
<p>The net effect of various transactions involving capital assets, such as sales, trade-ins, and donations, is to increase net assets.</p>		
Proceeds from sale of assets	(5,600)	
Loss on sale of assets	(2,217)	(7,817)
<p>Some revenues were collected more than sixty days after year-end and, therefore are not available soon enough to pay for current period expenditures.</p>		
		(3,372)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues of the internal service fund are included in governmental activities in the statement of net assets.</p>		
		4,186
Change in net assets of governmental activities (Exhibit A-1)		\$ 159,541

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2010

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 149,318	\$ 7,454
Accounts receivable, net	56,323	-
Due from other governments	26,681	-
Total current assets	232,322	7,454
Restricted assets - utility deposits	43,411	-
Capital assets:		
Nondepreciable	867,690	-
Depreciable, net	1,086,298	-
Total assets	<u>\$ 2,229,721</u>	<u>\$ 7,454</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 69,256	\$ -
Due to General Fund	125,304	-
Payable from restricted assets	43,411	-
Total current liabilities	<u>237,971</u>	<u>-</u>
NET ASSETS		
Investment in capital assets	1,953,988	-
Unrestricted	37,762	7,454
Total net assets	<u>1,991,750</u>	<u>7,454</u>
Total liabilities and net assets	<u>\$ 2,229,721</u>	<u>\$ 7,454</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

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

For the year ended December 31, 2010

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services:		
Water	\$ 223,976	\$ -
Natural gas	173,525	-
Other	<u>15,281</u>	<u>5,500</u>
Total operating revenues	<u>412,782</u>	<u>5,500</u>
OPERATING EXPENSES		
Personnel	171,405	-
Natural gas purchases	101,421	-
Depreciation	88,856	-
Maintenance and supplies	81,074	-
Insurance premiums	23,048	-
Professional services	9,962	-
Rent and utilities	5,135	-
General and administrative	9,593	-
Insurance claims	<u>-</u>	<u>1,354</u>
Total operating expenses	<u>490,494</u>	<u>1,354</u>
Operating (loss) gain	<u>(77,712)</u>	<u>4,146</u>
NONOPERATING REVENUES		
Capital grants and contributions	534,902	-
Interest income	<u>-</u>	<u>40</u>
Total nonoperating revenues	<u>534,902</u>	<u>40</u>
Income before transfers	457,190	4,186
Transfers in	<u>65,000</u>	<u>-</u>
Net income	522,190	4,186
NET ASSETS		
Beginning of year	<u>1,469,560</u>	<u>3,268</u>
End of year	<u>\$ 1,991,750</u>	<u>\$ 7,454</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2010

	Public Utility Fund - Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 431,144	\$ 5,500
Payments to suppliers	(219,254)	(1,354)
Payment to employees	(171,405)	-
Net cash provided by operating activities	<u>40,485</u>	<u>4,146</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Increase in customer deposits	(4,536)	-
Transfers in from other funds	65,000	-
Decrease in due to other funds	(11,222)	-
Net cash provided by noncapital and related financing activities	<u>49,242</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(621,496)	-
Capital grants	534,902	-
Increase in due from other governments	(24,945)	-
Net cash used by capital and related financing activities	<u>(111,539)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	-	40
Net (decrease) increase in cash	(21,812)	4,186
CASH		
Beginning of period	<u>171,130</u>	<u>3,268</u>
End of period	<u>\$ 149,318</u>	<u>\$ 7,454</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) gain	\$ (77,712)	\$ 4,146
Adjustments for non-cash items:		
Depreciation	88,856	-
Change in operating assets and liabilities:		
Accounts receivable and other assets	22,898	-
Accounts payable and accrued liabilities	6,443	-
Net cash provided by operating activities	<u>\$ 40,485</u>	<u>\$ 4,146</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The Town of Livonia was established in 1846, incorporated in 1960 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrson Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, social welfare, and culture and recreation.

The financial statements of the Town of Livonia, Louisiana (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are described below.

In June 1999, the GASB approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Certain of the significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

The criteria for determining which component units should be considered part of the Town for financial reporting purposes are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the Town governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the Town and the potential component unit;
- Imposition of will by the Town on the potential component unit; and
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on criteria established by generally accepted accounting principles, these financial statements present the Town; there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government (the Town) and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, and other nonexchange revenues.

Business type activities are financed in whole or part by fees charged to external parties for utility services provided. The Town's natural gas, sewer, and water services are classified as business-type activities.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 business-type activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2010.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the Town:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds that are considered major funds are the Sales Tax Fund, the Special Fund. The Sales Tax Fund accounts for the collection of sales tax. The Special Fund accounts for the collections from video poker fee assessments.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Capital projects funds that are considered major funds are the Municipal Complex Fund and the Parks and Recreation Fund. The Municipal Complex Fund accounts for the revenues devoted to the development of a new municipal facility. The Parks and Recreation Fund accounts for the revenues used for the development and maintenance of the Town's parks and recreation activities.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and 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 (2) 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. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Public Utilities Fund a major enterprise fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The internal service fund totals are presented as part of the proprietary fund financial statements. Since the principal user of the internal service fund is the Town governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. Such interfund services provided and used between functions are not eliminated in the process of consolidation. To the extent possible, the costs of these services are reflected in the appropriate functional activity. The Town has one internal service fund, the Medical Reimbursement Fund that reimburses part of the Town employees' health insurance deductible.

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants and contributions, traffic fines, and occupational licenses and permits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental miscellaneous revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, federal and state aid and grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year. Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Federal and state aid and grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents for the Town includes the Louisiana Asset Management Pool (LAMP) account and each individual fund's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the LAMP to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$5,671 was recorded at December 31, 2010.

Interfund receivables/payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The Proprietary Fund owed the General Fund \$125,304 at December 31, 2010.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB No. 34, governmental funds' infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	7-40 years
Infrastructure	15-40 years
Furniture and equipment	5-10 years
Tractors	5-10 years
Vehicles	5-10 years

Fund Financial Statements

In the fund financial statements fixed assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Fund Financial Statements (Continued)

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	7-40 years
Machinery and equipment	3-10 years
Utility systems	5-50 years
Vehicles	5 years
Office furniture and equipment	10 years

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

After six months of service, a full-time employee is eligible for 40 hours of vacation leave. Beginning in their third year of service, vacation leave is increased to 80 hours annually. Beginning in their six year of service, vacation leave is increased to 120 hours annually. After 10 years of service, vacation leave is increased to 160 hours annually. During the first year of service, an employee accrues sick leave at one-half day per month, or six working days a year. After their first year, employees earn sick leave at one day per month, or twelve days per year.

At the discretion of the Mayor and Town Council, additional sick leave may be granted for long term or extenuating illnesses.

These benefits are non-cumulative and must be taken when due. As a result, no liability is recorded in these financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, or the laws or regulations of other governments.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves and Designations of Equity

Some portions of fund balance in the governmental fund types are reserved to indicate that a portion of equity is legally restricted to a specific future use and not available for appropriation or expenditure.

Designated portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. However, some designations have been legally authorized, such as the following: (a) "Designated for subsequent years expenditures" is that portion of fund balance which has been internally designated to fund subsequent year's budget, and (b) other designations are made for specific indicated purposes included in the title.

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

In those cases where repayment is expected, the advances are accounted for through the various interfund accounts.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the General Fund, special revenue funds and capital outlay funds. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Sales and Use Tax

The Town has a one cent sales and use tax approved by the voters, for an indefinite period. The tax, after all necessary costs for collection and administration, is available for general purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

NOTE 2 - CASH AND INVESTMENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

At December 31, 2010, the Town's deposits (including demand deposit accounts and restricted cash) totaled \$1,321,980 and the related bank balances were \$1,355,347. The bank balance is categorized as follows:

Category 1 - Amount insured by the FDIC	\$ 228,267
Investments not subject to categorization:	
LAMP	<u>1,127,080</u>
Total bank balance	<u>\$ 1,355,347</u>

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA - R.S. 33:2955. The value of the portfolio is carried at amortized cost.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Investment by the Town in the LAMP pool is considered unclassified as to credit risk provided by GASB Codification Section 150.125 because the investment is in a pool of funds and therefore not evidenced by securities that exist in physical or book form.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

NOTE 3 - CONCENTRATION OF CREDIT RISK - ENTERPRISE FUND

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance.

(Continued)

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable at December 31, 2010 for the primary government, were as follows:

Primary Government	
Utility charges	\$ 56,323
Ad valorem taxes	33,817
Franchise taxes	<u>16,329</u>
Total primary government	<u>\$ 106,469</u>

Due from other governments at December 31, 2010, consisted of the following:

Primary Government	
Capital grants	\$ 25,275
Video poker fees	11,726
Contracts receivable	3,215
Sales and use tax	2,036
Operating grants	1,406
Other	<u>1,369</u>
Total primary government	<u>\$ 45,027</u>

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All property taxes are recorded in governmental funds, and as explained in Note 1, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector during the fiscal year and are therefore available to liquidate liabilities of the current period.

NOTE 5 - AD VALOREM TAXES (CONTINUED)

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

For the year ended December 31, 2010, taxes of 4.83 mills were levied on property with assessed valuations totaling \$7,623,635, and were dedicated to general government. Total taxes levied were \$36,967, with \$37,190 collected. Collections exceeded amounts levied due to the collection of amounts outstanding from prior years.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 130,537	\$ -	\$ -	\$ 130,537
Construction in progress	60,415	344,751	-	405,166
Total capital assets not being depreciated	<u>190,952</u>	<u>344,751</u>	<u>-</u>	<u>535,703</u>
Capital assets being depreciated:				
Buildings	366,828	-	-	366,828
Vehicles	188,068	102,957	(21,320)	269,705
Tractors	185,733	-	-	185,733
Furniture and equipment	265,372	1,499	-	266,871
Infrastructure	250,523	146,550	-	397,073
Total capital assets being depreciated	<u>1,256,524</u>	<u>251,006</u>	<u>(21,320)</u>	<u>1,486,210</u>
Less accumulated depreciation for:				
Buildings	120,866	11,210	-	132,076
Vehicles	97,364	31,929	(13,503)	115,790
Tractors	110,630	18,894	-	129,524
Furniture and equipment	177,525	25,117	-	202,642
Infrastructure	46,858	14,556	-	61,414
Total accumulated depreciation	<u>553,243</u>	<u>101,706</u>	<u>(13,503)</u>	<u>641,446</u>
Total capital assets being depreciated, net	<u>703,281</u>	<u>149,300</u>	<u>(7,817)</u>	<u>844,764</u>
	<u>\$ 894,233</u>	<u>\$ 494,051</u>	<u>\$ (7,817)</u>	<u>\$ 1,380,467</u>

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 7,455
Health and welfare	3,779
Police	53,732
Streets	<u>36,740</u>
Total depreciation expense - governmental activities	<u>\$ 101,706</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 26,800	\$ 9,273	\$ -	\$ 36,073
Construction in progress - sewer system	<u>265,103</u>	<u>566,514</u>	-	<u>831,617</u>
Total capital assets not being depreciated	<u>291,903</u>	<u>575,787</u>	-	<u>867,690</u>
Capital assets being depreciated:				
Buildings	64,452	23,620	-	88,072
Natural gas system	236,394	-	-	236,394
Water system	1,704,203	12,060	-	1,716,263
Machinery and equipment	106,481	10,029	-	116,510
Office furniture and equipment	11,506	-	-	11,506
Vehicles	<u>63,351</u>	-	-	<u>63,351</u>
Total capital assets being depreciated	<u>2,186,387</u>	<u>45,709</u>	-	<u>2,232,096</u>
Less accumulated depreciation for:				
Buildings	24,930	2,971	-	27,901
Natural gas system	134,308	8,415	-	142,723
Water system	732,484	72,251	-	804,735
Machinery and equipment	92,539	4,493	-	97,032
Office furniture and equipment	9,331	323	-	9,654
Vehicles	<u>63,350</u>	<u>403</u>	-	<u>63,753</u>
Total accumulated depreciation	<u>1,056,942</u>	<u>88,856</u>	-	<u>1,145,798</u>
Total capital assets being depreciated, net	<u>1,129,445</u>	<u>(43,147)</u>	-	<u>1,086,298</u>
	<u>\$ 1,421,348</u>	<u>\$ 532,640</u>	<u>\$ -</u>	<u>\$ 1,953,988</u>

NOTE 7 - PENSION PLAN

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the *Municipal Police Employees Retirement System of Louisiana* ("System"), a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Employees who retire after at least 25 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.33% of their final-average salary for each year of creditable service, not to exceed 100%. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the *Municipal Police Employees Retirement System of Louisiana*, 8401 United Plaza Boulevard, Baton Rouge, Louisiana, 70809-2250, or (225)929-7411.

Funding Policy

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Livonia is required to contribute at an actuarially determined rate (25% as of December 31, 2010). The contribution requirements of plan members and the Town of Livonia are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town had contributions of approximately \$58,800 during 2010, and \$32,000 during 2009, and 2008, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

At December 31, 2010, the Town had outstanding commitments resulting from construction contracts in progress of approximately \$154,000 and engineering contracts in progress of approximately \$42,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The Town 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 for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solutions, Inc. (Nationwide) and The Hartford Financial Services Group, Inc. (Hartford). The Plan, available to all Town employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

As required, the Town established an agreement with third party administrators who will hold the assets and income of the Plan. At December 31, 2010, assets amounting to \$129,889 were held by Hartford and assets amounting to \$2,720 were held by Nationwide.

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments who have no responsibility for the plan and are not formally considered the Plan's trustee are not required to report the plan in its financial statements. Since the Town Plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the Town's financial statements.

(Continued)

NOTE 10 - INTERFUND TRANSFERS

The interfund transfers of the primary government at December 31, 2010 were as follows:

Individual Fund	Transfers In	Transfers Out
Primary Government:		
Governmental-type activities:		
General Fund:		
Sales Tax Fund	\$ 199,000	\$ -
Sales Tax:		
General Fund	-	199,000
Parks and Recreation Fund	-	135,000
Public Utility Fund	-	65,000
Total Sales Tax	-	399,000
Special Fund:		
Parks and Recreation Fund	-	20,000
Municipal Complex Fund	-	50,000
Total Special Fund	-	70,000
Municipal Complex:		
Special Fund	50,000	-
Parks and Recreation Fund:		
Sales Tax Fund	135,000	-
Special Fund	20,000	-
Total Parks and Recreation Fund:	155,000	-
Total governmental-type activities	404,000	469,000
Business-type activities:		
Public Utility Fund:		
Sales Tax Fund	65,000	-
Total primary government	\$ 469,000	\$ 469,000

(Continued)

NOTE 11 - COMPENSATION OF GOVERNING BODY

During the year ended December 31, 2010, Council members and the Mayor received the following as compensation, as follows:

Mayor - Troy Chustz	\$	13,000
Council Members		
James Bergeron		6,000
Joseph Davidson		6,000
John Jarreau		6,000
Barbara LeJeune		6,000
James Pourciau		<u>6,000</u>
Total	\$	<u>43,000</u>

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 25, 2011, the date the financial statements were available to be issued.

TOWN OF LIVONIA, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LIVONIA, LOUISIANA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Franchise	\$ 68,000	\$ 72,300	\$ 74,774	\$ 2,474
Ad valorem	36,650	36,650	37,190	540
Beer	4,000	3,600	3,631	31
Fines	536,150	549,219	570,317	21,098
Intergovernmental	306,530	156,455	143,270	(13,185)
Licenses and permits	68,830	67,770	73,705	5,935
Charges for services	8,230	9,873	13,074	3,201
Investment income	750	400	406	6
Miscellaneous	870	5,581	5,856	275
Total revenues	<u>1,030,010</u>	<u>901,848</u>	<u>922,223</u>	<u>20,375</u>
EXPENDITURES				
Current function				
General government	151,101	149,911	148,672	1,239
Public safety	705,057	699,112	666,936	32,176
Public works	551,408	322,012	168,856	153,156
Health and welfare	2,500	2,150	2,471	(321)
Capital outlay	384,225	193,787	195,876	(2,089)
Total expenditures	<u>1,410,066</u>	<u>1,173,185</u>	<u>1,182,811</u>	<u>(9,626)</u>
Deficiency of revenues over expenditures	(380,056)	(271,337)	(260,588)	30,001
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	5,600	5,600	-
Proceeds from insurance claims	-	625	625	-
Transfers in	391,325	199,000	199,000	-
Total other financing sources	<u>391,325</u>	<u>205,225</u>	<u>205,225</u>	<u>-</u>
Net change in fund balance	<u>\$ 11,269</u>	<u>\$ (66,112)</u>	<u>(55,363)</u>	<u>\$ 30,001</u>
FUND BALANCE				
Beginning of year			<u>232,403</u>	
End of year			<u>\$ 177,040</u>	

**TOWN OF LIVONIA, LOUISIANA
SALES TAX FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Sales tax	\$ 290,000	\$ 245,000	\$ 230,147	\$ (14,853)
Investment income	<u>1,500</u>	<u>900</u>	<u>928</u>	<u>28</u>
Total revenues	<u>291,500</u>	<u>245,900</u>	<u>231,075</u>	<u>(14,825)</u>
EXPENDITURES				
General government	<u>4,400</u>	<u>3,200</u>	<u>3,171</u>	<u>29</u>
Excess of revenues over expenditures	<u>287,100</u>	<u>242,700</u>	<u>227,904</u>	<u>(14,796)</u>
OTHER FINANCING USES				
Transfers out	<u>(573,325)</u>	<u>(399,000)</u>	<u>(399,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (286,225)</u>	<u>\$ (156,300)</u>	<u>(171,096)</u>	<u>\$ (14,796)</u>
FUND BALANCE				
Beginning of year			<u>462,479</u>	
End of year			<u>\$ 291,383</u>	

**TOWN OF LIVONIA, LOUISIANA
SPECIAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Intergovernmental	\$ 170,000	\$ 150,000	\$ 148,026	\$ (1,974)
Investment income	<u>1,250</u>	<u>740</u>	<u>677</u>	<u>(63)</u>
Total revenues	<u>171,250</u>	<u>150,740</u>	<u>148,703</u>	<u>(2,037)</u>
OTHER FINANCING USES				
Transfers out	<u>(168,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 3,250</u>	<u>\$ 80,740</u>	78,703	<u>\$ (2,037)</u>
FUND BALANCE				
Beginning of year			<u>326,024</u>	
End of year			<u>\$ 404,727</u>	

TOWN OF LIVONIA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended December 31, 2010

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the general fund, special revenue funds, capital project funds and enterprise fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2010. The Town's basis of budgetary accounting follows generally accepted accounting principles.

**TOWN OF LIVONIA, LOUISIANA
MUNICIPAL COMPLEX FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Investment income	\$ 1,100	\$ 600	\$ 562	\$ (38)
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	50,000	-
Net change in fund balance	\$ 51,100	\$ 50,600	50,562	\$ (38)
FUND BALANCE				
Beginning of year			321,221	
End of year			\$ 371,783	

**TOWN OF LIVONIA, LOUISIANA
PARKS AND RECREATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Intergovernmental	\$ 75,000	\$ 85,125	\$ 18,720	\$ (66,405)
Charges for services	4,200	7,000	6,500	(500)
Investment income	250	555	556	1
Miscellaneous	-	1,000	1,000	-
Total revenues	<u>79,450</u>	<u>93,680</u>	<u>26,776</u>	<u>(66,904)</u>
EXPENDITURES				
Culture and recreation	35,861	12,837	12,208	629
Capital outlay	<u>495,292</u>	<u>458,500</u>	<u>399,881</u>	<u>58,619</u>
Total expenditures	<u>531,153</u>	<u>471,337</u>	<u>412,089</u>	<u>59,248</u>
Deficiency of revenues over expenditures	<u>(451,703)</u>	<u>(377,657)</u>	<u>(385,313)</u>	<u>(7,656)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>250,000</u>	<u>170,000</u>	<u>155,000</u>	<u>(15,000)</u>
Net change in fund balance	<u>\$ (201,703)</u>	<u>\$ (207,657)</u>	<u>(230,313)</u>	<u>\$ (22,656)</u>
FUND BALANCE				
Beginning of year			<u>234,939</u>	
End of year			<u>\$ 4,626</u>	

TOWN OF LIVONIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF LIVONIA, LOUISIANA

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

Grantor/State Pass-through/ Program name/ <u>Location of Project</u>	CFDA Number	Grant Number	Grant Amount	Balance January 1	Federal Receipts	Federal Expenditures	Balance December 31
Department of Housing and Urban Development/State of Louisiana/Division of Administration/ * Community Block Grant	14.228	CFMS No. 674202	\$ 800,000	\$	\$ 480,227	\$ 505,502	\$ 25,275

*Major Program

TOWN OF LIVONIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Town's Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of the Town. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed-through other government agencies are included on the schedule.

Basis of Accounting

The Town's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2010.

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended December 31, 2010



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

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (the Town)** as of and for the year ended December 31, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

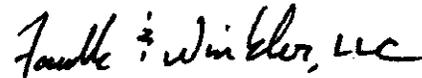
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. These findings are described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, and 2010-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This finding is described on the accompanying schedule of findings and questioned costs as item 2010-3.

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

This report is intended solely for the information of the City Council, management, state and federal granting agencies, and the Louisiana Legislative Auditor 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 Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
March 25, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Compliance

We have audited **TOWN OF LIVONIA, LOUISIANA's (the Town)** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town's major federal programs for the year ended December 31, 2010. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination the Town's compliance with those requirements.

As described in item 2010-3 in the accompanying schedule of findings and questioned costs, the Town, did not comply with requirements regarding the Louisiana Community Development Block Grant program. Compliance with such requirements is necessary, in our opinion, for the Town, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, and 2010-3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1, 2010-2, and 2010-3 to be significant deficiencies.

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

This report is intended solely for the information of the Town Council, management, state and federal granting agencies, and the Louisiana Legislative Auditor 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 Louisiana Legislative Auditor as a public document.

Faulk & Wilcox, LLC

Certified Public Accountants

Baton Rouge, Louisiana
March 25, 2011

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
 - B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2010-1, 2010-2 and 2010-3.**
Material weaknesses: **None.**
 - C) Noncompliance that is material to the financial statements: **2010-3.**
 - D) Significant deficiencies in internal control over major programs: **2010-1, 2010-2, 2010-3.**
Material weaknesses: **None.**
 - E) The type of report issued on compliance for major programs: **Qualified opinion.**
 - F) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **2010-1, 2010-2, and 2010-3.**
 - G) Major Programs:
U.S. Department of Housing and Urban Development
State of Louisiana/Division of Administration/Office of Community Development
2008 Louisiana Community Development Block Grant
C.F.D.A. #14.228
 - H) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
 - I) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2010-1, 2010-2 and 2010-3.**
- 3) Findings and questioned cost relating to federal awards: **2010-1, 2010-2 and 2010-3.**

TOWN OF LIVONIA, LOUISIANA

SUMMARY OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

2010-1 Preparation of Financial Statements

Observation: The Town relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Town's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare internal financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Since the Town is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. The Town generates the appropriate financial information to effectively manage and plan operations in a timely manner and does not consider their current situation to be deficient. However, management will review the resources necessary to prepare financial statements in accordance with generally accepted accounting principles, with full footnote disclosures, to determine if it would represent responsible stewardship.

2010-2 Accounting Overview

Observation: During the audit of the Town's financial statements, several correcting journal entries were proposed. A summary of the entries proposed and the effect of those entries on the accounting records are as follows:

Assets

- Due from other governments - correcting journal entries were recorded to due from other governments having a positive effect on current year earnings of approximately \$25,000.

Accounts payable and other liabilities

- Accounts payable - correcting journal entries were recorded to accounts payable having a negative effect on current year earnings of approximately \$25,000.

Additionally, the segregation of duties is not sufficient to have effective internal control over financial reporting, which is due to the limited number of employees involved in the accounting process. Personnel responsible for preparing and approving transactions also have the responsibility for recording and reconciling transactions in the accounting records.

Recommendation: We recommend the Town provide specific accounting training to personnel responsible for maintaining accounting records. Additionally, we recommend that the Town continue the current process of:

- The Mayor approves all Town disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor reviews the related bank reconciliations,
- The Mayor and Town Council review the Town's financial statements with comparison of actual to budgeted amounts, on a monthly basis. Furthermore, a listing of monthly cash disbursements and general ledger detail are reviewed along with the monthly financial statements.

Management's corrective action plan: Management agrees with the recommendation and intends to explore options to correct these deficiencies.

2010-3 Compliance with Grant Financial Reporting Standards

Observation: The Town received a notice of deficiency from the Louisiana Office of Community Development (LCDBG) regarding compliance with the reporting requirements for recipients of the LCDBG program. The deficiencies noted in the report were as follows:

- The Town's LCDBG records are not maintained on a modified accrual basis and do not include local contributions and program income,
- The Town does not prepare monthly financial statements for the LCDBG grant activity,
- The Town maintained an interest bearing account, which is prohibited under the LCDBG program,
- The Town did not follow the LCDBG requirement that all persons who administer financial transactions to be bonded or insured in accordance sound business practices,
- The Town failed to have two authorized signatures on disbursements related to LCDBG expenditures.

Recommendation: The Town should comply with grant compliance requirements in subsequent years to ensure continued funding.

Management's response: Subsequent to year end, the Town released the monthly financial statements required by the LCDBG program using the modified accrual basis of accounting. The Town plans to continue to prepare monthly financial statements using the modified accrual basis for the remainder of this program and any future LCDBG programs. Also, subsequent to year end, the Town reimbursed the interest income received since the inception of the LCDBG program and provided a bonded insurance policy covering all persons who administer LCDBG financial transactions. Going forward, the Town will only issue checks with two authorized signatures for the remainder of this LCDBG program and all future federal programs, when required.

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2010

2009-1 Preparation of Financial Statements

This finding has been reclassified as 2010-1.

2009-2 Accounting Overview

This finding has been reclassified as 2010-2.

2009-3 Delay in Submitting Report to Legislative Auditor

Observation: The Town had not submitted its annual audited financial statements for the fiscal year ended December 31, 2009, by the Legislative Auditor's deadline of June 30, 2010. The Town has met this deadline for 2010.

This finding is considered resolved.