

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

Fixed Assets-The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed Assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, and are recorded as expenditures in the governmental fund types when purchased. Assets are valued at historical cost. The Village has elected not to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements.

The account group is not a "fund". It is concerned only with the measurement of financial position, and is not involved with the measurement of results of operations.

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on the balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary funds are charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Assets are shown at historical cost less an allowance for depreciation. The allowance for depreciation at June 30, 1996 was \$71,955. The estimated useful lives are as follows:

Water System	50 years
Sewer System	50 years
Vehicles	5 years

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS

Johnson, Thomas & Cunningham

Certified Public Accountants

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ACCOUNTANT'S COMPILATION REPORT ON THE FINANCIAL STATEMENTS

The Honorable Earl Alexander, Mayor
and Village Alderman
Village of Clarence, Louisiana

We have compiled the accompanying balance sheet of the Village of Clarence as of June 30, 1996, and the related Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. The financial statements have been prepared on the modified accrual basis of accounting, which is the generally accepted accounting method established by the Governmental Accounting Standards Board for governmental units.

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

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

October 9, 1996
Natchitoches, Louisiana

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

1. The Reporting Entity:

The Village of Clarence, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and a Legislative branch consisting of Aldermen.

This report includes all funds and account groups which are controlled or dependent on the Village of Clarence's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Clarence was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police, streets and drainage, and general and administrative services. In addition, the Village operates a Utility System which provides water and sewer services.

2. Summary of Significant Accounting Policies:

Fund Accounting The accounts of the Village of Clarence are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

Governmental Funds-

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

Special Revenue Funds-Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds-

Enterprise Funds-The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Village of Clarence, Louisiana
Statement of Cash Flows
Proprietary Fund Type-Enterprise Fund
Year Ended June 30, 1996

	<u>1996</u>
Cash Flows from Operating Activities:	
Net Loss for the Year	\$ (5,810)
Adjustments to Reconcile to Net Cash-	
Depreciation	18,422
(Increase) in A/R	(3,250)
(Increase) in Restricted Assets	(5,323)
(Decrease) in Accounts Payable	<u>18,246</u>
Cash Provided by Operating Activities	<u>\$ 22,285</u>
Cash Used by Investing Activities:	
(Increase) in Plant	<u>\$(25,090)</u>
Cash Provided by Financing Activities:	
Repayment of Debt	\$ (5,000)
Contributed Capital	<u>25,090</u>
Cash Provided by Financing Activities	<u>\$ 20,090</u>
(Decrease) in Cash	\$ 17,285
Beginning Cash	<u>2,324</u>
Ending Cash	<u>\$ 19,609</u>

See accountant's compilation report.

Village of Clarence, Louisiana

Statement of Revenues, Expenses & Changes in Retained Earnings
 Proprietary Fund Type
 Enterprise Fund
 Year Ended June 30, 1996

	<u>1996</u>
Operating Revenues:	
Utility Sales & Miscellaneous	\$ <u>77,606</u>
Operating Expenses:	
Taxes	\$ 7,746
Fuel Purchased	899
Maintenance & Labor	8,838
Supplies, etc.	7,689
Electricity	17,143
Salaries	10,191
Insurance	2,140
Miscellaneous	<u>4,254</u>
Total	\$ <u>58,900</u>
Depreciation	\$ <u>18,422</u>
Total Operating Expenses	\$ <u>77,322</u>
Operating Income (Loss)	\$ <u>284</u>
Non-Operating Revenues (Expenses):	
Interest Income	\$ 256
Interest Expense	<u>(6,350)</u>
Total	\$ <u>(6,094)</u>
Other Financing Sources (Uses):	
Transfers (Out)	\$ <u>0</u>
Net Income (Loss)	\$ (5,810)
Retained Earnings-Beginning	<u>(166,977)</u>
Retained Earnings-Ending	<u>\$(172,787)</u>

See accountants compilation report.

Village of Clarence, Louisiana

Combined Statement of Revenues, Expenditures and Changes in Fund Balances-
Budget (GAAP Basis) and Actual
General and Special Revenue Fund Types
Year Ended June 30, 1996

	General Fund		Special Revenue Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES:					
Taxes	\$ 28,850	\$ 34,038	\$ 0	\$ 0	\$ 0
Licenses & Permits	7,250	7,770	0	0	0
Fines	90,000	94,039	0	0	0
Intergovernmental	12,650	7,760	234,700	25,090	(209,610)
Miscellaneous	<u>14,000</u>	<u>2,308</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	\$152,750	\$145,915	\$234,700	\$25,090	\$ (209,610)
EXPENDITURES:					
Current-					
General Government	\$ 74,882	\$ 95,458	\$ 55,000	\$12,837	\$ 22,163
Public Safety	60,760	57,029	0	0	0
Capital Outlay	<u>0</u>	<u>0</u>	<u>199,700</u>	<u>12,963</u>	<u>186,737</u>
Total Expenditures	\$135,642	\$152,487	\$234,700	\$25,800	\$ 208,900
Excess (Deficiency) of Revenues over Expenditures	\$ 17,108	\$ (6,572)	\$ 0	\$ (710)	\$ (710)
Fund Balance-Beginning of Year	<u>6,045</u>	<u>6,045</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance-End of Year	\$ <u>23,153</u>	\$ <u>(527)</u>	\$ <u>0</u>	\$ <u>(710)</u>	\$ <u>(710)</u>

See accountant's compilation report.

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

Budgets and Budgetary Accounting

The Village utilizes the following procedures in establishing the budgetary data reflected in the financial statements.

1. The Mayor prepares the budget which is to be submitted to the Board of Aldermen at the May meeting of the Board. The budget is to be voted on at the June meeting.
2. The budget can be amended after adoption by the Mayor submitting an amended budget to the Board, and adoption by the Board.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Water and Sewer System Inventories

Water, sewer and gas system supplies used in the proprietary fund are expensed when purchased since the amount on hand, if any, is not material in amount.

Retirement Commitments

The employees of the Village of Clarence are not covered by any pension system, other than the social security system.

Unpaid Accumulated Vacation and Sick Pay

At June 30, 1996 there was no unpaid accumulated vacation or sick pay.

Encumbrance Accounting

The Village of Clarence does not employ the use of "encumbrance" accounting methods.

Total Columns on Combined Statements - Overview

Total columns on the combined statements-overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

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

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

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

Management provided us with a copy of the original budget.
There were amendments to the budget during the year.

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

We traced the adoption of the budget and amendments to the minute book.

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

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%, except that expenditures of the General Fund were 12% in excess of amounts budgeted for the year.

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

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

All payments examined were properly coded to the correct fund and general ledger account.

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

All payments examined were properly approved by the proper authorities.

Village of Clarence, Louisiana

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VILLAGE OF CLARENCE, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 11 1996

Village of Clarence, Louisiana

Combined Balance Sheet-All Fund Types and Account Group
June 30, 1996

Assets	Governmental Fund Types		Proprietary Fund Type Enterprise	Account Group		Totals	
	General	Special Revenue		General	Fixed Assets	(Memorandum Only) 1996	1995
Cash	\$1,960	\$ 0	\$ 19,609	\$ 0	\$ 21,569	\$ 10,908	
Receivables, Net	5,956	0	12,084	0	18,040	14,251	
Restricted Assets-							
Reserve Fund	0	0	4,515	0	4,515	2,813	
Contingency Fund	0	0	269	0	269	685	
Amortization Fund	0	0	9,238	0	9,238	6,032	
Customer Deposits	0	0	5,791	0	5,791	4,961	
Utility, Plant & Equipment	0	0	1,500,174	0	1,500,174	1,475,084	
Less, Accumulated Depreciation	0	0	(71,955)	0	(71,955)	(53,534)	
Buildings, Equipment & Land	0	0	0	58,068	58,068	58,068	
Total Assets	<u>\$7,916</u>	<u>\$ 0</u>	<u>\$1,479,725</u>	<u>\$58,068</u>	<u>\$1,545,709</u>	<u>\$1,519,268</u>	
Liabilities							
Accounts Payable	\$8,443	\$ 710	\$ 20,771	\$ 0	\$ 29,924	\$ 10,482	
Accrued Liabilities Payable from Restricted Assets-							
Revenue Bonds	0	0	5,000	0	5,000	5,000	
Customers' Deposits	0	0	9,546	0	9,546	9,546	
Accrued Interest	0	0	3,175	0	3,175	3,175	
Revenue Bonds Payable	0	0	117,000	0	117,000	122,000	
Total Liabilities	<u>\$8,443</u>	<u>\$ 710</u>	<u>\$ 155,492</u>	<u>\$ 0</u>	<u>\$ 164,645</u>	<u>\$ 150,203</u>	
Fund Equity							
Contributed Capital - Federal Grants	\$ 0	\$ 0	\$1,497,020	\$ 0	\$1,497,020	\$1,471,930	
Investment in General Fixed Assets	0	0	0	58,068	58,068	58,068	
Retained Earnings-							
Unreserved-(Deficit)	0	0	(172,787)	0	(172,787)	(166,977)	
Fund Balances-							
Unreserved - Undesignated	(527)	(710)	0	0	(1,237)	6,044	
Total Fund Equity	<u>\$ (527)</u>	<u>\$ (710)</u>	<u>\$1,324,233</u>	<u>\$58,068</u>	<u>\$1,381,064</u>	<u>\$1,369,065</u>	
Total Liabilities & Fund Equity	<u>\$7,916</u>	<u>\$ 0</u>	<u>\$1,479,725</u>	<u>\$58,068</u>	<u>\$1,545,709</u>	<u>\$1,519,268</u>	

See accountant's compilation report.

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

The annual requirements to amortize all debt outstanding as of June 30, 1996 including interest payments of \$146,050 are as follows:

1997	\$ 13,000
1998	12,750
1999	12,500
2000	13,250
Thereafter	<u>216,550</u>
Total	<u>\$268,050</u>

6. Flow of Funds, Restriction on Use - Water Fund:

Under the terms of the bond indenture on outstanding Water Utility Bonds dated July 1, 1970, and December 4, 1979, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System, are pledged and dedicated to the retirement of said bonds and are to be set aside into the following funds:

- (a) Each month, there will be set aside into a fund called the Amortization Fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- (b) There shall also be set aside into a Reserve Fund an amount equal to 5% of the principal and interest payments required during the month until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirement in any one maturity year (\$13,850). Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Amortization Fund and as to which there would otherwise be default.
- (c) Funds will also be set aside into a Depreciation and Contingency Fund at the rate of \$55 per month. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense.
- (d) All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

Johnson, Thomas & Cunningham

Certified Public Accountants

Page 14

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Earl Alexander, Mayor
and Village Aldermen
Village of Clarence, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Village of Clarence and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Clarence's compliance with certain laws and regulations during the year ended June 30, 1996 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$5,000, or public works exceeding \$50,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Not applicable.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42-1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list, including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

Meetings

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

The Village of Clarence is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's office building.

Debt

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

We inspected copies of all bank deposits slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.


Advances and Bonuses

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

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

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

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


Johnson, Thomas & Cunningham, CPA's

October 9, 1996
Natchitoches, Louisiana

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

3. Restricted Assets - Proprietary Fund Type:

Restricted assets were applicable to the following at June 30, 1996:

	<u>1996</u>
Reserve Fund	\$ 4,515
Contingency Fund	269
Amortization Fund	9,238
Customer Deposits	<u>5,791</u>
Total	<u>\$19,813</u>

4. Changes in General Fixed Assets:

A summary of changes in general fixed assets follows:

Balance at July 1, 1995	\$58,068
Additions for year	<u>0</u>
Balance at June 30, 1996	\$58,068

5. Changes in Long-Term Debt:

The following is a summary of bond transactions of the Village for the year ended June 30, 1996:

	<u>Revenue Bonds</u>
Bonds Payable at July 1, 1995	\$127,000
Less, Bonds Retired - 6-30-96	<u>5,000</u>
Bonds Payable at June 30, 1996	<u>\$122,000</u>

Bonds payable at June 30, 1996 are comprised of the following individual issues:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Total</u>
1979 Water Revenue Bonds	12-4-79	12-31-19	5%	\$116,000
1970 Water Revenue Bonds	7-1-70	12-31-15	5%	<u>6,000</u>
Total				<u>\$122,000</u>

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1996

7. Cash and Investments:

The Village's cash is held in separate cash accounts, and accounted for separately in each of the Village's funds. At June 30, 1996, the Village's cash totaled \$41,382. All of this cash is held by banks, and \$41,382 is covered by FDIC insurance.

The Village's cash is categorized below to give an indication of the level of risk assumed by the Village at June 30, 1996. Category 1 includes cash held by the Village which is insured and held in the Village's name. Category 2 would include cash and investments held in the Village's name which is uninsured or unregistered. Category 3 would include the Village's cash held by a trustee or other third party not in the Village's name and uninsured and unregistered.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>
Total Cash & Cash Equivalents	\$41,382	\$0	\$0	\$41,382
FDIC Insurance	<u>41,382</u>	<u>0</u>	<u>0</u>	<u>41,382</u>
Balance Uninsured	\$ <u> </u> 0	\$0	\$0	\$ <u> </u> 0

8. A summary of proprietary fund property, plant and equipment at June 30, 1996, follows:

Water & Sewer System	\$1,500,174
Total	\$1,500,174
Less, Accumulated Depreciation	<u> 71,955</u>
Net Value of Property	<u>\$1,428,219</u>