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VILLAGE OF CLARENCE, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1998

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 16 1998~~

Village of Clarence, Louisiana

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Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Board of Aldermen of
the Village of Clarence, Louisiana

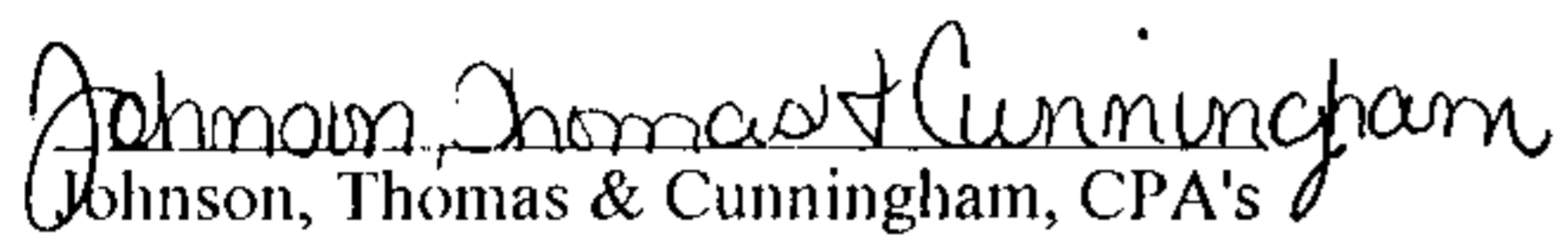
We have audited the general purpose financial statements of the Village of Clarence, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the U.S. General Accounting Office and the *Louisiana Governmental Audit Guide*. 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 also 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Clarence, Louisiana, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Schedules" in the table of contents, including the Schedule of Expenditures of Federal Awards, is presented for the purpose of additional analysis, and is not a required part of the financial statements of the Village of Clarence, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1998, on our consideration of the Village of Clarence's internal control structure and a report dated December 1, 1998, on its compliance with laws and regulations.


Johnson, Thomas & Cunningham, CPA's

December 1, 1998
Natchitoches, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Village of Clarence, Louisiana
Combined Balance Sheet--All Fund Types and Account Group
June 30, 1998

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u> <u>Enterprise</u>	<u>Account Group</u>		<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>		<u>General</u>	<u>Fixed Assets</u>	
<u>Assets</u>						
Cash	\$2,198	\$0	\$ 2,492	\$ 0	\$ 4,690	
Receivables, Net	6,867	0	9,457	0	16,324	
Restricted Assets-						
Reserve Fund	0	0	1,361	0	1,361	
Contingency Fund	0	0	1,353	0	1,353	
Amortization Fund	0	0	4,624	0	4,624	
Customer Deposits	0	0	3,797	0	3,797	
Utility, Plant & Equipment	0	0	1,724,033	0	1,724,033	
Less, Accumulated Depreciation	0	0	(114,325)	0	(114,325)	
Buildings, Equipment & Land	0	0	14,567	68,783	83,350	
Total Assets	<u>\$9,065</u>	<u>\$0</u>	<u>\$1,647,359</u>	<u>\$68,783</u>	<u>\$1,725,207</u>	
<u>Liabilities</u>						
Accounts Payable	\$5,605	\$0	\$ 2,174	\$ 0	\$ 7,779	
Accrued Liabilities Payable						
from Restricted Assets-						
Revenue Bonds	0	0	5,000	0	5,000	
Customers' Deposits	0	0	4,736	0	4,736	
Accrued Interest	0	0	2,675	0	2,675	
Revenue Bonds Payable	0	0	107,000	0	107,000	
Total Liabilities	<u>\$5,605</u>	<u>\$0</u>	<u>\$121,585</u>	<u>\$ 0</u>	<u>\$ 127,190</u>	
<u>Fund Equity</u>						
Contributed Capital - Federal Grants	\$ 0	\$0	\$1,694,879	\$ 0	\$1,694,879	
Investment in General Fixed Assets	0	0	0	68,783	68,783	
Retained Earnings-						
(Deficit)	0	0	(169,105)	0	(169,105)	
Fund Balances-						
Unreserved - Undesignated	3,460	0	0	0	3,460	
Total Fund Equity	<u>\$3,460</u>	<u>\$0</u>	<u>\$1,525,774</u>	<u>\$68,783</u>	<u>\$1,598,017</u>	
Total Liabilities & Fund Equity	<u>\$9,065</u>	<u>\$0</u>	<u>\$1,647,359</u>	<u>\$68,783</u>	<u>\$1,725,207</u>	

See notes to financial statements.

Village of Clarence, Louisiana
Combined Statement of Revenues, Expenses and Changes in Fund Balances-
General and Capital Projects Fund Types
Year Ended June 30, 1998

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u> (Memorandum Only)
REVENUES:			
Taxes	\$ 29,053	\$ 0	\$ 29,053
Licenses & Permits	8,908	0	8,908
Fines	51,386	0	51,386
Intergovernmental	16,938	174,532	191,470
Miscellaneous	<u>880</u>	<u>0</u>	<u>880</u>
Total Revenues	<u>\$107,165</u>	<u>\$174,532</u>	<u>\$281,697</u>
EXPENDITURES:			
Current-			
General Government	\$ 77,048	\$ 10,070	\$ 87,118
Public Safety	31,791	0	31,791
Capital Outlay	<u>0</u>	<u>165,178</u>	<u>165,178</u>
Total Expenditures	<u>\$108,839</u>	<u>\$175,248</u>	<u>\$284,087</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,674)	\$ (716)	\$ (2,390)
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>3,700</u>	<u>0</u>	<u>3,700</u>
Excess (Deficiency) of Revenues and Other Sources Over Expen- ditures and Other Uses	\$ 2,026	\$ (716)	\$ 1,310
Fund Balance-Beginning of Year	<u>1,435</u>	<u>716</u>	<u>2,151</u>
Fund Balance-End of Year	<u>\$ 3,461</u>	<u>\$ 0</u>	<u>\$ 3,461</u>

See notes to financial statements.

Village of Clarence, Louisiana
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances-
 Budget (GAAP Basis) and Actual
 General and Capital Projects Fund Types
 Year Ended June 30, 1998

	General Fund		Capital Projects Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES:					
Taxes	\$ 31,150	\$ 29,053	\$ 0	\$ 0	\$ 0
Licenses & Permits	7,250	8,908	0	0	0
Fines	60,500	51,386	0	0	0
Intergovernmental	12,250	16,938	234,700	174,532	(60,168)
Miscellaneous	<u>3,000</u>	<u>880</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	\$114,150	\$107,165	\$234,700	\$174,532	\$ (60,168)
EXPENDITURES:					
Current-					
General Government	\$ 62,875	\$ 77,048	\$ 35,000	\$ 10,070	\$ 24,930
Public Safety	50,470	31,791	0	0	0
Capital Outlay	<u>0</u>	<u>0</u>	<u>199,700</u>	<u>165,178</u>	<u>34,522</u>
Total Expenditures	\$113,345	\$108,839	\$234,700	\$175,248	\$ 59,452
Excess (Deficiency) of Revenues Over Expenditures	\$ 805	\$ (1,674)	\$ 0	\$ (716)	\$ (716)
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>0</u>	<u>3,700</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expen- ditures and Other Uses	\$ 805	\$ 2,026	\$ 0	\$ (716)	\$ (716)
Fund Balance-Beginning of Year	<u>1,435</u>	<u>1,435</u>	<u>0</u>	<u>716</u>	<u>716</u>
Fund Balance-End of Year	\$ <u>2,240</u>	\$ <u>3,461</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

See notes to financial statements.

Village of Clarence, Louisiana
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 1998

	<u>1998</u>
Operating Revenues:	
Utility Sales & Miscellaneous	\$ <u>80,373</u>
Operating Expenses:	
Taxes	\$ 6,380
Fuel Purchased	543
Maintenance & Labor	6,763
Supplies, etc.	7,634
Electricity	11,645
Salaries	15,964
Insurance	1,684
Professional Fees	1,200
Miscellaneous	2,462
Rent	<u>6,352</u>
Total	\$ <u>60,627</u>
Depreciation	\$ <u>23,190</u>
Total Operating Expenses	\$ <u>83,817</u>
Operating Income (Loss)	\$ <u>(3,444)</u>
Non-Operating Revenues (Expenses):	
Interest Income	\$ 191
Interest Expense	(5,350)
Intergovernmental- Rural Development Grant	<u>15,000</u>
Total	\$ <u>9,841</u>
Other Financing Sources (Uses):	
Transfers (Out)	\$ <u>(3,700)</u>
Net Income (Loss)	\$ 2,697
Retained Earnings-Beginning	(171,802)
Retained Earnings-Ending	\$(169,105)

See notes to financial statements.

Village of Clarence, Louisiana
Statement of Cash Flows
Proprietary Fund Type-Enterprise Fund
Year Ended June 30, 1998

	<u>1998</u>
Cash Flows from Operating Activities:	
Net Income for the Year	\$ 2,697
Adjustments to Reconcile to Net Cash Provided by Operations-	
Depreciation	23,190
Decrease in A/R	571
Decrease in Restricted Assets	4,144
(Decrease) in Accounts Payable	(435)
(Decrease) in Customer Deposits	<u>(4,127)</u>
Cash Provided by Operating Activities	<u>\$ 26,040</u>
Cash Used by Investing Activities:	
(Increase) in Plant	<u>\$(200,532)</u>
Cash Provided by Financing Activities:	
Repayment of Debt	\$ (5,000)
Contributed Capital	<u>174,532</u>
Cash Provided by Financing Activities	<u>\$ 169,532</u>
(Decrease) in Cash	\$ (4,960)
Beginning Cash	<u>7,452</u>
Ending Cash	<u>\$ 2,492</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

1. Introduction:

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:

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

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

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

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

As required by generally accepted accounting principles, these financial statements present the Village of Provenal as the primary government. The Village does not have any component units.

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.

Capital Projects Funds-Account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

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.

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.

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

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, 1998 was \$114,325. 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.

Revenues from local sources consist primarily of sales and fines. Sales tax revenues and fines received are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

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.

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.

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

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, 1998 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.

3. Restricted Assets - Proprietary Fund Type:

Restricted assets were applicable to the following at June 30, 1998:

	<u>1998</u>
Reserve Fund	\$ 1,361
Contingency Fund	1,353
Amortization Fund	4,624
Customer Deposits	<u>3,797</u>
Total	<u>\$11,135</u>

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

4. Changes in General Fixed Assets:

A summary of changes in general fixed assets follows:

Balance at July 1, 1997	\$68,783
Additions for year	<u>0</u>
Balance at June 30, 1998	<u>\$68,783</u>

5. Changes in Long-Term Debt:

The following is a summary of bond transactions of the Village for the year ended June 30, 1998:

	<u>Revenue Bonds</u>
Bonds Payable at July 1, 1997	\$117,000
Less, Bonds Retired - 6-30-98	<u>5,000</u>
Bonds Payable at June 30, 1998	<u>\$112,000</u>

Bonds payable at June 30, 1998 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%	\$110,000
1970 Water Revenue Bonds	8-3-70	12-31-15	5%	<u>2,000</u>
Total				<u>\$112,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 1998 including interest payments of \$62,125 are as follows:

1999	\$ 10,350
2000	8,200
2001	8,050
2002	8,850
2003	8,650
Thereafter	<u>132,500</u>
Total	<u>\$176,600</u>

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

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

Under the terms of the bond indenture on outstanding Water Utility Bonds dated August 3, 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.

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, 1998, the Village's cash totaled \$15,825. All of this cash is held by banks, and \$15,825 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, 1998. 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.

Village of Clarence, Louisiana
Notes to Financial Statements
June 30, 1998

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Carrying Value
Total Cash & Cash Equivalents	\$15,825	\$0	\$0	\$15,825
FDIC Insurance	<u>15,825</u>	<u>0</u>	<u>0</u>	<u>15,825</u>
Balance Uninsured	\$ <u>0</u>	\$0	\$0	\$ <u>0</u>

8. A summary of proprietary fund property, plant and equipment at June 30, 1998, follows:

Equipment	\$ 14,567
Water & Sewer System	<u>1,724,033</u>
Total	\$1,738,600
Less, Accumulated Depreciation	<u>114,325</u>
Net Value of Property	<u>\$1,624,275</u>

9. Year 2000 Issue:

The Village of Clarence currently has a manual system in place. The Village does not expect to experience any problems or costs associated with the Year 2000 Issue.

10. Changes in Contributed Capital:

Beginning Balance, July 1, 1997	\$1,520,347
Additions-	
Water System Improvements made by grant from Louisiana Division of Administration, LCDBG Funds	<u>174,532</u>
Ending Balance, June 30, 1998	<u>\$1,694,879</u>

11. Per Diem Payments:

<u>Name</u>	<u>Amount</u>
Earl Alexander	\$3,575
Elouise Johnson	1,192
Annie Joseph	1,192
Lelo Briggs	<u>1,192</u>
Total	<u>\$7,151</u>

Johnson, Thomas & Cunningham

Certified Public Accountants

Exhibit F
Page 17

Eddie G. Johnson, C.P.A. - A Professional Corporation (1962-1996)

Mark D. Thomas, C.P.A. - A Professional Corporation

Roger M. Cunningham, C.P.A. - A Professional Corporation

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

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

We have audited the general purpose financial statements of the Village of Clarence as of and for the year ended June 30, 1998, and have issued our report thereon dated December 1, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the "*Louisiana Governmental Audit Guide*".

Compliance

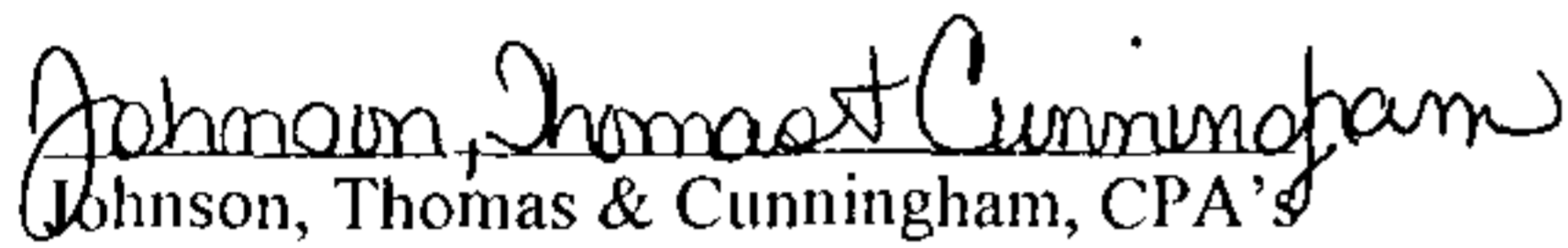
As part of obtaining reasonable assurance about whether the Village of Clarence's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Village of Clarence's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Clarence's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item number 1.

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

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Johnson, Thomas & Cunningham, CPA's

December 1, 1998
Natchitoches, Louisiana

SCHEDULES

Village of Clarence, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 1998

I. SUMMARY OF AUDITORS' RESULTS

The following summarize the auditors' results in accordance with OMB Circular A-133:

1. An unqualified opinion was issued on the general purpose financial statements of the Village of Clarence as of and for the year ended June 30, 1998.
2. A reportable condition in internal control was disclosed by the audit of the financial statements *and the condition was considered a material weakness.*
3. The audit did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards.*
4. The audit did not disclose reportable conditions in internal control over major programs.
5. There were no major programs requiring an opinion on compliance.
6. The audit did not disclose findings related to federal awards that are required to be reported under OMB Circular A-133.
7. There were no major programs for the year ended June 30, 1998.
8. \$300,000 was the threshold used to distinguish Type A from Type B programs.
9. The Village of Clarence qualifies as a low-risk auditee.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*:

1. The accounting department of the Village of Clarence is too small to allow for a proper separation of duties necessary for strong internal control. However, it is not practicable for the Village to add employees to achieve this separation of duties.

Village of Clarence, Louisiana
Supplementary Schedule of Expenditures of Federal Awards
Year Ended June 30, 1998

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's ID Number</u>	<u>Total Current Year Expenditures</u>
U.S. Department of Housing & Urban Development-			
Louisiana Division of Administration/ Community Development Block Grant	14.228	101-6046	\$174,248