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TOWN OF CLAYTON, LOUISIANA

**General Purpose Financial Statements With
Independent Auditors' Report
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedules**

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 1-12-00

TOWN OF CLAYTON, LOUISIANA
YEAR ENDED JUNE 30, 1999
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SECTION I – GENERAL PURPOSE FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT

Honorable Wilbert Washington, Mayor
and Members of the Board of Aldermen
Clayton, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Clayton, Louisiana as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Clayton, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Clayton, Louisiana, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Clayton, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17 1999, on our consideration of the Town of St. Joseph, Louisiana's internal control structure and on its compliance with laws and regulations.

Honorable Wilbert Washington, Mayor
Town of Clayton, Louisiana
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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Clayton, Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes 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 general purpose financial statements. 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 general purpose financial statements taken as a whole.

Ferriday, Louisiana
November 17, 1999

Switzer, Hopkins & Mangle

TOWN OF CLAYTON, LOUISIANA

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

	Governmental Fund Types			Proprietary Fund Type Enterprise	Account Groups			Totals (Memorandum Only) 1999 1998
	General	Debt Service	Capital Projects		General Fixed Assets	General Long-Term Debt	1999	
ASSETS								
Cash	\$ 12,855	\$ 30,175	\$ 126	\$ 10,046	\$ -	\$ -	\$ 53,202	\$ 48,084
Receivables:								
Accounts (net of uncollectibles)	3,029	-	-	27,285	-	-	30,314	31,734
Accrued interest	-	-	-	575	-	-	575	666
Restricted assets (Note 11):								
Cash	-	-	-	71,039	-	-	71,039	62,371
Property, plant and equipment, net of accumulated depreciation (Notes 2 and 3)	-	-	-	1,652,999	168,981	-	1,821,980	1,065,202
Amount available in debt service fund	-	-	-	-	-	22,000	22,000	24,000
Total assets	<u>15,884</u>	<u>30,175</u>	<u>126</u>	<u>1,761,944</u>	<u>168,981</u>	<u>22,000</u>	<u>1,999,110</u>	<u>1,232,057</u>
LIABILITIES AND FUND EQUITY								
Liabilities:								
Accounts payable	5,893	-	-	3,590	-	-	9,483	6,241
Other accrued expenses	1,359	-	-	2,510	-	-	3,869	5,039
Payable from restricted assets:								
Revenue bonds (Note 9)	-	-	-	62,000	-	-	62,000	66,000
Customer deposits	-	-	-	18,930	-	-	18,930	18,560
Note payable	4,605	-	-	-	-	-	4,605	-
Bonds Payable (Note 9)	-	-	-	-	-	22,000	22,000	24,000
Total liabilities	<u>11,857</u>	<u>-</u>	<u>-</u>	<u>87,030</u>	<u>-</u>	<u>22,000</u>	<u>120,887</u>	<u>119,840</u>
Fund equity:								
Contributed capital	-	-	-	1,694,202	-	-	1,694,202	891,955
Investment in general fixed assets	-	-	-	-	168,981	-	168,981	156,049
Retained earnings:								
Reserved	-	-	-	52,109	-	-	52,109	24,477
Unreserved (deficit)	-	-	-	(71,397)	-	-	(71,397)	1,862
Fund balances:								
Reserved for debt service	-	22,000	-	-	-	-	22,000	24,000
Undesignated	4,027	8,175	126	-	-	-	12,328	12,874
Total fund equity	<u>4,027</u>	<u>30,175</u>	<u>126</u>	<u>1,674,914</u>	<u>168,981</u>	<u>-</u>	<u>1,878,223</u>	<u>1,112,217</u>
Liabilities and fund equity	<u>\$ 15,884</u>	<u>\$ 30,175</u>	<u>\$ 126</u>	<u>\$ 1,761,944</u>	<u>\$ 168,981</u>	<u>\$ 22,000</u>	<u>\$ 1,999,110</u>	<u>\$ 1,232,057</u>

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999

	<u>General</u>	<u>Service</u>	<u>Capital Projects</u>	<u>Totals</u>	
				<u>(Memorandum Only)</u>	
				<u>1999</u>	<u>1998</u>
Revenues:					
Taxes (Note B)	\$ 64,648	\$ -	\$ -	\$ 64,648	\$ 63,531
Licenses and permits	3,813	-	-	3,813	4,437
Intergovernmental	1,600	-	-	1,600	1,600
Charges for services	175	-	-	175	180
Fines and forfeits	16,861	-	-	16,861	6,207
Miscellaneous	5,331	946	-	6,277	8,228
Grants	25,681	-	801,855	827,536	58,195
Total revenues	<u>118,109</u>	<u>946</u>	<u>801,855</u>	<u>920,910</u>	<u>142,378</u>
Expenditures:					
General government	23,720	-	-	23,720	17,016
Police department	22,662	-	-	22,662	14,297
Street department	10,096	-	-	10,096	5,790
Garbage collection	46,508	-	-	46,508	48,401
Capital outlay	19,241	-	802,250	821,491	57,774
Debt service:					
Principal payment	-	2,000	-	2,000	2,000
Interest and fiscal charge	-	1,200	-	1,200	1,300
Total expenditures	<u>122,227</u>	<u>3,200</u>	<u>802,250</u>	<u>927,677</u>	<u>146,578</u>
(Deficiency) of revenues over expenditures	(4,118)	(2,254)	(395)	(6,767)	(4,200)
Other financing sources (uses)					
Operating transfers (out)	-	-	-	-	(6,000)
Operating transfers in	3,700	-	-	3,700	4,470
	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>(1,530)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(418)	(2,254)	395	(1,067)	(5,730)
Fund balances, beginning	<u>4,445</u>	<u>32,429</u>	<u>521</u>	<u>37,395</u>	<u>43,125</u>
Fund balances, ending	<u>\$ 4,027</u>	<u>\$ 30,175</u>	<u>\$ 126</u>	<u>\$ 36,328</u>	<u>\$ 37,395</u>

The following notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL, DEBT SERVICE FUNDS AND CAPITAL PROJECTS FUNDS**
 YEAR ENDED JUNE 30, 1999

	General Fund			Debt Service Fund Types			Capital Projects Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:									
Taxes	\$ 67,700	\$ 64,648	\$ (3,052)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	5,300	3,813	(1,487)	-	-	-	-	-	-
Intergovernmental	1,600	1,600	-	-	-	-	-	-	-
Charges for services	180	175	(5)	-	-	-	-	-	-
Fines	16,500	16,861	361	-	-	-	-	-	-
Miscellaneous	225	5,331	5,106	946	946	946	-	-	-
Grants	25,681	25,681	-	-	-	-	824,235	801,855	22,380
	<u>117,186</u>	<u>118,109</u>	<u>923</u>	<u>-</u>	<u>946</u>	<u>946</u>	<u>824,235</u>	<u>801,855</u>	<u>22,380</u>
Expenditures:									
Current -									
General government	18,944	23,720	(4,776)	-	-	-	-	-	-
Public safety -									
Police	23,981	22,662	1,319	-	-	-	-	-	-
Streets	10,000	10,096	(96)	-	-	-	-	-	-
Garbage collection	45,683	46,508	(825)	-	-	-	-	-	-
Capital outlay	25,681	19,241	6,440	-	-	-	824,656	802,250	22,406
Debt service -									
Principal retirement	-	-	-	2,000	2,000	-	-	-	-
Interest and fiscal charges	-	-	-	1,200	1,200	-	-	-	-
	<u>124,289</u>	<u>122,227</u>	<u>2,062</u>	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>824,656</u>	<u>802,250</u>	<u>22,406</u>
Excess of revenues over (under) expenditures	(7,103)	(4,118)	2,985	(3,200)	(2,254)	946	(421)	(395)	26
Other financing sources: Operating transfers in	14,000	3,700	(10,300)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	6,897	(418)	(7,315)	(3,200)	(2,254)	946	(421)	(395)	26
Fund balance, beginning	4,445	4,445	-	32,429	32,429	-	521	521	-
Fund balances, ending	\$ 11,342	\$ 4,027	\$ (7,315)	\$ 29,229	\$ (30,175)	\$ 946	\$ 100	\$ 126	\$ 26

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY-ENTERPRISE FUND
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services (Note J)	<u>\$ 180,829</u>	<u>\$ 194,209</u>
Operating expenses:		
Gas purchases	42,041	47,966
Salaries	43,283	40,939
Material and supplies	21,603	18,524
Depreciation	61,097	52,592
Repairs to system	10,402	12,282
Miscellaneous	8,840	11,628
Truck and tractor expense	2,513	2,440
Utilities and telephone	8,169	15,316
Office supplies	3,129	2,722
Payroll taxes	3,212	5,026
Insurance	12,471	18,711
Legal and accounting	4,200	4,200
Bad debt expense	<u>5,690</u>	<u>3,941</u>
Total expenses	<u>226,650</u>	<u>236,287</u>
Operating (loss)	(45,821)	(42,078)
Nonoperating revenues (expenses):		
Interest income	1,424	1,779
Other income	5,188	4,467
Interest expense	<u>(3,200)</u>	<u>(3,401)</u>
Total nonoperating revenues (expenses)	<u>3,412</u>	<u>2,845</u>
(Loss) before operating transfers	(42,409)	(39,233)
Operating transfers in (out)	<u>(3,700)</u>	<u>1,500</u>
Not (loss)	(46,109)	(37,733)
Contributions from capital projects	802,250	-
Fund equity, beginning	<u>918,773</u>	<u>956,506</u>
Fund equity, ending	<u><u>\$ 1,674,914</u></u>	<u><u>\$ 918,773</u></u>

The following notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	(Memorandum Only) <u>1998</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 181,621	\$ 196,637
Cash payments to suppliers for goods and services	(123,863)	(149,040)
Cash payments to employees for services	(43,283)	(40,939)
Net cash provided (used) by operating activities	<u>14,475</u>	<u>6,658</u>
<u>Cash flows from non-capital financing activities:</u>		
Other income	5,188	4,516
Operating transfers from (to) other funds	(3,700)	1,500
Increase in consumer deposits	370	955
Net cash provided by non-capital financing activities	<u>1,858</u>	<u>6,971</u>
<u>Cash flows from capital and related activities:</u>		
Acquisition of capital assets	(2,696)	-
Interest paid on notes	(4,233)	(2,927)
Principal paid on notes	(4,000)	(4,000)
Net cash used by capital and related activities	<u>(10,929)</u>	<u>(6,927)</u>
<u>Cash flows from investing activities:</u>		
Interest income	<u>1,518</u>	<u>1,707</u>
Net increase in cash and cash equivalents	6,922	8,409
Cash and cash equivalents at July 1, 1998	<u>74,163</u>	<u>65,754</u>
Cash and cash equivalents at June 30, 1999	<u>\$ 81,085</u>	<u>\$ 74,163</u>
<u>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</u>		
Operating (loss)	\$ (45,821)	\$ (42,078)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	61,097	52,592
Changes in assets and liabilities:		
Decrease in accounts receivable	792	2,428
(Decrease) in accounts payable	(1,593)	(6,284)
Net cash provided by operating activities	<u>\$ 14,475</u>	<u>\$ 6,658</u>

The following notes are an integral part of these statements.

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

INTRODUCTION

1. **The Town of Clayton, Louisiana was incorporated under provisions of the Lawrason Act as a Village in 1946.**
2. **The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.**
3. **The Board of Aldermen consists of five elective members and they are paid \$100 per month.**
4. **The Town is located in the northern portion of Concordia Parish, Louisiana. Concordia Parish is located in Northeast Louisiana.**
5. **The population of Clayton, Louisiana is 929 persons.**
6. **The Town of Clayton, Louisiana has four full time employees and three part time employees.**
7. **The Town of Clayton, Louisiana has approximately 330 utility customers.**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Clayton, Louisiana 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 potentials for the organization to provide specific financial benefit 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.**

As required by generally accepted accounting principles, these financial statements present the Town of Clayton, Louisiana (the primary government) and its component units. There are no component units included in the accompanying financial statements as either blended with the municipality funds or discretely presented.

C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Funds

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

- 1. General Fund - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.**
- 2. Debt Service Funds - account for transactions relating to resources retained and used for the payment of principal and interest on those long term obligations recorded in the general long term obligations account group.**
- 3. Capital Projects – account for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.**

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

- 1. Enterprise funds—account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.**

General Fixed Assets and Long Term Debt

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations 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.

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. The Town has elected to not capitalize public domain (“infrastructure”) fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines, Sewer lines and plant	50 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated a historical cost.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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. Taxpayer-assessed income, gross receipts and sales taxes are considered “measurable” when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. INVENTORIES

Inventories or material and supplies are valued at lower of cost or market.

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- CONTINUED

G. ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS

Allowance for uncollectable accounts receivable at June 30, 1999 was \$2,942.

H. RESTRICTED ASSETS

Certain assets of the Town of Clayton, Louisiana have been restricted for debt service and customers' deposits and these assets total \$71,039.

I. COMPARATIVE DATE

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been represented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

J. 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.

K. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**TOWN OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

M. ENCUMBRANCES

The Town of Clayton does not use encumbrance accounting.

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/99</u>
Land	\$ 8,425	\$ -	\$ -	\$ 8,425
Equipment	<u>147,624</u>	<u>19,241</u>	<u>(6,309)</u>	<u>160,556</u>
Total	<u>\$156,049</u>	<u>\$ 19,241</u>	<u>\$ (6,309)</u>	<u>\$168,981</u>

NOTE 3 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

Water and gas system	\$ 780,566
Sewer system	1,455,857
Buildings	10,279
Trucks	11,330
Equipment	<u>64,394</u>
Total	2,322,426
Less accumulated depreciation	<u>(669,427)</u>
Net	<u>\$1,652,999</u>

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 – AD VALOREM TAXES

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

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

For the year ended June 30, 1999 taxes of 3.88 mills were levied on property with assessed valuations totaling \$1,109,950 and were dedicated to general corporate purposes.

Total taxes levied were \$4,306.

NOTE 5 – RETIREMENT COMMITMENTS

The Town of Clayton employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

NOTE 6 – RESERVES OF FUND EQUITY

The Town of Clayton records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves used by the Town.

	Balance at <u>June 30, 1999</u>
a. Debt Service Fund	
Reserved for debt service	\$ 22,000
b. Enterprise Fund	
Reserve for debt service	\$ 52,109

NOTE 7 – CASH AND CASH EQUIVALENTS

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

**TOWN OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 7 – CASH AND CASH EQUIVALENTS CONTINUED

At June 30, 1999, the Town had cash and cash equivalents according to the bank's balances totaling \$124,241 as follows:

Demand deposits	\$ 58,938
Time deposits	<u>65,303</u>
Total	<u>\$ 685,877</u>

Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 1999 of \$126,920 were secured by Federal deposit insurance.

NOTE 8 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town's policy for vacation and sick leave allows ten days paid for vacation and ten days paid for sick leave. Any unused days at the end of the calendar year will be lost. At June 30, 1999, all full time employees had sick days remaining unused and all vacation days had been used. The liability for unused days is recorded in the General and Enterprise Funds.

NOTE 9 – CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Town of Clayton for the year ended June 30, 1999:

	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	<u>Total</u>
Bonds payable at June 30, 1998	\$ 24,000	\$ 66,000	\$ 90,000
Bonds retired	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>
Bonds payable at June 30, 1999	<u>\$ 22,000</u>	<u>\$ 62,000</u>	<u>\$ 84,000</u>

Bonds payable at June 30, 1999 are comprised of the following issues:

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 9 – CHANGES IN LONG-TERM DEBT-CONTINUED

General obligation bonds:

\$30,000 1970 serial bonds due in annual installments of \$1,000 through January 1, 2010; interest at 5% **\$ 11,000**

\$30,000 1970 sewer district serial bonds due in annual installments of \$1,000 through January 1, 2010; interest 5% **11,000**
\$ 22,000

Revenue bonds:

\$140,000 1970 sewer serial bonds due in annual installments of \$5,000 to \$7,000 through January 1, 2010; interest at 5% **\$ 62,000**

The annual requirements to amortize all debt outstanding as of June 30, 1999 including interest payments are as follows:

Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 2,000	\$ 5,000	\$ 4,200	\$ 11,200
2001	2,000	5,000	3,350	10,350
2002	2,000	5,000	3,050	10,050
2003	2,000	5,000	2,750	9,750
2004	2,000	5,000	2,450	9,450
Thereafter	<u>12,000</u>	<u>37,000</u>	<u>7,650</u>	<u>56,650</u>
TOTAL	<u>\$ 22,000</u>	<u>\$ 62,000</u>	<u>\$ 23,450</u>	<u>\$107,450</u>

NOTE 10 – PROPRIETARY FUND BOND INDENTURE RESTRICTIONS

The Town's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

**TOWN OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 10 – PROPRIETARY FUND BOND INDENTURE RESTRICTIONS-CONTINUED

1. The Town shall maintain a reserve fund with a minimum balance of \$3,700.
2. The Town shall maintain a depreciation and contingency fund into which monthly deposits of \$30 will be made. Annual deposits of \$360 will be required for each of the next five years.
3. The Town shall maintain an amortization fund of sufficient balances to pay bonds and interest as they mature.

As of June 30, 1999 the Town was in compliance with each of these restrictions.

NOTE 11 – RESTRICTED ASSETS PROPRIETARY FUND TYPE

Certain assets were restricted for debt service and customer deposits. These assets consisted of the following:

Amortization and Redemption fund	\$ 37,824
Customer deposits	18,930
Bond reserve fund	3,700
Bond depreciation and contingency fund	<u>10,585</u>
	<u>\$ 71,039</u>

NOTE 12 – OTHER ENTERPRISE FUND DISCLOSURES

Enterprise fund sales were as follows

Gas sales	\$ 85,137
Water sales	54,132
Sewerage fees	<u>41,560</u>
Total	<u>\$ 180,829</u>

Enterprise fund working capital is as follows at June 30, 1999:

Current assets	\$ 108,945
Current liabilities	<u>30,030</u>
Net working capital	<u>\$ 78,915</u>

NOTE 13 – SUMMARY OF GRANTS

Funding from the following Federal and State grants was received during the year ended June 30, 1999:

**TOWN OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 – SUMMARY OF GRANTS-CONTINUED

<u>Funding Source and Program</u>	<u>CFDA Number</u>	<u>Revenue Amount</u>
Federal:		
HUD-LCDBG Wastewater Improvements	14.219	\$ 576,855
HUD-LCDBG Water Improvements	14.219	225,000
USDA Rural Development - Police Car	10.766	13,800
Department of Justice - Law Enforcement Equipment	16.592	4,314
Department of Justice - Cops	16.710	3,367
Total - Federal		<u>\$ 823,336</u>
State:		
Office of Rural Development - Police Car		<u>4,200</u>
Total - Federal and State		<u>\$ 827,536</u>

NOTE 14 – THE YEAR 2000 ISSUE

The Year 2000 Issue is a result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond if date sensitive coding is not corrected. The Town is aware of the year 2000 issue and is currently assessing all of its systems.

SECTION II – SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF CLAYTON, LOUISIANA
GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
Cash	\$ 12,855	\$ 3,342
Receivables: Accounts	<u>3,029</u>	<u>3,657</u>
 Total assets	 <u><u>15,884</u></u>	 <u><u>6,999</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	5,893	1,058
Other accrued expenses	1,359	1,496
Note payable	<u>4,605</u>	<u>-</u>
Total current liabilities	<u>11,857</u>	<u>2,554</u>
 Fund balance	 <u>4,027</u>	 <u>4,445</u>
 Total liabilities and fund balance	 <u><u>\$ 15,884</u></u>	 <u><u>\$ 6,999</u></u>

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA
GENERAL FUND

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

YEAR ENDED JUNE 30, 1999

With Comparative Actual Amounts for the Year Ended June 30, 1998

	1999		Variance -	1998
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
			<u>(Unfavorable)</u>	
Revenues:				
Taxes	\$ 67,700	\$ 64,648	\$ (3,052)	\$ 63,531
Licenses and permits	5,300	3,813	(1,487)	4,437
Intergovernmental	1,600	1,600	-	1,600
Charges for services	180	175	(5)	180
Fines	16,500	16,861	361	6,207
Miscellaneous	225	5,331	5,106	7,212
Grants	25,681	25,681	-	-
Total revenues	117,186	118,109	923	83,167
Expenditures:				
General government	18,944	23,720	(4,776)	17,016
Police department	23,981	22,662	1,319	14,297
Street department	10,000	10,096	(96)	5,790
Garbage collection	45,683	46,508	(825)	48,401
Capital outlay	25,681	19,241	6,440	-
Total expenditures	124,289	122,227	2,062	85,504
Excess of revenues (under) expenditures	(7,103)	(4,118)	2,985	(2,337)
Other financing sources				
Operating transfers in	14,000	3,700	10,300	4,470
Excess of revenues over expenditures and other uses	6,897	(418)	(7,315)	2,133
Fund balance, beginning	4,445	4,445	-	2,312
Fund balance, ending	\$ 11,342	\$ 4,027	\$ (7,315)	\$ 4,445

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA
GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

YEAR ENDED JUNE 30, 1999

With Comparative Actual Amounts for the Year Ended June 30, 1998

	1999		Variance -	1998
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Actual</u>
General government:				
Salaries	\$ -	\$ 1,062	\$ (1,062)	\$ 969
Mayor's salary	2,400	1,800	600	2,000
Aldermen fees	6,000	4,500	1,500	5,000
Payroll taxes	1,744	3,642	(1,898)	1,921
Publication expense	600	693	(93)	483
Other expense	3,675	8,165	(4,490)	3,574
Insurance	3,625	2,052	1,573	2,069
Office expense	900	1,806	(906)	1,000
Total	18,944	23,720	(4,776)	17,016
Police department:				
Salaries	14,167	13,715	452	10,385
Automobile expense	4,900	5,255	(355)	3,712
Supplies, uniforms, etc.	4,914	3,692	1,222	200
Total	23,981	22,662	1,319	14,297
Street department:				
Street lights	10,000	10,096	(96)	5,790
Garbage collection:				
Salaries	25,000	19,929	5,071	22,691
Truck expense	7,120	6,314	806	7,951
Maintenance	4,450	5,093	(643)	4,838
Miscellaneous	4,113	5,907	(1,794)	4,468
Insurance	5,000	9,265	(4,265)	8,453
Total	45,683	46,508	(825)	48,401
Capital outlay	25,681	19,241	6,440	-
Total	\$ 124,289	\$ 122,227	\$ 2,062	\$ 85,504

The following notes are an integral part of these financial statements.

DEBT SERVICE FUNDS

**Sewer District #1 – To accumulate monies for payment of 1970 \$30,000
Public Improvement Sewer Bonds.**

**Town Tax Bonds – To accumulate monies for payment of 1970 \$30,000
Public Improvement Bonds
(Sewer Public Improvement).**

TOWN OF CLAYTON, LOUISIANA
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
YEAR ENDED JUNE 30, 1999
With Comparative Totals for June 30, 1998

	Sewer District #1	Sewer Public Improvements	Totals 1999	Totals 1998
<u>ASSETS</u>				
Cash	<u>\$ 15,023</u>	<u>\$ 15,152</u>	<u>\$ 30,175</u>	<u>\$ 32,429</u>
<u>FUND BALANCES</u>				
Reserved for debt service	11,000	11,000	22,000	24,000
Available for other purposes	<u>4,023</u>	<u>4,152</u>	<u>8,175</u>	<u>8,429</u>
Total fund balances	<u>\$ 15,023</u>	<u>\$ 15,152</u>	<u>\$ 30,175</u>	<u>\$ 32,429</u>

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 1999
With Comparative Totals for June 30, 1998

	<u>Sewer District #1</u>	<u>Sewer Public Improvements</u>	<u>Totals 1999</u>	<u>Totals 1998</u>
Revenues:				
Interest income	\$ 473	\$ 473	\$ 946	\$ 916
<u>FUND BALANCES</u>				
Expenditures:				
Bonds paid	1,000	1,000	2,000	2,000
Interest paid	600	600	1,200	1,300
Total expenditures	<u>1,600</u>	<u>1,600</u>	<u>3,200</u>	<u>3,300</u>
 (Deficiency) of revenues over expenditures	 (1,127)	 (1,127)	 (2,254)	 (2,384)
 Other financing (uses) Operating transfers (out)	 - <u>-</u>	 - <u>-</u>	 - <u>-</u>	 (6,000) <u>(6,000)</u>
 Deficiency of revenues over expenditures and other uses	 (1,127)	 (1,127)	 (2,254)	 (8,384)
 Fund balance, beginning	 <u>14,400</u>	 <u>18,029</u>	 <u>32,429</u>	 <u>40,813</u>
 Fund balance, ending	 <u>\$ 13,273</u>	 <u>\$ 16,902</u>	 <u>\$ 30,175</u>	 <u>\$ 32,429</u>

The following notes are an integral part of these financial statements.

CAPITAL PROJECTS FUND

TOWN OF CLAYTON, LOUISIANA
CAPITAL PROJECTS FUND

BALANCE SHEET
JUNE 30, 1999

	<u>ASSETS</u>	Grant 107-800286 LCDBG Water <u>Improvements</u>	Grant 107-700161 LCDBG Wastewater <u>Improvements</u>	<u>Total</u>
Cash		\$ 63	\$ 63	\$ 126
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities		-	-	-
Fund Equity		\$ 63	\$ 63	\$ 126

TOWN OF CLAYTON, LOUISIANA
CAPITAL PROJECTS FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1999

	Grant 107-800286 LCDBG Water <u>Improvements</u>	Grant 107-700161 LCDBG Wastewater <u>Improvements</u>	<u>Total</u>
Revenues:			
Grant income	\$ 225,000	\$ 576,855	\$ 801,855
Expenditures:			
Construction costs	181,878	524,903	706,781
Engineering	25,000	28,498	53,498
Administrative	18,059	23,912	41,971
Total expenditures	<u>224,937</u>	<u>577,313</u>	<u>802,250</u>
Excess of revenues over expenditures	63	(458)	(395)
Fund balance, beginning	<u>-</u>	<u>521</u>	<u>521</u>
Fund balance, ending	<u>\$ 63</u>	<u>\$ 63</u>	<u>\$ 126</u>

The following notes are an integral part of these financial statements.

TOWN OF CLAYTON, LOUISIANA
CAPITAL PROJECTS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

	107-800286	107-700161	
	<u>LCDBG Water Improvements</u>	<u>LCDBG Wastewater Improvements</u>	
	Budget	Actual	Budget
	Actual	(Unfavorable)	Actual
	Favorable	(Unfavorable)	Variance
	Favorable	(Unfavorable)	Favorable
	Favorable	(Unfavorable)	(Unfavorable)
Revenues:			
Grant income	\$ 225,000	\$ -	\$ 599,235
			\$ 576,855
			\$ 22,380
Expenditures:			
Construction costs	180,000	(1,878)	534,135
Engineering	25,000	-	29,997
Administrative	20,000	1,941	35,524
Total expenditures	<u>225,000</u>	<u>63</u>	<u>599,656</u>
			<u>577,313</u>
			<u>22,343</u>
Excess of revenues over expenditures	-	63	(421)
			37
Fund balance, beginning	-	-	521
			-
Fund balance, ending	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 100</u>
			<u>\$ 63</u>
			<u>\$ 37</u>

The following notes are an integral part of these financial statements.

**GENERAL LONG TERM DEBT
ACCOUNT GROUP**

To account for unmatured principal amounts on general long term debt expected to be financed from governmental type funds. Payment of maturing obligations, including interest, are accounted for in the debt service funds.

TOWN OF CLAYTON, LOUISIANA

STATEMENT OF GENERAL LONG-TERM DEBT

JUNE 30, 1999

With Comparative Totals for June 30, 1998

	<u>Sewer District #1</u>	<u>Sewer Public Improvements</u>	<u>1999</u>	<u>1998</u>
AMOUNT AVAILABLE AND TO PROVIDE FOR THE RETIREMENT OF <u>GENERAL LONG-TERM DEBT</u>				
Amount available in debt service funds for debt retirement	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 22,000</u>	<u>\$ 24,000</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>				
Bonds payable	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 22,000</u>	<u>\$ 24,000</u>

The following notes are an integral part of these financial statements.

**TOWN OF CLAYTON, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
FOR THE YEAR ENDED JUNE 30, 1999**

COMPENSATION PAID ALDERMEN

The schedule of compensation paid to aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the Legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405(G), the aldermen have passed an ordinance that sets their compensation at \$100.00 per month.

TOWN OF CLAYTON, LOUISIANA
SCHEDULE OF COMPENSATION ALDERMEN
FOR THE YEAR ENDED JUNE 30, 1999

Mr. William Hall	\$ 1,200
Mrs. Gail Duncan	1,200
Mr. Willie Lee Evans	1,200
Mrs. Debra Minor	1,200
Mrs. Irene Jefferson	1,200
Total	<u><u>\$ 6,000</u></u>

SECTION III – COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

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

Honorable Wilbert Washington, Mayor
and Members of the Board of Aldermen
Town of Clayton, Louisiana

We have audited the general purpose financial statements of Town of Clayton, Louisiana as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 1999. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Town of Clayton, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object 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 Financial Reporting

In planning and performing our audit, we considered the Town of Clayton, Louisiana'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Town of Clayton, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Honorable Wilbert Washington, Mayor
Town of Clayton, Louisiana
Page Two

Finding 99-01 Segregation of Duties

We noted that the Town does not have adequate segregation of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana
November 17, 1999

Switzer, Hopkins & Mango

**SECTION IV – SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

TOWN OF CLAYTON, LOUISIANA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 1999**

Summary of Audit Results

- 1. The auditor's report expresses an unqualified opinion on the General Purpose Financial Statements.**
- 2. One reportable condition was disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.**
- 3. No instance of noncompliance with certain laws and regulations of the Town of Clayton, Louisiana were disclosed during the audit.**

Findings – Financial Statement Audit

Reportable Conditions

99-1 Segregation of Duties

Condition: We noted that the Town of Clayton, Louisiana does not have adequate segregation of duties.

Criteria: To increase internal controls, we recommend adequate segregation of duties.

Effect: Because of lack of segregation of duties, internal controls are weakened.

Recommendation: We recommend that an attempt be made to strengthen internal control problems created by having few employees.

Response: Management indicated that it would not be cost efficient or feasible to increase the number of employees.

TOWN OF CLAYTON, LOUISIANA

**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

INTERNAL CONTROL FINDINGS

**98-1 Segregation of Duties
(For fiscal year ending June 30, 1998)**

Condition: There is an insufficient segregation of duties to have an effective internal control.

Current status: This finding still applies and is noted in the current audit for the year ending June 30, 1999. (See current finding noted as 99-1). Management indicates that no action can be taken at this time.

WILBERT WASHINGTON
MAYOR

ROGERS HOLLINS, JR.
MARSHALL

MRS. SADIE G. JONES
CLERK

Town of Clayton

P.O. BOX 277
CLAYTON, LOUISIANA 71326

ALDERMEN:

WILLIE LEE EVANS

GAIL DUNCAN

WILLIAM HALL

IRENE JEFFERSON

DEBRA MINOR

November 29, 1999

Switzer, Hopkins & Mange
P. O. box 478
Ferriday, LA 71334

Dear Mr. Hopkins:

In regard to the segregation of duties internal control problem discussed in our audit for the year ended June 30, 1999, there is nothing we can do or plan to do about the problem. We have only two employees and do not plan to hire any additional employees at this time. There is no way to adequately segregate duties when you have only two employees.

Please let me know if you have any questions.

Sincerely,



Wilbert Washington
Mayor

SECTION V – SINGLE AUDIT ACT REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
JOHN M. JONES, CPA 1921 - 1983

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Wilbert Washington, Mayor
and Members of the Board of Alderman
Town of Clayton, Louisiana

Compliance

We have audited the compliance of the Town of Clayton, Louisiana with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the two years ended June 30, 1999. The Town of Clayton, Louisiana's major federal programs are 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 each of its major federal programs is the responsibility of the Town of Clayton, Louisiana management. Our responsibility is to express an opinion on the Town of Clayton, Louisiana's compliance based on our audit.

We conducted our audit of compliance 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 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 that 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 of Clayton, Louisiana'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 of the Town of Clayton, Louisiana's compliance with those requirements.

In our opinion, the Town of Clayton, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Honorable Wilbert Washington, Mayor
and Members of the Board of Aldermen
Page Two

Internal Control Over Compliance

The management of the Town of Clayton, Louisiana 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 of Clayton, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider being material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Town of Clayton, Louisiana as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 1999. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. 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 general purpose financial statements taken as a whole.

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

Ferriday, Louisiana
November 17, 1999

Switzer, Hopkins & Mange

**TOWN OF CLAYTON, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
HUD-LCDBG Wastewater Improvements	14.219	\$ 577,310
HUD-LCDBG Water Improvements	14.219	225,000
USDA-Rural Development-Police Car	10.766	13,800
Department of Justice - Law Enforcement Equipment	16.592	4,314
Department of Justice-Cops	16.710	<u>3,367</u>
Total expenditures of Federal awards		<u><u>\$ 823,791</u></u>

TOWN OF CLAYTON, LOUISIANA
Schedule of Findings and Question Costs -- Single Audit
FOR THE YEAR ENDED JUNE 30, 1999

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: **Unqualified**

Internal control over financial reporting:

- **Material weakness identified?** Yes No
- **Reportable condition identified that are not considered to be material weaknesses?** Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- **Material weakness identified?** Yes No
- **Reportable condition identified that are not considered to be material weaknesses?** Yes No

Type of auditor’s report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
<u>14.219</u>	<u>HUD-LCDBG-Wastewater Improvements</u>

Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**

Auditee qualified as low-risk auditee? Yes No

TOWN OF CLAYTON, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 1999

SECTION II – Federal Award Findings and Questioned Costs

▪ Information on the federal program	HUD-LCDBG-Wastewater Improvements	14.219
▪ Criteria or specific requirement	Circular A-133	
▪ Condition	N/A	
▪ Questioned costs	N/A	
▪ Context	N/A	
▪ Effect	N/A	
▪ Cause	N/A	
▪ Recommendation	N/A	
▪ Management's response	N/A	