

**VILLAGE OF CLARENCE
ANNUAL FINANCIAL REPORT**

JUNE 30, 2004

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

Release Date 1-26-05

Village of Clarence
Financial Report
June 30, 2004

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		
Management's Discussion and Analysis		1-4
Accountant's Compilation Report	-	5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	A	8
Statement of Activities	B	9
Fund Financial Statements		
Governmental Funds		
Balance Sheet-Governmental Fund	C	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	D	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	E	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	F	14
Proprietary Funds		
Statement of Net Assets	G	15
Statement of Revenues, Expenses, and Changes in Net Assets	H	16
Statement of Cash Flows	I	17
Notes to Financial Statements	-	18-28

Village of Clarence
Financial Report
June 30, 2004

TABLE OF CONTENTS (cont'd)

	<u>Exhibit</u>	<u>Page</u>
Other Required Supplementary Information		
Budgetary Comparison Schedule-Major Funds	J	30
Supplementary Information		
Independent Accountants' Report on Applying Agreed-Upon Procedures	K	32-34
Louisiana Attestation Questionnaire	L	35-37
Management Letter	M	38
Management's Response	N	39
Disposition of Prior Year Audit Comments	O	40

Village of Clarence

MANAGEMENT'S DISCUSSION AND ANALYSIS for the Year Ended June 30, 2004

The Management's Discussion and Analysis is an element of the new reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34. As this is the first year the Village will be reporting under this new model, certain comparative information with the previous year, which is by design included in this model, will not be presented in the analysis, as permitted by GASB No. 34 with respect to first year reporting.

Financial Highlights

This annual report consists of a series of new financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Assets

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS:			
Current Assets	\$25,349	\$ 18,059	\$ 43,408
Restricted Assets	0	9,232	9,232
Capital assets, net of accumulated depreciation	<u>43,160</u>	<u>1,862,167</u>	<u>1,905,327</u>
Total Assets	<u>\$68,509</u>	<u>\$1,889,458</u>	<u>\$1,957,967</u>
LIABILITIES:			
Accounts Payable	\$ 3,474	\$ 2,814	\$ 6,288
Customer Deposits Payable	0	5,963	5,963
Long Term Debt	<u>13,357</u>	<u>89,000</u>	<u>102,357</u>
Total Liabilities	<u>\$16,831</u>	<u>\$ 97,777</u>	<u>\$ 114,608</u>
NET ASSETS	<u>\$51,678</u>	<u>\$1,791,681</u>	<u>\$1,843,359</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$29,803	\$1,773,167	\$1,802,970
Restricted for Debt Service	0	18,514	18,514
Unreserved Net Assets	<u>21,875</u>	<u>0</u>	<u>21,875</u>
NET ASSETS	<u>\$51,678</u>	<u>\$1,791,681</u>	<u>\$1,843,359</u>

Summary of Statement of Activities

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES:			
General Revenues:			
Charge for Services	\$ 33,051	\$106,891	\$139,942
Taxes and Licenses	37,323	0	37,323
Fines	65,414	0	65,414
Grants	49,004	49,004	98,008
Other	<u>3,561</u>	<u>18</u>	<u>3,579</u>
Total Revenues	<u>\$188,353</u>	<u>\$155,913</u>	<u>\$344,266</u>
EXPENSES:			
Public Safety	\$ 72,318	\$ 0	\$ 72,318
General Government	103,976	0	103,976
Operating Expense	0	112,794	112,794
Interest Expense	<u>912</u>	<u>4,350</u>	<u>5,262</u>
Total Expenses	<u>\$177,206</u>	<u>\$117,144</u>	<u>\$294,350</u>
Change in Net Assets	<u>\$ 11,147</u>	<u>\$ 38,769</u>	<u>\$ 49,916</u>

Governmental Activities

- The Village's assets exceeded its liabilities by \$51,678 (net assets) for the year.
- Unreserved net assets of \$21,875 represent the portion available to maintain the Village's obligation to both citizens and creditors.

Business Type Activities

The Proprietary Fund (the water and sewer service) experienced an operating loss of \$5,903 for the year. Revenues and expenses remained fairly consistent with the prior year.

General Fund Budgetary Highlights

At year end, actual revenues were \$27,418 more than budgeted and actual expenditures were \$19,039 more than budgeted expenditures.

Economic Factors and Next Year's Budget

The Village has prepared its FY 2004/2005 budget for the General Fund on the assumption that revenues and expenditures will remain fairly constant next year. Both revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

Contacting the Village

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Village at P. O. Box 309, Clarence, LA 71414.

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

ACCOUNTANT'S COMPILATION REPORT ON THE FINANCIAL STATEMENTS

To the Board of Aldermen of
the Village of Clarence

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and major fund information of the Village of Clarence as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the Table of Contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 29 through 30, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have not audited or reviewed this information, and accordingly, we do not express an opinion or any other form of assurance on it.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated December 12, 2004, on the results of our agreed-upon procedures.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 12, 2004
Natchitoches, LA 71457

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Village of Clarence
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$17,990	\$ 6,549	\$ 24,539
Receivables	7,359	8,055	15,414
Due from Others	<u>0</u>	<u>3,455</u>	<u>3,455</u>
Total Current Assets	<u>\$25,349</u>	<u>\$ 18,059</u>	<u>\$ 43,408</u>
Noncurrent Assets:			
Restricted Assets:			
Customers Meter Deposits	\$ 0	\$ 5,961	\$ 5,961
Bond Covenant Accounts	0	3,271	3,271
Capital Assets (net)	<u>43,160</u>	<u>1,862,167</u>	<u>1,905,327</u>
Total Noncurrent Assets	<u>\$43,160</u>	<u>\$1,871,399</u>	<u>\$1,914,559</u>
Total Assets	<u>\$68,509</u>	<u>\$1,889,458</u>	<u>\$1,957,967</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 3,474	\$ 2,814	\$ 6,288
Current Portion - Long Term Debt	<u>7,123</u>	<u>4,000</u>	<u>11,123</u>
Total Current Liabilities	<u>\$10,597</u>	<u>\$ 6,814</u>	<u>\$ 17,411</u>
Noncurrent Liabilities:			
Customers Deposits Payable	\$ 0	\$ 5,963	\$ 5,963
Long-Term Debt	<u>6,234</u>	<u>85,000</u>	<u>91,234</u>
Total Noncurrent Liabilities	<u>\$ 6,234</u>	<u>\$ 90,963</u>	<u>\$ 97,197</u>
Total Liabilities	<u>\$16,831</u>	<u>\$ 97,777</u>	<u>\$ 114,608</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$29,803	\$1,773,167	\$1,802,970
Restricted for Debt Service	0	18,514	18,514
Unrestricted	<u>21,875</u>	<u>0</u>	<u>21,875</u>
Total Net Assets	<u>\$51,678</u>	<u>\$1,791,681</u>	<u>\$1,843,359</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Statement of Activities
June 30, 2004

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$103,976	\$ 33,051	\$0	\$ 49,004	\$(21,921)	\$ 0	\$ (21,921)
Public Safety	<u>73,230</u>	<u>65,414</u>	<u>0</u>	<u>0</u>	<u>(7,816)</u>	<u>0</u>	<u>(7,816)</u>
Total Governmental Activities	<u>\$177,206</u>	<u>\$ (98,465)</u>	<u>\$0</u>	<u>\$(49,004)</u>	<u>\$(29,737)</u>	<u>\$ 0</u>	<u>\$(29,737)</u>
Business-Type Activities:							
Water/Sewer	\$117,144	\$ 106,891	\$0	\$ 49,004	\$ 0	\$ 38,751	\$ 38,751
Total Government	<u>\$294,350</u>	<u>\$(205,356)</u>	<u>\$0</u>	<u>\$(98,008)</u>	<u>\$(29,737)</u>	<u>\$ 38,751</u>	<u>\$ 9,014</u>
General Revenues:							
Taxes					\$ 37,323	\$ 0	\$ 37,323
Interest					3	18	21
Miscellaneous					<u>3,558</u>	<u>0</u>	<u>3,558</u>
Total General Revenues					<u>\$ 40,884</u>	<u>\$ 18</u>	<u>\$ 40,902</u>
Change in Net Assets					\$ 11,147	\$ 38,769	\$ 49,916
Net Assets January 1, 2003 (Restated - See note 2)					<u>40,531</u>	<u>1,752,912</u>	<u>1,793,443</u>
Net Assets June 30, 2004					<u>\$ 51,678</u>	<u>\$1,791,681</u>	<u>\$1,843,359</u>

See accountant's compilation report and notes to financial statements.

FUND FINANCIAL STATEMENTS

Village of Clarence
Balance Sheet-Governmental Funds
June 30, 2004

	<u>Major Funds</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Special Revenue LCDBG</u>	
ASSETS:			
Cash and Cash Equivalents	\$17,990	\$0	\$17,990
Receivables	<u>7,359</u>	<u>0</u>	<u>7,359</u>
Total Assets	<u>\$25,349</u>	<u>\$0</u>	<u>\$25,349</u>
LIABILITIES:			
Total Liabilities	\$ 3,474	\$0	\$ 3,474
FUND BALANCES:			
Unreserved	<u>21,875</u>	<u>0</u>	<u>21,875</u>
Total Liabilities and Fund Balances	<u>\$25,349</u>	<u>\$0</u>	<u>\$25,349</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2004

Total Fund Balance for the Governmental Fund at June 30, 2004	\$ 21,875
Total Net Assets reported for Governmental Activities in the Statement of Net Assets is different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles, Net of Accumulated Depreciation	43,160
Long-term liabilities are not due payable in the current period and, therefore, are not reported in the funds	<u>(13,357)</u>
Total Net Assets of Governmental Activities at June 30, 2004	<u>\$ 51,678</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2004

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue LCDBG</u>	
Revenues:			
Taxes	\$ 37,323	\$ 0	\$ 37,323
Licenses and Permits	33,051	0	33,051
Intergovernmental	0	49,004	49,004
Fines and Forfeits	65,414	0	65,414
Miscellaneous	<u>3,561</u>	<u>0</u>	<u>3,561</u>
Total Revenues	<u>\$139,349</u>	<u>\$49,004</u>	<u>\$188,353</u>
Expenditures:			
Current-			
General Government	\$ 65,888	\$ 0	\$ 65,888
Public Safety	56,890	0	56,890
Debt Service	7,665	0	7,665
Capital Outlay-			
Administration	0	6,494	6,494
Public Works	<u>0</u>	<u>42,510</u>	<u>42,510</u>
Total Expenditures	<u>\$130,443</u>	<u>\$49,004</u>	<u>\$179,447</u>
Excess of Revenues over Expenditures	\$ 8,906	\$ 0	\$ 8,906
Fund Balance-Beginning of Year	<u>12,969</u>	<u>0</u>	<u>12,969</u>
Fund Balance-End of Year	<u>\$ 21,875</u>	<u>\$ 0</u>	<u>\$ 21,875</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
for the Year Ended June 30, 2004

Total Net Change in Fund Balance at June 30, 2004, per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 8,906
The Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
ADD: Payments made on Long-term Debt are shown as Expenditures in the Governmental Funds, but the payments reduce Long-term Liabilities in the Statement of Net Assets.	6,753
LESS: Governmental funds report capital outlays as expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense for the year ended June 30, 2004.	<u>(4,512)</u>
Total changes in Net Assets at June 30, 2004, per Statement of Activities	<u>\$11,147</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Statement of Net Assets
Proprietary Fund
Year Ended June 30, 2004

	Proprietary Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 6,549
Accounts Receivable	8,055
Due from Others	<u>3,455</u>
Total Current Assets	\$ <u>18,059</u>
Noncurrent Assets:	
Restricted Assets-	
Customer Deposits	\$ 5,961
Bond Covenant Accounts	3,271
Capital Assets-	
Capital Assets, Net	<u>1,862,167</u>
Total Noncurrent Assets	<u>\$1,871,399</u>
Total Assets	<u>\$1,889,458</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 689
Current Portion of Long-Term Debt	4,000
Accrued Interest	<u>2,125</u>
Total Current Liabilities	\$ <u>6,814</u>
Noncurrent Liabilities:	
Long-Term Debt	\$ 85,000
Payable from Restricted Assets-	
Customers Deposits	<u>5,963</u>
Total Noncurrent Liabilities	<u>\$ 90,963</u>
Total Liabilities	<u>\$ 97,777</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	\$1,773,167
Restricted for Debt Service	<u>18,514</u>
Total Net Assets	<u>\$1,791,681</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

OPERATING REVENUES:	
Sales	\$ <u>106,891</u>
Total Operating Revenues	\$ <u>106,891</u>
OPERATING EXPENSES:	
Depreciation	\$ 23,617
Personnel	22,069
Utilities/Telephone	39,251
Repairs & Maintenance	10,645
Supplies	4,608
Office	7,767
Insurance	3,382
Testing	<u>1,455</u>
Total Operating Expenses	\$ <u>112,794</u>
Operating Income (Loss)	\$ <u>(5,903)</u>
OTHER REVENUES AND EXPENSES:	
Interest Income	\$ 18
Interest Expense	(4,350)
Contributed Capital	<u>49,004</u>
Total Other	\$ <u>44,672</u>
Net Income	\$ 38,769
Net Assets-Beginning of Year	<u>1,752,912</u>
Net Assets-End of Year	<u>\$1,791,681</u>

See accountant's compilation report and notes to financial statements.

Village of Clarence
Statement of Cash Flows
Proprietary Fund
June 30, 2004

	<u>Business Type Activities</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$103,735
Cash paid to suppliers	(67,952)
Cash paid to employees	<u>(23,154)</u>
Net Cash Provided by Operating Activities	\$ <u>12,629</u>
Cash Flows from Noncapital Financing Activities:	
Transfer from other funds	\$ <u>49,004</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on capital debt	\$ (4,000)
Interest paid on capital debt	(4,450)
Purchase of Capital Assets	<u>(49,004)</u>
Net Cash Provided (used) for Capital and Related Financing Activities	\$ <u>(57,454)</u>
Cash Flows from Investing Activities:	
Interest and dividends	\$ <u>18</u>
Net Increase in Cash and Cash Equivalents	\$ 4,197
Cash and Cash Equivalents at Beginning of Year	<u>11,584</u>
Cash and Cash Equivalents at End of Year	\$ <u>15,781</u>
Reconciliation of Operating Income (loss) to Net cash Provided (used) by Operating Activities:	
Operating income (loss)	\$ (5,903)
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Depreciation expense	23,617
Changes in Assets and Liabilities:	
Receivables	(4,435)
Accounts and other payables	<u>(650)</u>
Net Cash Provided by Operating Activities	\$ <u>12,629</u>

See accountant's compilation report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Village of Clarence
Notes to Financial Statements
June 30, 2004

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 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.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

The Village is the basic level of government which has financial accountability and control over all activities related to the Village operations and services provided. The Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the Village Mayor and Board of Aldermen are elected by the public and have decision making authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Village's reporting entity.

The financial statements of the Village of Clarence, Louisiana are prepared in accordance with generally accepted accounting principles (GAAP). The Village of Clarence's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Village of Clarence
Notes to Financial Statements
June 30, 2004

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. FUND ACCOUNTING-

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Village maintains three funds. They are categorized as governmental funds and a proprietary fund. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

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

The major funds of the Village are described below:

Governmental Fund-

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 Fund

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

Village of Clarence
Notes to Financial Statements
June 30, 2004

Louisiana Community Development Block Grant (LCDBG)

The LCDBG fund is used to account for a capital grant from the Louisiana Division of Administration to be used for the construction of water system improvements.

Management has elected to present the LCDBG fund as major in order to more closely monitor results.

Proprietary Fund-

Enterprise Fund

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 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 appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise fund is the Utility Fund.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus-

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement is used as appropriate.

- a. The governmental fund utilizes a "current financial resources" measurement focus. Only *current financial assets and liabilities are generally included on the balance sheet*. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

Village of Clarence
Notes to Financial Statements
June 30, 2004

- b. The government-wide financial statement utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost of recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net assets.

Basis of Accounting-

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

E. CASH AND INTEREST-BEARING DEPOSITS-

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts and savings accounts of the Village.

F. CAPITAL ASSETS-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Village of Clarence
Notes to Financial Statements
June 30, 2004

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

Buildings and improvements	40 years
Equipment and vehicles	3-10 years
Utility system and improvements	10-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. RESTRICTED ASSETS-

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to customer deposits and bond covenants.

H. COMPENSATED ABSENCES-

There is no formal leave policy for the Village, therefore no entry is made to record compensated absences.

I. EQUITY CLASSIFICATIONS-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt---Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets---Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets---All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Village of Clarence
Notes to Financial Statements
June 30, 2004

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. ESTIMATES-

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

K. OPERATING REVENUES AND EXPENSES-

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing noncapital financing, or investing activities.

L. EXPENDITURES/EXPENSES-

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

M. BUDGET-

Prior to the beginning of each fiscal year, the Village adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting.

2. Change in Accounting Principles:

For the year ended June 30, 2004, the Village has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 creates new basic financial statements for reporting on the Village's financial activities. The financial statements now include government-wide financial statements prepared on

Village of Clarence
Notes to Financial Statements
June 30, 2004

the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

The implementation of GASB No. 34 caused the opening fund balance at June 30, 2003, to be restated in terms of "net assets" as follows:

Total fund balance-Governmental Fund at June 30, 2003		\$ 12,968
Add: Cost of capital assets at June 30, 2003	\$ 95,320	
Less: Accumulated Depreciation at June 30, 2003	(47,647)	
Less: Long-term Debt at June 30, 2003	(20,110)	<u>27,563</u>
Net Assets at June 30, 2003		<u>\$40,531</u>

3. Cash and Cash Equivalents:

For reporting purposes, cash and cash equivalents include demand deposits, and time deposits. At June 30, 2004, the Village had cash and cash equivalents (collected bank balances) totaling \$35,058. Cash and cash equivalents are stated at cost, which approximates market. Under Louisiana law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a holding or custodial bank in the form of safekeeping receipts held by the Village. The deposits at June 30, 2004, were fully secured by FDIC.

4. Restricted Assets:

The Enterprise Fund has restricted assets as follows:

Water and Sewer Customer Deposits	\$5,961
Bond Covenant Accounts-	
Depreciation Contingency	608
Bond Reserve	525
Sinking Fund	<u>2,138</u>
Total	<u>\$9,232</u>

Village of Clarence
Notes to Financial Statements
June 30, 2004

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.

5. Capital Assets:

Capital asset activity for the year ended June 30, 2004, is as follows:

Governmental <u>Activities</u>	Balance <u>07-01-03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06-30-04</u>
Building	\$ 46,751	\$ 0	\$0	\$ 46,751
Office Furniture, Fixtures & Equipment	9,274	0	0	9,274
Vehicles	<u>39,295</u>	<u>0</u>	<u>0</u>	<u>39,295</u>
Total Costs	<u>\$ 95,320</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 95,320</u>
Less, Accumulated Depreciation				
Building	\$ 22,207	\$ 1,169	\$0	\$ 23,376
Office Furniture, Fixtures & Equipment	5,311	1,215	0	6,526
Vehicles	<u>20,129</u>	<u>2,129</u>	<u>0</u>	<u>22,258</u>
Total Accumulated Depreciation	<u>\$ 47,647</u>	<u>\$ 4,513</u>	<u>\$0</u>	<u>\$ 52,160</u>
Net Capital Assets	<u>\$ 47,673</u>	<u>\$ (4,513)</u>	<u>\$0</u>	<u>\$ 43,160</u>

Village of Clarence
Notes to Financial Statements
June 30, 2004

Business-Type Activities	Balance 07-01-03	Additions	Deletions	Balance 06-30-04
Capital Assets Depreciated				
Water System	\$2,054,625	\$49,004	\$0	\$2,103,629
Sewer System	<u>14,567</u>	<u>0</u>	<u>0</u>	<u>14,567</u>
Total Costs	<u>\$2,069,192</u>	<u>\$49,004</u>	<u>\$0</u>	<u>\$2,118,196</u>
Less, Accumulated Depreciation				
Water System	\$ 230,372	\$23,326	\$0	\$ 253,698
Sewer System	<u>2,039</u>	<u>291</u>	<u>0</u>	<u>2,330</u>
Total Accumulated Depreciation	<u>\$ 232,411</u>	<u>\$23,617</u>	<u>\$0</u>	<u>\$ 256,028</u>
Net Capital Assets	<u>\$1,836,781</u>	<u>\$25,387</u>	<u>\$0</u>	<u>\$1,862,168</u>

Depreciation expense of \$2,241 was charged to the general government function and \$2,272 to the public safety function.

6. Changes in Long-Term Debt:

The following is a summary of bond transactions of the Village for the year ended June 30, 2004:

	Revenue Bonds
Bonds Payable at July 1, 2003	\$93,000
Less, Bonds Retired - 6-30-04	<u>4,000</u>
Bonds Payable at June 30, 2004	<u>\$89,000</u>

Bonds payable at June 30, 2004, are comprised of the following individual issues:

	Issue Date	Final Maturity	Rate	Total
1979 Water Revenue Bonds	12-04-79	12-31-19	5%	<u>\$89,000</u>

Village of Clarence
Notes to Financial Statements
June 30, 2004

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$35,050 are as follows:

2005	\$ 8,250
2006	8,050
2007	8,800
2008	8,550
2009	8,300
Thereafter	<u>82,100</u>
Total	<u>\$124,050</u>

7. Compensation of Mayor and Aldermen:

<u>Name</u>	<u>Amount</u>
Bobby Braxton	\$3,600
Elouise Johnson	1,200
Tommy Evans	1,200
Demetric Joseph	<u>1,200</u>
Total	<u>\$7,200</u>

8. Receivables:

The following is a summary of receivables at June 30, 2004:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Utility Fund</u>
Sales	\$ 0	\$8,055
Taxes	2,609	0
Licenses/Fees	1,504	0
Fines	3,203	0
Miscellaneous	<u>43</u>	<u>0</u>
Total	<u>\$7,359</u>	<u>\$8,055</u>

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

Village of Clarence
Major Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2004

	<u>Budget</u>		<u>Actual</u>	Variance Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>GENERAL FUND</u>				
REVENUES:				
Taxes	\$ 40,831	\$ 40,831	\$37,324	\$ (3,507)
Licenses & Permits	8,500	8,500	33,051	24,551
Fines & Forfeits	51,000	51,000	55,664	4,664
Mayor's Court	8,600	8,600	9,749	1,149
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>3,561</u>	<u>561</u>
Total Revenues	<u>\$111,931</u>	<u>\$111,931</u>	<u>\$139,349</u>	<u>\$ 27,418</u>
EXPENDITURES:				
General Government	\$ 51,075	\$ 51,075	\$ 65,888	\$(14,813)
Public Safety	52,689	52,689	56,890	(4,201)
Debt Service	<u>7,640</u>	<u>7,640</u>	<u>7,665</u>	<u>(25)</u>
Total Expenditures	<u>\$111,404</u>	<u>\$111,404</u>	<u>\$130,443</u>	<u>\$(19,039)</u>
<u>LCDBG FUND</u>				
REVENUES:				
Grants	<u>\$ 49,004</u>	<u>\$ 49,004</u>	<u>\$ 49,004</u>	<u>\$ 0</u>
EXPENDITURES:				
Administration	\$ 6,495	\$ 6,495	\$ 6,495	\$ 0
Public Works	<u>42,510</u>	<u>42,510</u>	<u>42,510</u>	<u>0</u>
Total Expenditures	<u>\$ 49,004</u>	<u>\$ 49,004</u>	<u>\$ 49,004</u>	<u>\$ 0</u>

See notes to financial statements

SUPPLEMENTARY INFORMATION

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Aldermen of
the Village of Clarence

We have performed the procedures included in the *Louisiana Governmental 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, 2004, included in the *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 materials and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

None Found.

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.

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 procedures (2) as immediate family members.

None Found.

BUDGETING

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

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption to the minute book.

We traced the adoption of the budget 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 expenditures for the year did exceed budgeted amounts by more than 5%.

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:

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.

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 for the period under examination and noted no deposits that 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.

None Found.

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, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 12, 2004
Natchitoches, Louisiana

Village of Clarence
P. O. Box 309
Clarence, LA 71414

LOUISIANA ATTESTATION QUESTIONNAIRE

Johnson, Thomas & Cunningham, CPA's
321 Bienville Street
Natchitoches, LA 71457

In connection with your compilation of our financial statements as of June 30, 2004, and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 30, 2004.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes X No ___

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes X No ___

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes X No ___

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14 or the budget requirements of LSA-RS 39:43.

Yes X No ___

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes X No ___

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:453, and/or 39:92, as applicable.

Yes X No ___

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes X No ___

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes X No ___

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 47:1410.60.

Yes X No ___

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 72-729.

Yes X No ___

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Mayor **Bobby Braxton**

Date **12/23/04**

Johnson, Thomas & Cunningham
Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1962-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation

321 Bienville Street
Natchitoches, Louisiana 71457
(318) 352-3652
Fax (318) 352-4447

November 19, 2004

Mayor Bobby Braxton
Village of Clarence
P. O. Drawer 71414
Clarence, LA 71414

Dear Mayor Braxton,

We have compiled the financial statements of the Village of Clarence and have the following to report to you:

1. Condition-

The manual ledgers and the new computerized ledgers did not balance. This was caused by transactions not being posted correctly and ledgers not balanced to the applicable bank statements.

Recommendation-

The Village should institute procedures to ensure that all transactions are posted correctly, both dollar amount and proper account. At the end of the month, bank statements should be reviewed and any necessary adjustments (NSF, service charge) made at this time and then balanced to the ledger.

2. Condition-

Actual expenditures for the year exceeded the budget expenditures by more than the allowable 5% variance.

Recommendation-

The Village should monitor actual revenues and expenditures to budgeted revenue and expenditures and make the necessary budget amendments when required.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 12, 2004
Natchitoches, LA 71457

VILLAGE OF CLARENCE

6004 HIGHWAY 71
P.O. BOX 309
CLARENCE, LA 71414

PHONE: 318-357-0440
FAX: 318-356-9700

December 28, 2004

Johnson Thomas & Cunningham
321 Bienville Street
Natchitoches, LA 71457

Dear Sir:

SUBJECT: FINANCIAL STATEMENT

1. Condition

The manual ledgers and the new computerized ledgers did not balance. This was caused by transactions not being correctly and ledgers not balanced to the applicable statements.

The mayor will request that we get a new computer and upgrade the system. NSF checks service charges will be logged in the log book as an office expense because the Village doesn't get a lot of NSF checks. Village will log NSF check on their deposit slip when re-depositing a NSF check.

2. Condition

Actual expenditures for the year exceeded the budget expenditures by more than the allowable 5% variance.

Mayor Braxton will look at the budget every three months on spending. Some areas are over because of maintenance expenses.

THE VILLAGE OF CLARENCE


Mayor Bobby Braxton

sd

Village of Clarence
Disposition of Prior Year Audit Comments
For the Year Ended June 30, 2004

The Deposition of Prior Year Audit Comments is as follows:

03-01 *Cash Receipts and Disbursement Ledgers*

Condition-Cash receipts and disbursements ledgers for the general fund, water fund, and sewer fund did not balance. This was caused by transactions not being posted, transactions posted incorrectly, monthly totals not cross-footed and balanced and ledgers not balanced to the applicable bank statements.

Disposition-The condition still exists and is addressed in a management letter for the year ended June 30, 2004.

03-02 *Vendor Files*

Condition-The vendor files contained various correspondences that should be maintained in a general correspondence file.

Disposition- Corrected for year ended June 30, 2004.

03-03 *Approval of Invoices*

Condition-During our audit procedures, we noted numerous instances in which invoices were paid without documentation of approval by a responsible official.

Disposition- Corrected for year ended June 30, 2004.

03-04 *Adjustments of Water Bills*

Condition-Numerous adjustments made on water accounts were made with little or no explanation shown on the adjustment form.

Disposition- Corrected for year ended June 30, 2004.

03-05 *Water/Sewer Billing Files*

Condition-Not all monthly billing information was located in the files.

Disposition- Corrected for year ended June 30, 2004.