

VILLAGE OF CLAYTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2018
AND FOR THE YEAR THEN ENDED
WITH
INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

VILLAGE OF CLAYTON, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
INDEPENDENT AUDITOR'S REPORT -----		1-2
SECTION I - REQUIRED SUPPLEMENTARY INFORMATION		
Management's Discussion and Analysis -----		3-5
SECTION II - GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Position-----	A	6
Statement of Activities-----	B	7
SECTION III - FUND FINANCIAL STATEMENTS		
Governmental Funds:		
Balance Sheet-----	C	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position -----	D	9
Statement of Revenues, Expenditures, and Changes in Fund Balances -----	E	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities-----	F	11
Proprietary Funds:		
Statement of Net Position-----	G	12
Statement of Revenues, Expenses, and Changes in Net Position -----	H	13
Statement of Cash Flows-----	I	14
NOTES TO THE FINANCIAL STATEMENTS-----		15-25
SECTION IV - ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund-----		26
Notes to the Required Supplementary Information -----		27

VILLAGE OF CLAYTON, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplementary Information Schedules

TABLE OF CONTENTS

	Statement	Page
SECTION V - OTHER INFORMATION		
Schedule of Compensation, Benefits, and Other Payments to Agency Head ---		28
SECTION VI - OTHER REPORTS		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----		29-30
SECTION VII - SCHEDULE OF FINDINGS		
Schedule of Findings -----		31
Schedule of Current Audit Findings -----		32-35
Schedule of Prior Audit Findings -----		36-39
SECTION VIII - AGREED-UPON PROCEDURES		
Independent Accountant's Report on Applying Agreed-Upon Procedures -----		40
Supplemental Schedule of Agreed-Upon Procedures and Findings -----		41-48
Schedule of Exceptions -----		49



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Clayton, Louisiana (the Village) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and budgetary comparison schedules on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted the Public Works Fund budgetary comparison schedule that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. With the exception of the omitted schedule mentioned in the previous sentence, we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The auditor's opinion on the basic financial statements is not affected by the missing information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

This report is intended for the information of the Mayor, Members of the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Natchez, Mississippi
February 21, 2020

SECTION I
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

As management of the Village of Clayton, Louisiana (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information provided here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2018 and 2017, the Village's net position increased in 2018, which resulted in ending net position of \$3,222,830, and decreased in 2017, which resulted in ending net position of \$2,797,051 at June 30, 2017.

1. The ending cash balance was \$265,107 at June 30, 2017, and \$106,611 at June 30, 2018.
2. The governmental activities' net position decreased by \$244,982. In the current year, the governmental program revenues performed better mainly due to increased police fine income. There were expenditures of \$505,891 in 2018 and \$510,987 in 2017.
3. The enterprise fund's operating loss decreased by approximately \$18,045 from 2017 to an operating deficit of \$160,301 in the current year mainly due to increased operating revenue. Operating revenue increased by \$10,184 to \$220,127, which was primarily due to increased gas sales.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 6 through 7 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic fund financial statements can be found on pages 8 through 14 of this report.

**VILLAGE OF CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 through 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed statement of the Village's net position:

	Governmental Activities	Business-Type Activities	Total	
			2018	2017
Current assets	\$ 84,333	\$ 57,511	\$ 141,844	\$ 297,964
Noncurrent assets	770,281	2,695,880	3,466,161	2,804,670
Total assets	<u>\$ 854,614</u>	<u>\$ 2,753,391</u>	<u>\$ 3,608,005</u>	<u>\$ 3,102,634</u>
Current liabilities	\$ 308,714	\$ 31,809	\$ 340,523	\$ 261,682
Noncurrent liabilities	-	44,652	44,652	43,901
Total liabilities	<u>\$ 308,714</u>	<u>\$ 76,461</u>	<u>\$ 385,175</u>	<u>\$ 305,583</u>
Net position				
Investment in capital assets, net of related debt	\$ 810,601	\$ 2,695,880	\$ 3,506,481	\$ 2,804,670
Restricted	22,035	(13,470)	8,565	76,638
Unrestricted	(286,736)	(5,480)	(292,216)	(84,257)
Total net position	<u>\$ 545,900</u>	<u>\$ 2,676,930</u>	<u>\$ 3,222,830</u>	<u>\$ 2,797,051</u>

The following is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Total	
			2018	2017
Revenues				
Program revenues	\$ 217,328	\$ 975,583	\$ 1,192,911	\$ 455,315
General revenues	112,079	8,359	120,438	148,476
Total revenues	<u>\$ 329,407</u>	<u>\$ 983,942</u>	<u>\$ 1,313,349</u>	<u>\$ 603,791</u>
Expenses				
General and administrative	\$ 133,088	\$ -	\$ 133,088	\$ 270,253
Public safety - police	160,179	-	160,179	89,845
Public safety - fire	3,506	-	3,506	2,299
Interest on long-term debt	-	-	-	5,625
Street and sanitation	209,118	-	209,118	142,965
Utility operations	-	380,428	380,428	388,289
Total expenses	<u>\$ 505,891</u>	<u>\$ 380,428</u>	<u>\$ 886,319</u>	<u>\$ 899,276</u>
Net transfers in (out)	<u>\$ (68,498)</u>	<u>\$ 67,247</u>	<u>\$ (1,251)</u>	<u>\$ -</u>
Increase (decrease) in net position	<u>\$ (244,982)</u>	<u>\$ 670,761</u>	<u>\$ 425,779</u>	<u>\$ (295,485)</u>
Net position, beginning of year	<u>\$ 790,882</u>	<u>\$ 2,006,169</u>	<u>\$ 2,797,051</u>	<u>\$ 3,092,536</u>
Net position, end of year	<u>\$ 545,900</u>	<u>\$ 2,676,930</u>	<u>\$ 3,222,830</u>	<u>\$ 2,797,051</u>

**VILLAGE OF CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018.**

Comments on General Fund Comparisons

The general fund budgeted expenditures were \$382,950, and revenues were budgeted at \$253,350. Actual expenditures were \$383,351, and actual revenues were \$265,998.

CAPITAL ASSETS

As of June 30, 2018, the Village had \$770,281 invested in net capital assets in the general fund and \$2,695,880 in the proprietary fund. This year, there were \$37,186 in additions in the public works fund and \$860,434 in the enterprise fund. The following capital assets were purchased in 2018:

Enterprise fund:		
Construction in progress – sewer system	\$	850,363
Replacement water pump		10,071
Public works fund:		
Street improvements		<u>37,186</u>
Total	\$	<u>897,620</u>

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, 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 request for additional information may be directed to Sally Lewis, Village Clerk, 101 Shady Lane, Clayton, Louisiana, 71326, (318) 757-8540.

SECTION II
GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF CLAYTON, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 56,672	\$ 2,413	\$ 59,085
Receivables (net of allowances for uncollectibles)	5,626	23,916	29,542
Restricted assets:			
Cash	16,344	31,182	47,526
Receivables - sales tax	5,691	-	5,691
Capital assets (net)	770,281	2,695,880	3,466,161
 Total assets	 \$ 854,614	 \$ 2,753,391	 \$ 3,608,005
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 58,652	\$ 31,809	\$ 90,461
Interest payable	62	-	62
Payable from restricted assets	-	44,652	44,652
Bonds payable, due within one year	250,000	-	250,000
 Total liabilities	 \$ 308,714	 \$ 76,461	 \$ 385,175
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 810,601	\$ 2,695,880	\$ 3,506,481
Restricted	22,035	(13,470)	8,565
Unrestricted	(286,736)	(5,480)	(292,216)
 Total net position	 \$ 545,900	 \$ 2,676,930	 \$ 3,222,830

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

STATEMENT B

	Expenses	Program Revenues			Net (Expenses)/ Revenue	Net (Expenses), Revenues, and Changes		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities	
Governmental Activities								
General government	\$ 133,088	\$ 50	\$ -	\$ -	\$ (133,038)	\$ (133,038)	\$ -	\$ (133,038)
Police	160,179	217,278	-	-	57,099	57,099	-	57,099
Fire	3,506	-	-	-	(3,506)	(3,506)	-	(3,506)
Sanitation	209,118	-	-	-	(209,118)	(209,118)	-	(209,118)
Total governmental activities	\$ 505,891	\$ 217,328	\$ -	\$ -	\$ (288,563)	\$ (288,563)	\$ -	\$ (288,563)
Business-Type Activities								
Water and sewer	\$ 316,950	\$ 132,721	\$ -	\$ 763,812	\$ 579,583	\$ -	\$ 579,583	\$ 579,583
Gas	63,478	79,050	-	-	15,572	-	15,572	15,572
Total business-type activities	\$ 380,428	\$ 211,771	\$ -	\$ 763,812	\$ 595,155	\$ -	\$ 595,155	\$ 595,155
Total	\$ 886,319	\$ 429,099	\$ -	\$ 763,812	\$ 306,592	\$ (288,563)	\$ 595,155	\$ 306,592
General Revenue								
Taxes						\$ 108,078	\$ -	\$ 108,078
Licenses and permits						3,890	-	3,890
Investment earnings						6	3	9
Other general revenues						105	8,356	8,461
Transfers						(68,498)	67,247	(1,251)
Total general revenues and transfers						\$ 43,581	\$ 75,606	\$ 119,187
Change in net position						\$ (244,982)	\$ 670,761	\$ 425,779
Net position - beginning						\$ 790,882	\$ 2,006,169	\$ 2,797,051
Net position - ending						\$ 545,900	\$ 2,676,930	\$ 3,222,830

The accompanying notes are an integral part of this financial statement.

SECTION III
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

VILLAGE OF CLAYTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Major Funds		Total Governmental Funds
	General Fund	Public Works Fund	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 56,672	\$ -	\$ 56,672
Cash - restricted	-	16,344	16,344
Receivables (net of allowances for uncollectibles)	5,626	-	5,626
Sales tax receivable - restricted	-	5,691	5,691
 Total assets	 \$ 62,298	 \$ 22,035	 \$ 84,333
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 58,652	\$ -	\$ 58,652
 Total liabilities	 \$ 58,652	 \$ -	 \$ 58,652
Fund balances:			
Restricted for:			
Roads	\$ -	\$ 22,035	\$ 22,035
Unassigned, reported in:			
General fund	3,646	-	3,646
 Total fund balances	 \$ 3,646	 \$ 22,035	 \$ 25,681
 Total liabilities and fund balances	 \$ 62,298	 \$ 22,035	 \$ 84,333

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
 JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$ 25,681
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	770,281
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued interest payable	(62)
Bonds payable	<u>(250,000)</u>
Net Position of Governmental Activities (Statement A)	<u>\$ 545,900</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		Total Governmental Funds
	General Fund	Public Works Fund	
<u>REVENUES</u>			
Taxes	\$ 44,669	\$ 63,409	\$ 108,078
Licenses and permits	3,890	-	3,890
Charges for services	50	-	50
Fines and forfeitures	217,278	-	217,278
Investment earnings	6	-	6
Other revenues	105	-	105
Total revenues	\$ 265,998	\$ 63,409	\$ 329,407
<u>EXPENDITURES</u>			
General government	\$ 122,134	\$ -	\$ 122,134
Public safety:			
Police	155,591	-	155,591
Fire	1,753	-	1,753
Street and sanitation	103,797	50,597	154,394
Recreation	76	-	76
Capital outlay	-	37,186	37,186
Total expenditures	\$ 383,351	\$ 87,783	\$ 471,134
Excess (deficiency) of revenues over (under) expenditures	\$ (117,353)	\$ (24,374)	\$ (141,727)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers - out	\$ (38,269)	\$ (30,229)	\$ (68,498)
Total other financing sources (uses)	\$ (38,269)	\$ (30,229)	\$ (68,498)
Net change in fund balance	\$ (155,622)	\$ (54,603)	\$ (210,225)
Fund balances - beginning	159,268	76,638	235,906
Fund balances - ending	\$ 3,646	\$ 22,035	\$ 25,681

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$ (210,225)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(40,320)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds. This amount is the net effect of these differences in the treatment of interest paid on debt.	<u>5,563</u>
Change in Net Position of Governmental Activities (Statement B)	<u>\$ (244,982)</u>

The accompanying notes are an integral part of this financial statement.

PROPRIETARY FUNDS

VILLAGE OF CLAYTON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 2,413
Receivables (net of allowances for uncollectibles)	23,916
Total current assets	\$ 26,329
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	\$ 31,182
Capital assets (net of accumulated depreciation)	2,695,880
Total noncurrent assets	\$ 2,727,062
Total assets	\$ 2,753,391
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and payroll accruals	\$ 31,809
Total current liabilities	\$ 31,809
Current liabilities payable from restricted assets	
Consumer meter deposits	\$ 44,652
Total current liabilities payable from restricted assets	\$ 44,652
Total liabilities	\$ 76,461
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 2,695,880
Restricted for customer meter deposits	(13,470)
Unrestricted	(5,480)
Total net position	\$ 2,676,930

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds
<u>OPERATING REVENUES</u>	
Charges for services:	
Water sales	\$ 86,667
Gas sales	79,050
Sewer charges	46,054
Other operating revenue	8,356
Total operating revenues	\$ 220,127
<u>OPERATING EXPENSES</u>	
Personal services	\$ 96,928
Purchase of utilities provided	18,224
Materials and supplies	21,169
Repairs and maintenance	9,624
Depreciation	158,623
Utilities and telephone	38,693
Insurance	16,782
Other operating expenses	20,385
Total operating expenses	\$ 380,428
Operating loss	\$ (160,301)
Nonoperating revenues	
Interest earnings	\$ 3
Grant revenues	763,812
Total nonoperating revenues	\$ 763,815
Income before transfers	\$ 603,514
Transfers - in	67,247
Change in net position	\$ 670,761
Total net position - beginning	2,006,169
Total net position - ending	\$ 2,676,930

The accompanying notes are an integral part of this financial statement.

VILLAGE OF CLAYTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Funds</u>
Cash flows from operating activities	
Cash received from customers	\$ 217,531
Payments to suppliers for goods and services	(96,910)
Payments to and on behalf of employees for services	(94,524)
Net cash provided by operating activities	<u>\$ 26,097</u>
Cash flows for noncapital financing activities	
Operating transfers from other funds	\$ 67,247
Net cash provided by noncapital financing activities	<u>\$ 67,247</u>
Cash flows from capital and related financing activities	
Purchase of fixed assets	\$ (860,434)
Receipt of grants for capital purchases	763,812
Net cash used for capital and related financing activities	<u>\$ (96,622)</u>
Cash flows from investing activities	
Interest on temporary investments	\$ 3
Net cash provided by investing activities	<u>\$ 3</u>
Net decrease in cash and cash equivalents	\$ (3,275)
Cash and cash equivalents, beginning of year	36,870
Cash and cash equivalents, end of year	<u>\$ 33,595</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	<u>\$ (160,301)</u>
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	\$ 158,623
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable - customers	(3,347)
Increase (decrease) in:	
Accounts payable	27,967
Accrued liabilities	2,404
Customer meter deposits	751
Total adjustments	<u>\$ 186,398</u>
Net cash provided by operating activities	<u>\$ 26,097</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

INTRODUCTION

The Village of Clayton, Louisiana is a municipal corporation governed by an elected mayor.

1. The Village of Clayton, Louisiana (the Village) was incorporated under provisions of the Lawrason Act as a Village in 1962.
2. The purpose of a 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 elected members; four members are paid \$325 per month, and one is paid \$150 per month.
4. The Village is located in the northeastern portion of Concordia Parish, Louisiana. Concordia Parish is located in northeastern Louisiana.
5. The population of the Village is approximately 884.
6. The Village has two full-time employees and two part-time employees.
7. The Village has approximately 810 utility customers.

GASB Statement 14, *The Reporting Village*, established criteria for determining the governmental reporting Village and component units that should be included within the reporting Village. Under provisions of this statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the municipality may, without the approval or consent of another governmental Village, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the statement of net position, the difference between a government's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgage notes, or other borrowings attributable to the acquisition, construction, or improvement of capital assets.

Restricted - This category represents net position restricted for a specific future use because their use is limited.

VILLAGE OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *Government-Wide and Fund Financial Statements* (continued)

Unrestricted - This category represents net position not appropriable for expenditures or legally segregated for a specific future use.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Works Fund accounts for sales tax funds for construction and maintaining roads and streets in the Village.

**VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (continued)

The Village reports the following major proprietary fund:

The Utility Fund is used to account for the provision of gas and water utilities, as well as sewer services to residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. *Deposits*

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. State law and the Village's investment policy allow the municipality to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. *Receivables and Revenues*

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Receivables and Revenues* (continued)

The Village annually levies ad valorem taxes in accordance with state statute for the fiscal year ended June 30. Tax bills are prepared and delivered in October with payment due from the date of receipt to the last day of February. Because of the due dates noted previously, ad valorem taxes are not considered to be available resources of the fiscal year to which they apply and are, therefore, not accrued at the end of the fiscal year.

The Village 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, 2018, taxes of 3.60 mills were levied on property with assessed valuations totaling \$1,404,370, after abatements and exemptions, and were dedicated as follows:

General corporate purposes		3.60 mills
Total taxes levied	\$	6,679

E. *Inventories*

For both governmental and proprietary funds, purchase of various operating supplies are regarded as expenditures or expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. For the year ending June 30, 2018, these amounts were considered to be immaterial.

F. *Restricted Assets*

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Village typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2018:

Utility fund:	
Customer deposits	\$ <u>31,182</u>
Governmental fund:	
Road - sales tax receivable	\$ 5,691
Road maintenance - cash	<u>16,344</u>
	<u>\$ 22,035</u>
Total	<u>\$ 53,217</u>

G. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

VILLAGE OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. *Capital Assets* (continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Governmental activities:	
Streets	20 years
Buildings	40 years
Vehicles	5-15 years
Machinery and equipment	5-15 years
Description	Estimated Lives
Business-type activities/Enterprise Fund:	
Buildings	25 years
Infrastructure	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years

H. *Compensated Absences*

Each full-time employee is credited with one day of vacation leave for each month worked. The employee's vacation leave will begin to accumulate upon finishing a six-month probation period. Employees are allowed five days of sick leave up until his or her first anniversary date arrives. After his or her first anniversary, the employee shall earn sick leave at the rate of 10 days per anniversary date. In accordance with GASB Statement 16, the Village had no accrued compensated absences as of June 30, 2018.

I. *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. *Fund Equity*

Beginning with fiscal year 2011, the Village implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the Village strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

K. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at June 30, 2018:

	Governmental Funds	Business-Type Funds	Total
Petty cash	\$ 907	\$ 1,200	\$ 2,107
Demand deposits	72,109	1,213	73,322
Time deposits	-	31,182	31,182
Total	<u>\$ 73,016</u>	<u>\$ 33,595</u>	<u>\$ 106,611</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits 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.

At June 30, 2018, the primary government has \$123,397 in deposits (collected bank balances). These deposits are secured from risk by \$123,397 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Proprietary Fund's Statement of Net Position that sum to the total of the same such amounts shown in the Statement of Cash Flows.

Cash and cash equivalents	\$ 2,413
Restricted cash	<u>31,182</u>
Total cash, cash equivalents, and restricted cash shown in the Statement of Cash Flows	<u>\$ 33,595</u>

Amounts shown in restricted cash represent those required to be set aside for utility customer deposits.

NOTE 3 - RECEIVABLES

The following is a summary of receivables for June 30, 2018:

Class of Receivables	Governmental Activities	Business-Type Activities	Total
Sales taxes	\$ 5,691	\$ -	\$ 5,691
Franchise and beer taxes	5,626	-	5,626
Utilities	-	32,077	32,077
Less allowance for bad debts	-	(8,161)	(8,161)
Total	<u>\$ 11,317</u>	<u>\$ 23,916</u>	<u>\$ 35,233</u>

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2018, are as follows:

	Balance 6/30/2017	Increase	Decrease	Reclassification	Balance 6/30/2018
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 8,425	-	\$ -	\$ -	\$ 8,425
Total capital assets, not being depreciated	\$ 8,425	-	\$ -	\$ -	\$ 8,425
Capital assets being depreciated					
Buildings and other improvements	\$ 167,347	\$ -	\$ -	\$ 6,155	\$ 173,502
Streets	682,300	37,186	-	342,163	1,061,649
Equipment	644,538	-	-	(348,318)	296,220
Total capital assets being depreciated	\$ 1,494,185	\$ 37,186	\$ -	\$ -	\$ 1,531,371
Less accumulated depreciation for:					
Buildings and other improvements	\$ (77,583)	\$ (8,722)	\$ -	\$ 1,599	\$ (84,706)
Streets	(316,316)	(48,513)	-	(57,380)	(422,209)
Equipment	(298,110)	(20,271)	-	55,781	(262,600)
Total accumulated depreciation	\$ (692,009)	\$ (77,506)	\$ -	\$ -	\$ (769,515)
Total capital assets being depreciated, net	\$ 802,176	\$ (40,320)	\$ -	\$ -	\$ 761,856
Total capital assets, net	<u>\$ 810,601</u>	<u>\$ (40,320)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,281</u>

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$	16,441
Police		4,588
Fire		1,753
Streets		<u>54,724</u>
Total	<u>\$</u>	<u>77,506</u>

	Balance 6/30/2017	Increase	Decrease	Reclassification	Balance 6/30/2018
<u>Business-type activities:</u>					
Capital assets not being depreciated					
Construction in progress	\$ 56,890	850,363	\$ (907,253)	\$ -	\$ -
Total capital assets, not being depreciated	<u>\$ 56,890</u>	<u>850,363</u>	<u>\$ (907,253)</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets being depreciated					
Distribution systems	\$ -	\$ 917,324	\$ -	\$ 4,601,162	\$ 5,518,486
Buildings	-	-	-	10,279	10,279
Equipment	4,746,289	-	-	(4,611,441)	134,848
Total capital assets being depreciated	<u>\$ 4,746,289</u>	<u>\$ 917,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,663,613</u>
Less accumulated depreciation for:					
Distribution systems	\$ -	\$ (156,086)	\$ -	\$ (2,562,476)	\$ (2,718,562)
Buildings	-	-	-	(10,279)	(10,279)
Equipment	(2,809,110)	(2,537)	-	2,572,755	(238,892)
Total accumulated depreciation	<u>\$ (2,809,110)</u>	<u>\$ (158,623)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,967,733)</u>
Total capital assets being depreciated, net	<u>\$ 1,937,179</u>	<u>\$ 758,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,695,880</u>
Total capital assets, net	<u>\$ 1,994,069</u>	<u>\$ 1,609,064</u>	<u>\$ (907,253)</u>	<u>\$ -</u>	<u>\$ 2,695,880</u>

VILLAGE OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 - SHORT-TERM OBLIGATIONS

The following is a summary of short-term obligation transactions for the year ended June 30, 2018:

	<u>Notes Payable</u>
Payable at June 30, 2017	\$ 250,000
Issuance of debt	-
Principal retired/released	-
Payable at June 30, 2018	<u>\$ 250,000</u>

Certificates of Indebtedness Series 2017 dated March 1, 2017, in the amount of \$250,000
 Financing obtained through the State Bond Commission and Concordia Bank & Trust
 for general operating expenses with one principal and interest payment of \$255,625 in
 March of 2018.

\$ 250,000

\$ 250,000

NOTE 6 - RETIREMENT COMMITMENTS

The Village 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 7- RISK MANAGEMENT

The Village is exposed to certain risks of losses such as property damage, liability issues, and other potential losses that may occur. The Village minimizes its losses by purchase of commercial insurance. The Village's exposure over the amount of insurance is considered to be immaterial.

NOTE 8 - COMPENSATION OF THE GOVERNING BOARD

The Governing Board of the Village consists of a Mayor and five Aldermen. For the year ended June 30, 2018, their compensation was as follows:

Josephine Washington, Mayor	\$ 25,200
Shannon Madison	3,545
Floyd L. Barber	3,270
Willie Evans	1,420
Houston Holmes	2,945
Irene Jefferson	3,545
Total	<u>\$ 39,925</u>

VILLAGE OF CLAYTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - TRANSFERS BETWEEN FUNDS

	<u>Operating Transfers</u>	
	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ 38,269
Public works fund	-	30,229
Enterprise fund	<u>67,247</u>	<u>-</u>
Totals	<u>\$ 67,247</u>	<u>\$ 68,498</u>

Transfers are primarily for operational expenditures.

SECTION IV
ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CLAYTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Actual</u>	
Revenues			
Taxes	\$ 62,800	\$ 44,669	\$ (18,131)
Licenses and permits	6,600	3,890	(2,710)
Charges for services	350	50	(300)
Fines and forfeitures	180,000	217,278	37,278
Investment earnings	-	6	6
Other	3,600	105	(3,495)
Total revenues	<u>\$ 253,350</u>	<u>\$ 265,998</u>	<u>\$ 12,648</u>
Expenditures			
Current:			
General government	\$ 326,350	\$ 122,134	\$ 204,216
Public safety:			
Police	16,000	155,591	(139,591)
Fire	-	1,753	(1,753)
Street and sanitation	40,600	103,797	(63,197)
Recreation	-	76	(76)
Total expenditures	<u>\$ 382,950</u>	<u>\$ 383,351</u>	<u>\$ (401)</u>
Excess of revenues over expenditures before operating transfers	<u>\$ (129,600)</u>	<u>\$ (117,353)</u>	<u>\$ 12,247</u>
Other financing sources (uses)			
Operating transfers - in (out)	\$ 130,000	\$ (38,269)	\$ (168,269)
Total other financing sources	<u>\$ 130,000</u>	<u>\$ (38,269)</u>	<u>\$ (168,269)</u>
Net change in fund balance	<u>\$ 400</u>	<u>\$ (155,622)</u>	<u>\$ (156,022)</u>
Fund balance - beginning of year	<u>\$ 159,268</u>	<u>\$ 159,268</u>	<u>\$ -</u>
Fund balance - end of year	<u>\$ 159,668</u>	<u>\$ 3,646</u>	<u>\$ (156,022)</u>

See Independent Auditor's Report.

VILLAGE OF CLAYTON, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America. There were no nonmajor funds.

**SECTION V
OTHER INFORMATION**

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head: The Honorable Josephine Washington, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 25,200
Reimbursements	387
Benefits - retirement	-
Vehicle allowance	-
Cell phone	-
Travel - general	-
Total	<u>\$ 25,587</u>

See Independent Auditor's Report.

SECTION VI
OTHER REPORTS



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Natchez, MS 39120
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Natchez, MS 39121
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Members of the Board of Aldermen
Village of Clayton
Clayton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Clayton, Louisiana (the Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2018-3 and 2018-8 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies described in the accompanying schedule of findings as items 2018-1, 2018-4, and 2018-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2018-2, 2018-5, and 2018-7.

Village of Clayton, Louisiana's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natchez, Mississippi
February 21, 2020

**SECTION VII
SCHEDULE OF FINDINGS**

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Section I: Summary of Auditor's Reports

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| 3. Material noncompliance relating to the financial statements? | Yes |

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements (continued):

2018-1 Segregation of Duties (Internal Control Finding)

Condition: Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village’s cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, billing, receiving, and check writing.

Cause of Condition: Small size of Village and lack of employees.

Effect of Condition: Significant deficiency in internal controls.

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Response: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing funds collected, and review of checks written.

2018-2 Lawrason Act Municipality Budget Requirements (Compliance Finding)

Condition: The Village did not prepare a capital improvements budget. The Village did not amend the annual operations budget (the General Fund budget).

Criteria: Louisiana Statute RS 33:404(A)(5) requires Lawrason Act municipalities “to prepare an annual operations budget and a capital improvements budget for the municipality to the board of aldermen in accordance with the provisions of R.S 39:1301 et seq. and any other supplementary laws or ordinances”. Additionally, Louisiana Statute RS 39:1311 requires amendment to the municipality’s budget if total revenue and other sources fail to meet budgeted revenue and other sources by five percent or more or if total expenditures and other uses exceeds budgeted expenditures and other uses by five percent.

Cause of Condition: Not creating the budget for capital improvements. Not amending the annual operations budget.

Effect of Condition: Violation of the Budget Act.

Recommendation: We recommend that management create a budget for capital improvements. We recommend that management amend the annual operations budget as necessary.

Response: Management will work on this for fiscal year 2019.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements (continued):

2018-3 Fines Accounts Receivable Not Reconciled (Internal Control Finding)

Condition: The police fines accounts receivable subsidiary ledger is not being reconciled with the general ledger.

Criteria: The fines receivable subsidiary ledger should be reconciled to the general ledger no less than annually.

Cause of Condition: Prior management failed to perform this process before year-end or before the previous management's departure from office.

Effect of Condition: Material weakness in internal controls.

Recommendation: We recommend that management reviews the fines receivable account no less than annually and follow up on all significantly past due accounts, and make adjustments when necessary.

Response: Management will work on this for fiscal year 2019.

2018-4 Transfers (Internal Control Finding)

Condition: Transfers between funds are not being reconciled appropriately.

Criteria: Proper recording and reconciliation of general ledger accounts is necessary for proper internal control.

Cause of Condition: Transfers between funds are not being reconciled to the general ledger on a regular basis.

Effect of Condition: Significant deficiency in internal controls.

Recommendation: We recommend that all transfers be reconciled to the general ledger on a regular basis and that any differences be investigated and solved at that time.

Response: Management will work on this for fiscal year 2019.

**VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Internal Control and Compliance Material to the Financial Statements (continued):

2018-5 Unremitted Traffic Ticket Fees (Compliance Finding)

Condition: During our audit we noted that the Village had not remitted certain fees collected for traffic tickets on behalf of different State agencies for several months.

Criteria: The Louisiana legislature imposes additional fees on traffic violations which are collected by municipalities and then remitted to the appropriate State agencies.

Cause of Condition: Nonpayment of fees collected on behalf of various State agencies from October 2017 to June 2018.

Effect of Condition: Before adjusting entries were made, fines and forfeitures were overstated and accounts payable was understated.

Recommendation: We recommend that the Village report and remit traffic ticket fees in a timely manner.

Response: Management will work on this for fiscal year 2019.

2018-6 Recordkeeping (Internal Control Finding)

Condition: During our audit, we noted several issues related to the Police Department's record keeping process as they were not properly maintaining and securing a record of the ticket books.

Criteria: Accounting for the numerical sequence of traffic tickets/citations in a key internal control. Without accounting for the numerical sequence of tickets, there is no way to determine whether citations were issued or tickets were lost or voided.

Cause of Condition: There was no ticket book log or record available for review and testing.

Effect of Condition: Significant deficiency in internal controls.

Recommendation: We recommend that the Village review and implement the Best Practices for Traffic Tickets supplement issued by the Louisiana Legislative Auditor.

Response: Management will work on this for fiscal year 2019.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements (continued):

2018-7 Financial Statement Submission to the Louisiana Legislative Auditor (Compliance Finding)

Condition: The Village’s audited financial statements were not completed and submitted to the Louisiana Legislative Auditor’s office by the statutory date of December 31, 2018.

Criteria: To be considered in good standing with the Legislative Auditor, the audited financial statements should be completed and submitted to their office by December 31.

Cause of Condition: Management was unable to provide a complete set of books on the modified accrual and accrual basis of accounting for governmental and proprietary funds in time for the external auditor to complete the audit by its due date.

Effect of Condition: Material noncompliance relating to the financial statements.

Recommendation: We recommend that management prepare and submit a complete set of books to the external auditor as soon as possible after year-end.

Response: Management will work closely with the external auditors to ensure that the audited financial statements are submitted to the Legislative Auditor by the statutory due date.

2018-8 Insufficient Restricted Assets (Internal Control Finding)

Condition: The Village’s customer meter deposit liability exceeded the amount of related restricted cash and cash equivalents.

Criteria: Restricted assets should always equal or exceed their related liability.

Cause of Condition: Insufficient funds in the restricted cash account.

Effect of Condition: Material weakness in internal control.

Recommendation: We recommend that management monitor the customer meter deposit balance and restricted cash balance. We recommend that management ensure that the restricted cash balance always equals or exceeds the customer meter deposit balance.

Response: Management will work on this for fiscal year 2019.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Internal Control and Compliance Material to the Financial Statements:

2017-1 Small Size of Village-Segregation of Duties (Internal Control Finding) *Unresolved - See finding 2018-1.*

Condition: Because of the small size of the Village and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Village's cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, billing, receiving, and check writing.

Cause of Condition: Small size of Village and lack of employees.

Effect of Condition: Significant deficiency in internal controls.

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Response: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing funds collected, and review of checks written.

2017-2 Public Works Fund Budget Omitted (Compliance Finding) *Resolved.*

Condition: The Village did not prepare or amend a budget for the Public Works Fund.

Criteria: The Budget Act requires municipalities to prepare a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund and each special revenue fund.

Cause of Condition: Not creating and amending the budget for the Public Works Fund.

Effect of Condition: Violation of the Budget Act.

Recommendation: We recommend that management create and amend the budget for the Public Works Fund according to the Local Government Budget Act.

Response: Management will work on this for fiscal year 2018.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements (continued):

2017-3 Fines Accounts Receivable Not Reconciled (Internal Control Finding) *Unresolved – See finding 2018-3.*

Condition: The police fines accounts receivable subsidiary ledger is not being reconciled with the general ledger.

Criteria: The fines receivable subsidiary ledger should be reconciled to the general ledger no less than annually.

Cause of Condition: Prior management failed to perform this process before year-end or before the previous management's departure from office .

Effect of Condition: Material weakness in internal controls.

Recommendation: We recommend that management review the fines receivable account no less than annually and follow up on all significantly past due accounts; and make adjustments when necessary. Likewise, this reconciliation should include amounts payable to the state also.

Response: Management will work on this for fiscal year 2018.

2017-4 Utility Billings and Accounts Receivable Not Being Reconciled to Financials (Internal Control Finding) *Resolved.*

Condition: The utility billing subsidiary ledger is not being reconciled with the general ledger. Also, the year-end accounts receivable subsidiary ledger is not being reconciled with the general ledger.

Criteria: The utility billings subsidiary ledger should be reconciled to the general ledger no less than monthly, and the accounts receivable subsidiary ledger should be reconciled to the year-end trial balance with adjustments being made for aged accounts.

Cause of Condition: Prior management failed to perform these processes before year-end or before the previous management's departure from office.

Effect of Condition: Material weakness in internal controls.

Recommendation: We recommend that management reviews the utility revenues billing cycle on a monthly basis and reconcile the billing summaries to the general ledger, and make adjustments when necessary. Additionally, management should ensure that the year-end accounts receivable balance is properly stated and agrees with the subsidiary ledger.

Response: Management will work on this for fiscal year 2018.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Internal Control and Compliance Material to the Financial Statements (continued):

2017-5 Investigative Audit (Compliance Finding)

Condition: The Louisiana Legislative Auditor performed procedures during the year relating to certain activities of the Village and issued a report on January 25, 2017.

Criteria: The Village is subject to compliance with state and local laws. The Louisiana Legislative Auditor reported on the Village's compliance on the following activities: prohibited transactions with Village employees, employees paid for sick leave not accrued, Board of Aldermen improperly fixed salaries of municipal officers, personal use of Village equipment, municipality improperly classified as a Village.

Cause of Condition: During the year, the Louisiana Legislative Auditor was asked to assess certain matters and questions submitted to their office. As a result, a report was issued dated January 25, 2017, that included five findings where improvement was needed.

Effect of Condition: The Louisiana Legislative Auditor issued a report on January 25, 2017, with recommendations for areas of improvement in the areas mentioned above.

Recommendation: We recommend that the Village review the report issued by the Louisiana Legislative Auditor and implement as applicable the recommendations included within the report.

Response: In a letter attached to the report issued dated January 25, 2017, management detailed their response to the five findings. Regarding prohibited transactions with Village employees, management plans to acquire training from the Louisiana Municipal Association. Regarding employees paid for sick leave not accrued, management will update the policy and procedure manual to address this issue. Regarding the Board of Aldermen improperly fixed salaries of municipal officers finding, management plans to pass an ordinance when or if salary increases are discussed in the future. Regarding the personal use of Village equipment finding, management plans to update the policy and procedure manual to address this issue. Management has made an equipment list and now keeps equipment locked away, with access granted to assigned staff. Regarding the municipality improperly classified as a Village finding, management plans to adopt an ordinance to address this issue.

VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Section II - Internal Control and Compliance Material to Federal Awards:

None

Section III - Management Letter:

None

**SECTION VIII
VILLAGE OF CLAYTON, LOUISIANA
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Honorable Josephine Washington, Mayor;
Members of the Board of Aldermen;
and the Louisiana Legislative Auditor:

We have performed the procedures in the attached supplement, which were agreed to by the Village of Clayton (the Village) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Village's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

Our procedures and findings are included in the supplement to this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Silas Simmons, LLP

Natchez, Mississippi
February 21, 2020

VILLAGE OF CLAYTON, LOUISIANA
SUPPLEMENTAL SCHEDULE OF AGREED-UPON PROCEDURES AND FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Written Policies and Procedures

1. Procedure: Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
 - b) *Purchasing*, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.
 - c) *Disbursements*, including processing, reviewing, and approving.
 - d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) *Travel and Expense Reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: We reviewed the written policies and procedures for the related functions listed above in the procedures.

During our review, we noted that the Village has appropriate written policies and procedures for budgeting, purchasing, receipts/collections, payroll/personnel, contracting, and travel and expense reimbursements. The Village does not have written policies and procedures for disbursements, credit cards, ethics, and debt service.

It is recommended that the Village update its policies and procedures to cover the required elements of the policies and procedures listed above and include any policies determined necessary by future engagements.

Board (or Finance Committee, if applicable)

2. Procedure: Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Findings: We obtained a copy of the Village's minutes for the fiscal period. We reviewed the minutes to determine whether the managing board met on a frequency in accordance with the board's enabling legislation, charter, or equivalent document. We reviewed the minutes to determine whether they referenced or included monthly budget-to-actual comparisons. We obtained a copy of the prior year audit report and observed the unrestricted fund balance in general fund as being negative.

During our review, we noted that the Village did not have monthly budget-to-actual comparisons nor monthly financial statements.

Bank Reconciliations

3. Procedure: Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings: We obtained a list of bank accounts from the list management gave for bank confirmations and had management identify the main operating bank account. We selected the main operating bank account and randomly selected four bank accounts. We obtained the related bank statements and randomly selected one month from the fiscal period to review whether bank reconciliations had been prepared within two months of the related statement closing date, included evidence of a member of management unrelated to the cash collection/disbursement processes had reviewed each bank reconciliation, and included documentation that management has researched reconciling items that have been outstanding for more than 12 months from that statement closing date.

During our review, we noted that there is no evidence of review by management on the bank statements or bank reconciliations. Management also had no supporting documentation for old outstanding items on the bank reconciliations.

Collections

4. Procedure: Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

Findings: We reviewed a listing of deposit sites for the fiscal period and management's representation that the listing is complete. The Village has only one deposit site.

No exceptions were noted for the above procedure.

5. Procedure: For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions is not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: We obtained a listing of collection locations and management's representation that the listing is complete. The Village has two collection locations at the one deposit site. We obtained written policies and procedures and inquired of management and employees to determine whether employees who are responsible for cash collections do not share cash drawers/registers, do not prepare/make bank deposits, and is not responsible for posting collection entries to the general ledger or subsidiary ledgers, and employees responsible for reconciling cash collections to the general ledger or subsidiary ledger(s) are not responsible for collecting cash.

During the procedure, we noted that the clerk at each collection location prepares their own deposits before the deposit gets taken to the bank. It is recommended that the clerks review each other's deposit slip for the day and to have the chief of police transport the deposits to the bank.

6. Procedure: Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Findings: We inquired of management to determine if they are covered by a bond or insurance policy for theft to determine that there is a blanket policy covering theft.

No exceptions were noted for the above procedure.

7. Procedure: Randomly select two deposit dates for each of the five bank accounts selected for Procedure 3 under "Bank Reconciliations" (select the next deposit date chronologically if no deposits were made on the dates randomly selected, and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits, and:
- Observe that receipts are sequentially pre-numbered.
 - Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - Trace the deposit slip total to the actual deposit per the bank statement.
 - Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - Trace the actual deposit per the bank statement to the general ledger.

Findings: We randomly selected two deposit dates for each of the five bank accounts selected under Procedure 3 and performed the procedures by observing that receipts are sequentially pre-numbered, trace to collection documentation and the bank statements. We observed that deposits were made within one business day of receipt and that the deposits were traced from the bank statement to the general ledger.

No exceptions were noted for the above procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Procedure: Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

Findings: We obtained a list of locations that process payments and management's representation that the listing is complete. The Village has one location for processing payments.

No exceptions were noted for the above procedure.

9. Procedure: For each location selected under Procedure 8, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings: Using the Village's one location, we inquired of employees involved with non-payroll purchasing and payment functions and obtained written policies and procedures.

During the procedure, we noted that the mayor approves invoices but will also prepare and sign checks for payment. The clerk will prepare checks, mail payments, and is also on the authorized check signers.

10. Procedure: For each location selected under Procedure 8, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under Procedure 9, as applicable.

Findings: For each location from Procedure 8, we obtained the non-payroll disbursement transaction population and management's representation that the population is complete. We randomly selected five disbursements and obtained the documentation that the disbursement matched the related original invoice and that the related documentation included evidence of segregation of duties tested under Procedure 9.

During our review of the disbursement documentation, we noted no evidence of approval or segregation of duties on the documentation.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Procedure: Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The above procedures were not tested in the current year due to no exceptions in the prior year.

12. Procedure: Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

The above procedures were not tested in the current year due to no exceptions in the prior year.

13. Procedure: Using the monthly statements or combined statements selected under Procedure 12, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

The above procedures were not tested in the current year due to no exceptions in the prior year.

Travel and Expense Reimbursement

14. Procedure: Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration.
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (Procedure 1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The above procedures were not tested in the current year due to no exceptions in the prior year.

Contracts

15. Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

The above procedures were not performed in the current year due to no exceptions in prior year testing.

Payroll and Personnel

16. Procedure: Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Findings: We obtained a listing of employees and elected officials (employees) employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees from the list and obtained the related documents to agree salaries and pay rates.

No exceptions were noted for the above procedure.

17. Procedure: Randomly select one pay period during the fiscal period. For the five employees/officials selected under Procedure 16, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings: We randomly selected one pay period during the fiscal period. In the selected pay period, for the five employees selected in Procedure 16, we observed that the five employees documented their daily attendance and leave, had their attendance and leave approved by the appropriate person, and had their leave appropriately reflected in the entity's cumulative leave records.

During the above procedures, we noted no supervisor approval on any of the employees who had daily documentation. Multiple employees did not have daily documentation or vacation and leave documentation at the management level. Employees keep track of their vacation leave and request of management to approve leave.

18. Procedure: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees'/officials' cumulative leave records, and agree the pay rates to the employees'/officials' authorized pay rates in the employee/officials' personnel files.

Findings: We obtained a listing of employees that received termination payments during the fiscal period and management's representation that the list is complete. The Village did not pay termination payments during the fiscal period.

No exceptions were noted for the above procedure.

19. Procedure: Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings: We obtained documentation to observe that employer and employee portions were paid and associated forms had been filed and obtained management's representation about the information.

No exceptions were noted for the above procedure.

Ethics

20. Procedure: Using the five randomly selected employees/officials from Procedure 16 under "Payroll and Personnel," obtain ethics documentation from management, and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The above procedures were not tested in the current year due to no exceptions in the prior year.

Debt Service (excluding nonprofits)

21. Procedure: Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

The above procedures were not tested in the current year due to no exceptions in the prior year.

22. Procedure: Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

The above procedures were not tested in the current year due to no exceptions in the prior year.

Other

23. Procedure: Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

24. Procedure: Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The above procedure was not performed in the current year due to no exceptions in prior year testing.

**VILLAGE OF CLAYTON, LOUISIANA
SCHEDULE OF EXCEPTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Reference No.</u>	<u>Description of Exception</u>
<u>Policies and Procedures</u>	
Procedure 1	The Village does not have written policies and procedures for disbursements, credit cards, ethics, and debt service.
<u>Board or Finance Committee</u>	
Procedure 2-b	There were not monthly budget-to-actual comparisons nor monthly financial statements.
<u>Bank Reconciliations</u>	
Procedure 3-b	Bank reconciliations did not contain evidence of management review.
Procedure 3-c	Management had no supporting documentation for old outstanding items on the bank reconciliations.
<u>Collections</u>	
Procedure 5-b	The clerk at each collection location prepares their own deposits before the deposit gets taken to the bank.
<u>Disbursements</u>	
Procedure 9-b	The mayor approves invoices but will also prepare and sign checks for payment.
Procedure 9-d	The clerk will prepares checks, mail payments, and is also on the authorized check signers.
Procedure 10-b	No evidence of approval or segregation of duties was noted on the documentation.
<u>Payroll and Personnel</u>	
Procedure 17	No supervisor approval was noted on any of the employees who had daily documentation. Multiple employees did not have daily documentation or vacation and leave documentation at the management level. Employees keep track of their vacation leave and request of management to approve leave.

Management Response

We have reviewed the Supplemental Schedule of Agreed-Upon Procedures and Findings for the year ended June 30, 2018, and agree to the exceptions noted. It is our intent to correct the exceptions in order be in compliance with the LLA's guidelines proposed in the report.