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**TOWN OF CLAYTON, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2004

With

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

Release Date 2-23-05

TOWN OF CLAYTON, LOUISIANA

Annual Financial Statements As of and for the Year Ended June 30, 2004 With Supplemental Information Schedules

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TOWN OF CLAYTON, LOUISIANA

**Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the business type activities, and each major fund of the Town of Clayton Louisiana as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business type activities for the primary government of the Town of Clayton, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This result is a change in the format and content of the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005 on our consideration of the Town of Clayton, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on Page 3 through 6 and Pages 32 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Ferriday, Louisiana
January 31, 2005

TOWN OF CLAYTON – CLAYTON, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

As management of the Town of Clayton, Louisiana, we offer readers of the Town of Clayton, Louisiana’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented 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 2004, the Town of Clayton's net assets increased and resulted in ending net assets of \$2,345,172.

1. The beginning cash balance for the Town of Clayton was \$168,501. The ending cash balance was \$171,273.
2. The governmental activities had \$504,526 in revenues, which primarily consisted of grants, sales taxes, property taxes, occupational license taxes, franchise taxes and fines. There were \$520,661 in governmental expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Clayton’s basic financial statements. The Town’s basic 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 Town’s finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Town’s net assets changed during the most recent fiscal year.

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

The government-wide financial statements can be found on pages 9-10 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 governmental fund financial statements can be found on pages 12-18 of this report.

TOWN OF CLAYTON – CLAYTON, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by \$2,345,172 as of June 30, 2004.

Net Assets for the period ending June 30, 2004

The current year’s financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year’s data with last year would be misleading to the reader; however the town looks forward to offering comparative data in the future.

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Current Assets	\$ 68,117	\$ 36,347	\$ 104,464
Noncurrent Assets	<u>239,832</u>	<u>2,089,532</u>	<u>2,329,364</u>
Total Assets	<u>307,949</u>	<u>2,125,879</u>	<u>2,433,828</u>
Current Liabilities	10,506	37,150	47,656
Noncurrent Liabilities	<u>10,000</u>	<u>31,000</u>	<u>41,000</u>
Total Liabilities	<u>20,506</u>	<u>68,150</u>	<u>88,656</u>
Net Assets			
Investment in capital assets, net of related debt	227,832	1,951,219	2,179,051
Unrestricted (deficit)	<u>59,611</u>	<u>106,510</u>	<u>166,121</u>
Total Net Assets (deficit)	<u>\$ 287,443</u>	<u>\$ 2,057,729</u>	<u>\$ 2,345,172</u>

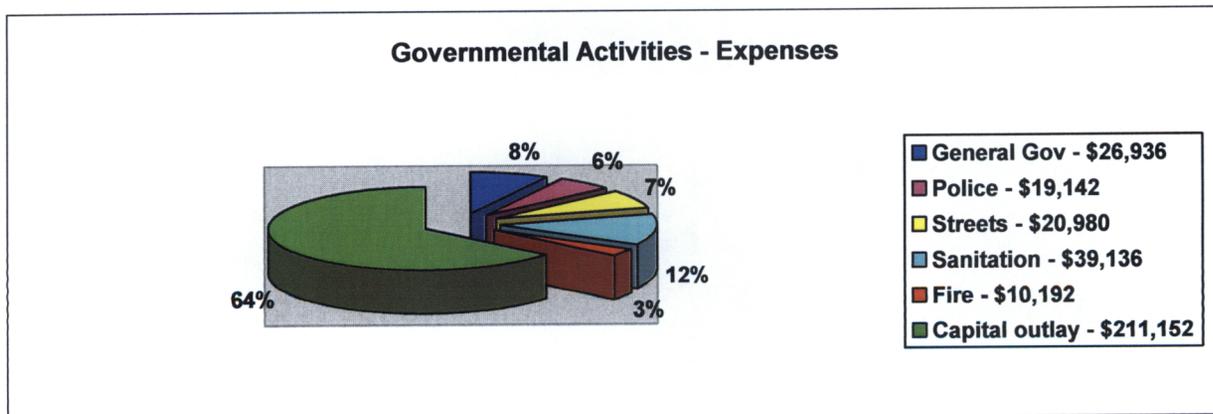
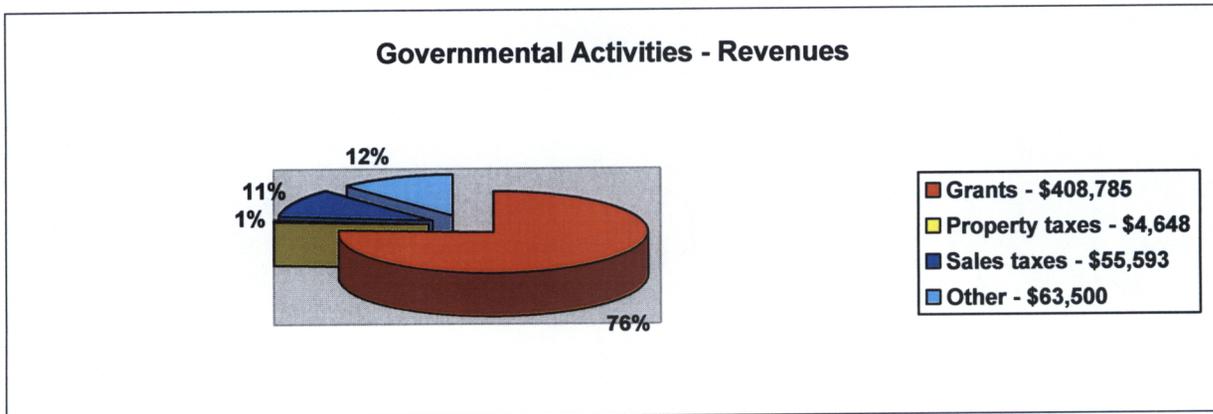
The following is a summary of the statement of activities:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues	\$ 504,526	\$ 463,569	\$ 968,095
Transfers	<u>28,000</u>	<u>(28,000)</u>	<u>-</u>
Total revenues and transfers	<u>532,526</u>	<u>435,569</u>	<u>968,095</u>

TOWN OF CLAYTON – CLAYTON, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004

	Governmental Activities	Business Type Activities	Total
Expenses:			
General and administrative	\$ 26,936	\$ -	\$ 26,936
Public safety	19,142	-	19,142
Fire	9,492	-	9,492
Street and sanitation	60,116	-	60,116
Other	211,152	-	211,152
Interest expense	700	-	700
Utility operations	-	349,589	349,589
Total expenses	<u>327,538</u>	<u>349,589</u>	<u>677,127</u>
Increase (decrease) in net assets	204,988	85,980	290,968
Net assets June 30, 2003	<u>82,455</u>	<u>1,971,749</u>	<u>2,054,204</u>
Net assets June 30, 2004	<u>\$ 287,443</u>	<u>\$ 2,057,729</u>	<u>\$ 2,345,172</u>

The following are a graphical representation of information presented in the Statement of Activities for Governmental Activities.



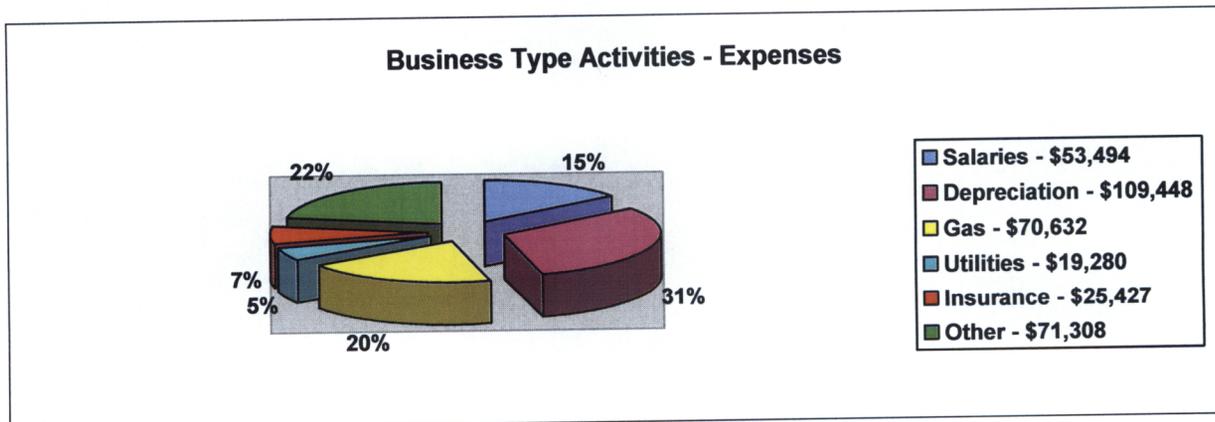
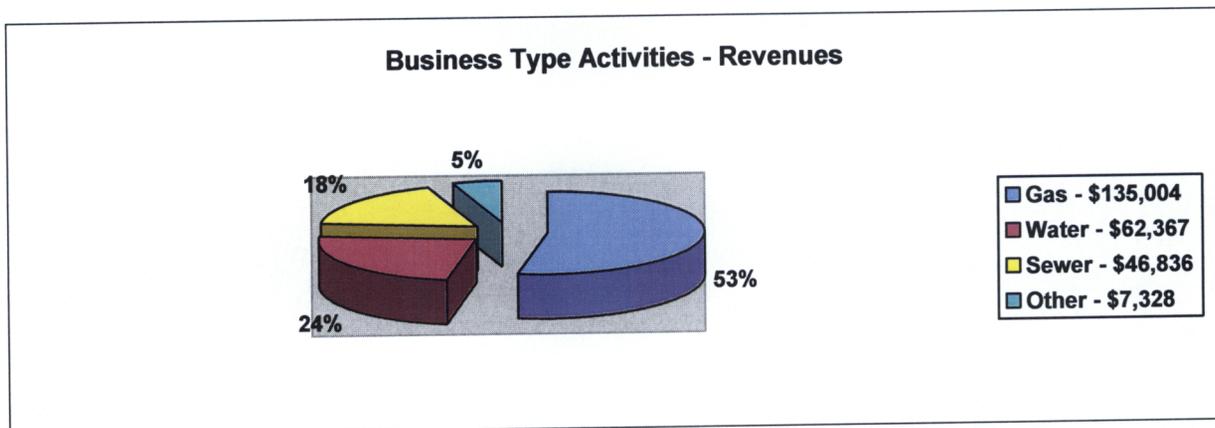
TOWN OF CLAYTON – CLAYTON, LOUISIANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004

The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements.

Business Type Activities

The Business-Type Activities of the Town are those that charge a fee to customers for the services provided. The Town has two Business-Type Activities, (water & sewer) which are accounted for in enterprise funds.

The following are graphical representations of information in the Statement of Activities for Business Type Activities:



The notes to the financial statements have additional information presented that is essential to a full understanding of the data provided in the government-wide financial statements.

Comments on General Fund Comparisons

The Town's budget was not amended during the last year. The budgeted expenditures were \$230,179 and revenues and transfers in were budgeted at \$232,300.

Actual expenditures exceeded the budgeted amounts by \$6,497.

TOWN OF CLAYTON – CLAYTON, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

CAPITAL ASSETS

As of June 30, 2004, the Town had \$227,832 invested in capital assets in the general fund and \$1,988,219 in the proprietary fund. This year there were additions of \$197,632 in the general fund and \$211,152 in the proprietary fund. The following capital assets were purchased in 2004:

General fund:	
Fire station	\$ 70,132
Fire truck	<u>127,500</u>
	<u>\$ 197,632</u>
Enterprise fund:	
Water lines	<u>\$ 211,152</u>

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. Any questions about this report or request for additional information may be directed to Sadie Jones, Town Clerk, 101 Shady Lane, Clayton LA 71326, (318) 757-8540.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF CLAYTON, LOUISIANA

Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 52,849	\$ 51,110	\$ 103,959
Receivables, net	11,477	31,010	42,487
Accrued interest receivable	-	226	226
Due from other governments	3,791	-	3,791
Restricted assets	12,000	55,314	67,314
Capital assets, net	<u>227,832</u>	<u>1,988,219</u>	<u>2,216,051</u>
Total assets	<u>307,949</u>	<u>2,125,879</u>	<u>2,433,828</u>
<u>LIABILITIES</u>			
Accounts and other payables	8,506	8,429	16,935
Accrued interest payable	-	916	916
Meter deposits	-	21,805	21,805
Current portion of long-term debt	2,000	6,000	8,000
Long-term debt	<u>10,000</u>	<u>31,000</u>	<u>41,000</u>
Total liabilities	<u>20,506</u>	<u>68,150</u>	<u>88,656</u>
<u>NET ASSETS</u>			
Invested in capital assets	227,832	1,950,303	2,178,135
Restricted for debt service	12,000	55,314	67,314
Unrestricted	<u>47,611</u>	<u>52,112</u>	<u>99,723</u>
Total net assets	<u>\$ 287,443</u>	<u>\$ 2,057,729</u>	<u>\$ 2,345,172</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Statement of Activities
June 30, 2004

Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Fees and Fines	Capital Grants and Contributions	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 26,936	-	\$ 408,785	\$ 10,042	\$ 391,891	\$ -	\$ 391,891
Public safety:							
Police	19,142	2,172	-	-	(16,970)	-	(16,970)
Fire	9,492	3,052	-	-	(6,440)	-	(6,440)
Street and sanitation	60,116	-	-	-	(60,116)	-	(60,116)
Interest paid on debt	700	-	-	-	(700)	-	(700)
Total governmental activities	116,386	5,224	408,785	10,042	307,665	-	307,665
Business-type activities:							
Water and sewer	349,589	251,535	-	-	-	(98,054)	(98,054)
Total	\$ 465,975	\$ 256,759	\$ 408,785	\$ 10,042	\$ 307,665	\$ (98,054)	\$ 209,611
General revenues:							
Taxes -							
Property taxes					4,648	-	4,648
Sales taxes					55,594	-	55,594
Beer taxes					2,523	-	2,523
Franchise taxes					11,323	-	11,323
Occupational licenses					5,253	-	5,253
Interest income					667	882	1,549
Miscellaneous					467	-	467
Transfers					(183,152)	183,152	-
Total general revenues and transfers					(102,677)	184,034	81,357
Change in net assets					204,988	85,980	290,968
Net assets - July 1, 2003, restated					82,455	1,971,749	2,054,204
Net assets - June 30, 2004					\$ 287,443	\$ 2,057,729	\$ 2,345,172

The accompanying notes are an integral part of these statements.

FUND FINANCIAL STATEMENTS (FSS)

TOWN OF CLAYTON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2004

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Indebtedness Fund</u>	
<u>ASSETS</u>				
Cash	\$ 44,826	\$ 5	\$ 8,018	\$ 52,849
Receivables:				
Notes	11,477	-	-	11,477
Restricted assets	-	-	12,000	12,000
Due from other governmental units	3,791	-	-	3,791
Total assets	<u>60,094</u>	<u>5</u>	<u>20,018</u>	<u>80,117</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and other payables	<u>8,506</u>	<u>-</u>	<u>-</u>	<u>8,506</u>
Fund balances:				
Reserved for debt service	-	-	12,000	12,000
Unreserved, undesignated	<u>51,588</u>	<u>5</u>	<u>8,018</u>	<u>59,611</u>
Total fund balance	<u>51,588</u>	<u>5</u>	<u>20,018</u>	<u>71,611</u>
Total liabilities and fund balances	<u>\$ 60,094</u>	<u>\$ 5</u>	<u>\$ 20,018</u>	<u>\$ 80,117</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

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

Total fund balances for governmental funds at June 30, 2004	\$ 71,611
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used governmental activities are not financial resources and, therefore, are not reported in the funds.	227,832
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental fund	<u>(12,000)</u>
Total net assets of governmental activities at June 30, 2004	<u>\$ 287,443</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Indebtedness Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 74,090	\$ -	\$ -	\$ 74,090
Licenses and permits	5,253	-	-	5,253
Intergovernmental	137,542	281,285	-	418,827
Fines and forfeits	2,172	-	-	2,172
Interest income	102	-	565	667
Other	3,517	-	-	3,517
Total revenues	<u>222,676</u>	<u>281,285</u>	<u>565</u>	<u>504,526</u>
Expenditures:				
Current -				
General government	26,014	-	-	26,014
Public Safety				
Police	19,142	-	-	19,142
Fire	3,904	-	-	3,904
Street and sanitation	60,116	-	-	60,116
Capital outlays	127,500	70,133	-	197,633
Debt service				
Principal paid	-	-	2,000	2,000
Interest paid	-	-	700	700
Total expenditures	<u>236,676</u>	<u>70,133</u>	<u>2,700</u>	<u>309,509</u>
Excess (deficiency) of revenues over expenditures	(14,000)	211,152	(2,135)	195,017
Other financing sources:				
Capital contributions	-	(211,152)	-	(211,152)
Transfers in	28,000	-	-	28,000
Net changes in fund balances	14,000	-	(2,135)	11,865
Fund balances, beginning	<u>37,588</u>	<u>5</u>	<u>22,153</u>	<u>59,746</u>
Fund balances, ending	<u>\$ 51,588</u>	<u>\$ 5</u>	<u>\$ 20,018</u>	<u>\$ 71,611</u>

The accompanying notes are an integral part of these statements.

TOWN 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, 2004

Total net changes in fund balances at June 30, 2004 per
Statement of Revenues, Expenditures and Changes in Fund Balances \$ 11,865

The change in net assets reported for governmental activities in the
statement of activities is different because:

Principal payments on loans 2,000

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.*

Capital outlay which is considered expenditures on Statement
of Revenues, Expenditures and Changes in Fund Balances 197,633
Depreciation expense for the year ended June 30, 2004 (6,510)

Total changes in net assets at June 30, 2004 per Statement of Activities \$ 204,988

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Proprietary Fund
Statement of Net Assets
June 30, 2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 51,110
Accounts receivable, net of allowance	31,010
Accrued interest receivable	<u>226</u>
Total current assets	<u>82,346</u>

Noncurrent assets:

Restricted assets -	
Cash and cash equivalents	55,314
Capital assets, net of accumulated depreciation	<u>1,988,219</u>
Total noncurrent assets	<u>2,043,533</u>

Total assets	<u><u>2,125,879</u></u>
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LIABILITIES

Current liabilities:

Accounts and other payables	<u>8,429</u>
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Current liabilities payable from restricted assets:

Accrued interest	916
Current portion of long-term debt	6,000
Meter deposits	<u>21,805</u>
Total	<u>28,721</u>

Noncurrent liabilities:

Long-term debt	<u>31,000</u>
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Total liabilities	<u>68,150</u>
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NET ASSETS

Investment in capital assets, net of related debt	1,950,303
Restricted for debt service	55,314
Unrestricted	<u>52,112</u>
Total net assets	<u>\$ 2,057,729</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Proprietary Fund
Statement Revenues, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2004

Operating revenues:	
Charges for services	<u>\$ 251,535</u>
Operating expenses:	
Gas purchases	70,632
Salaries	53,494
Material and supplies	19,106
Depreciation	109,448
Repairs	18,126
Miscellaneous	7,547
Truck and tractor expense	9,061
Utilities and telephone	19,280
Office supplies	3,024
Payroll taxes	4,106
Insurance	25,427
Legal and accounting	5,000
Bad debt expense	<u>2,552</u>
Total operating expenses	<u>346,803</u>
Operating loss)	(95,268)
Non operating revenues (expenses)	
Interest income	882
Interest expense	<u>(2,786)</u>
Total nonoperating revenues (expenses)	<u>(1,904)</u>
Income (loss) before transfers and contributions	(97,172)
Transfers (out)	(28,000)
Capital contributions	<u>211,152</u>
Change in net assets	85,980
Net assets, beginning	<u>1,971,749</u>
Net assets, ending	<u>\$ 2,057,729</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Proprietary Fund
Statement of Cash Flows
For the Years Ended June 30, 2004

Cash flows from operating activities:	
Cash received from customers	\$ 252,183
Cash payments to suppliers for goods and services	(181,719)
Cash payments to employees for services	<u>(53,494)</u>
Net cash provided by operating activities	<u>16,970</u>
 Cash flows from non-capital financing activities:	
Operating transfers (to) other funds	(28,000)
Increase in consumer deposits	<u>2,170</u>
Net cash (used) by non-capital financing activities	<u>(25,830)</u>
 Cash flows from capital activities:	
Principal paid on notes	(5,769)
Interest paid on notes	<u>(2,910)</u>
Net cash (used) by capital and financing activities	<u>(8,679)</u>
 Cash flows from investing activities:	
Investment income	<u>873</u>
 Net decrease in cash and cash equivalents	(16,666)
 Cash and cash equivalents at July 1, 2003	<u>123,090</u>
 Cash and cash equivalents at June 30, 2004	<u>\$ 106,424</u>
 Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	(95,268)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	109,448
Changes in assets and liabilities:	
Decrease in accounts receivable	648
Increase in accounts payable	<u>2,142</u>
 Net cash provided by operating activities	<u>\$ 16,970</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements

June 30, 2004

INTRODUCTION

The Town of Clayton, Louisiana was incorporated under the provisions of the Lawrason Act as a Town in 1962. The Town is governed by an elected mayor. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services. The Board of Aldermen consists of five elected members. The Town is located in the north east portion of Concordia Parish, Louisiana. Concordia Parish is located in east central Louisiana. The population of Clayton, Louisiana is approximately 835 persons. The Town of Clayton, Louisiana has three full time and one part time employee. The Town of Clayton, Louisiana has approximately 300 utility customers.

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 assets 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 judgements, are recorded only when payment is due.

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The town 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 Capital Projects Fund accounts for construction projects funded by grants.

The Indebtedness Fund accounts for long-term debt.

The town 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 Town. 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. Exceptions to this general rule are payments-in-lie of taxes and other charges between the government's enterprise operations. 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, service or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. 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.

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

C. *Deposits and Investments*

The Town'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 Town's investment policy allow the municipality to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool and mutual funds consisting solely of government-backed securities.

D. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of *interfund loans*) or "advances to/from other funds" (i.e., the *noncurrent portion of interfund loans*). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customer's 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.

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

For the year ended June 30, 2004, taxes of 3.88 mills were levied on property with assessed valuations totaling \$1,139,640, after abatements and exemptions and were dedicated as follows:

General corporate purposes	3.88
Total taxes levied were	\$ 4,648

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2004, these amounts were considered to be immaterial.

F. Restricted Assets – Utility Fund

Restricted assets represent resources that must be expended in 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 Town typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2004.

Sinking Fund	\$ 12,874
Reserve Fund	7,508
Depreciation Fund	13,127
Customer Deposits	<u>21,805</u>
	<u>\$ 55,314</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.

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.

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	30 years
Buildings	40 years
Vehicles	5 – 15 years
Machinery and equipment	5 – 15 year
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 ten days per anniversary date. In accordance with GASB Statement No. 16, the Town had no accrued compensated absences as of June 30, 2004.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements

June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

J. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at June 2004:

Demand deposits	\$	90,041
Time deposits		<u>81,232</u>
Total	\$	<u>171,273</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, 2004, the primary government has \$170,687 in deposits (collected bank balances). These deposits are secured from risk by \$170,687 of federal deposit insurance.

NOTE 3 – RECEIVABLES

The following is a summary of receivables for June 2004:

Class of Receivables	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Notes - 3% payable at \$247/month (Revitalization loan)	\$ 11,477	\$ -
Utilities	-	\$ 41,010
Less allowance for bad debts	-	<u>(10,000)</u>
Total	<u>\$ 11,477</u>	<u>\$ 31,010</u>

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements
June 30, 2004

NOTE 4 – CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, is as follows:

	Balance <u>6-30-03</u>	Increase	Decrease	Prior Period Adjustment	Balance <u>6-30-04</u>
<u>Governmental activities:</u>					
Capital assets, not being depreciated					
Land	\$ 8,425	\$ -	\$ -	\$ -	\$ 8,425
Capital assets being depreciated					
Buildings	36,877	70,133	-	-	107,010
Equipment	<u>123,679</u>	<u>127,500</u>	-	-	<u>251,179</u>
Total capital assets being depreciated	<u>160,556</u>	<u>197,633</u>	-	-	<u>358,189</u>
Less accumulated depreciation for:					
Buildings	-	(1,945)	-	(107,010)	(108,955)
Equipment	-	(4,565)	-	(25,262)	(29,827)
Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>(6,510)</u>	<u>-</u>	<u>(132,272)</u>	<u>(138,782)</u>
Total capital assets being depreciated, net	<u>\$ 168,981</u>	<u>\$ 191,123</u>	<u>\$ -</u>	<u>\$ (132,272)</u>	<u>\$ 227,832</u>

Depreciation was charged to governmental activities as follows:

General Government	\$ 922
Fire	<u>5,588</u>
	<u>\$ 6,510</u>

	Balance <u>Balance</u>	Increase	Decrease	Ending Balance
<u>Business-type activities:</u>				
Capital assets being depreciated				
Equipment	\$ 2,908,788	\$ 211,152	\$ -	\$ 3,119,940
Less accumulated depreciation for:				
Equipment	<u>(1,022,273)</u>	<u>(109,448)</u>	<u>-</u>	<u>(1,131,721)</u>
Total capital assets being depreciated, net	<u>\$ 1,886,515</u>	<u>\$ 101,704</u>	<u>\$ -</u>	<u>\$ 1,988,219</u>

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements

June 30, 2004

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term transactions for the year ended June 30, 2004:

	General Obligation Bonds	Revenue Bonds	Note Payable	Total
Bonds payable at June 30, 2003	\$ 14,000	\$ 42,000	\$ 769	\$ 56,769
Additions	-	-	-	-
Deductions	<u>(2,000)</u>	<u>(5,000)</u>	<u>(769)</u>	<u>(7,769)</u>
Bonds payable at June 30, 2004	<u>\$ 12,000</u>	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ 49,000</u>

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

General obligation bonds:

\$30,000 1970 sewer district serial bonds due in annual installments of \$1,000 through January 1, 2010; interest at 5%	\$ 6,000
\$30,000 1970 sewer district serial bonds due in annual installments of \$1,000 through January 1, 2010; interest 5%	<u>6,000</u>
	<u>\$ 12,000</u>

Revenue bonds:

\$140,000 1970 sewer serial bonds due in annual installments of \$5,000 to \$7,000 through January 1, 2010; interest at 5%	<u>\$ 37,000</u>
--	------------------

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

Year Ended June 30	General Obligation Bonds	Revenue Bonds	Total
2005	\$ 2,600	\$ 7,850	\$ 10,450
2006	2,500	7,550	10,050
2007	2,400	7,250	9,650

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements
June 30, 2004

NOTE 5 – LONG-TERM DEBT- continued

2008	\$	2,300	\$	6,950	\$	9,250
2009		2,200		6,650		8,850
Thereafter		2,100		7,350		9,450
		14,100		43,600		57,700
Less amounts representing interest		(2,100)		(6,600)		(8,700)
TOTAL		\$ 12,000		\$ 37,000		\$ 49,000

NOTE 6 – RETIREMENT COMMITMENTS

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

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004 the Town implemented Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and governmental fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. All funds in the Town were major funds.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2004, caused by the conversion to GASB Statement No. 34.

The prior year net assets has been restated as follows to recognize capital assets abandoned prior to June 30, 2004 and to recognize the implementation of GASB 34 discussed in Note 1:

TOWN OF CLAYTON, LOUISIANA

Notes to Financial Statements
June 30, 2004

NOTE 8 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE - continued

Fund Balance, beginning of year as previously reported	\$ 59,746
GASB 34:	
Investments in Capital Assets, beginning of year	168,981
Accumulated depreciation, beginning of year	(132,272)
Notes payable, beginning of year	<u>(14,000)</u>
Total GASB 34 adjustments	<u>22,709</u>
Net Assets, beginning of year restated	<u>\$ 82,455</u>

NOTE 9 – COMPENSATION OF THE GOVERNING BOARD

The Governing Board of the Town of Clayton, Louisiana consists of a Mayor and five Aldermen. For the year ended June 30, 2004, their compensation was as follows:

Wilbert Washington, Mayor	\$ 3,600
William Hall	1,800
Gail Duncan	1,800
Willie Lee Evans	1,800
Linda DeLaughter	1,800
Irene Jefferson	<u>1,800</u>
Total	<u>\$ 12,600</u>

NOTE 10 – SUBSEQUENT EVENTS

In July of 2004 the Police Chief of the Town of Clayton was indicted on charges of public bribery and malfeasance in office. The trial is pending and the police department has continued to operate with expenses of approximately \$1,600 per month and practically no fines income being generated.

**REQUIRED
SUPPLEMENTARY INFORMATION
(PART II)**

TOWN OF CLAYTON, LOUISIANA

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2004

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Taxes	\$ 65,200	\$ 74,090	\$ 8,890
Licenses and permits	4,700	5,253	553
Intergovernmental	127,500	137,542	10,042
Fines	8,000	2,172	(5,828)
Interest	200	102	(98)
Miscellaneous	<u>1,700</u>	<u>3,517</u>	<u>1,817</u>
Total revenue	<u>207,300</u>	<u>222,676</u>	<u>15,376</u>
Expenditures:			
General government	24,189	26,014	(1,825)
Public safety			
Police	21,300	19,142	2,158
Fire	2,150	3,904	(1,754)
Street and sanitation	55,040	60,116	(5,076)
Capital outlay	<u>127,500</u>	<u>127,500</u>	<u>-</u>
Total expenditures	<u>230,179</u>	<u>236,676</u>	<u>(6,497)</u>
(Deficiency) of revenues over expenditures	(22,879)	(14,000)	8,879
Other financing sources:			
Operating transfers in	<u>25,000</u>	<u>28,000</u>	<u>3,000</u>
Net changes in fund balances	2,121	14,000	11,879
Fund balance, beginning	<u>37,588</u>	<u>37,588</u>	<u>-</u>
Fund balance, ending	<u>\$ 39,709</u>	<u>\$ 51,588</u>	<u>\$ 11,879</u>

The accompanying notes are an integral part of these statements.

TOWN OF CLAYTON, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

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 non-major funds.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF CLAYTON, LOUISIANA

Combining Balance Sheet
Capital Projects Fund (Major Fund)
June 30, 2004

	USDA FIRE STATION	LCDBG WATER LINES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 5	\$ 5
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities	-	-	-
Fund balance: Unreserved	\$ -	\$ 5	\$ 5

TOWN OF CLAYTON, LOUISIANA

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Capital Projects Fund (Major Fund)
June 30, 2004

	USDA FIRE STATION	LCDBG WATER LINES	<u>TOTAL</u>
REVENUES:			
Intergovernmental grants	<u>\$ 70,133</u>	<u>\$ 211,152</u>	<u>\$ 281,285</u>
EXPENDITURES:			
Capital outlay	<u>70,133</u>	<u>211,152</u>	<u>281,285</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning	<u>-</u>	<u>5</u>	<u>5</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>

The accompanying notes are an integral part of this statement.

Reports on Compliance and Internal Control

SWITZER, HOPKINS & MANGE

Certified Public Accountants

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

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

We have audited the basic financial statements of Town of Clayton, Louisiana as of and for the year ended June 30, 2004, and have issued our report thereon dated January 31, 2005. We have 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Clayton, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This finding is included in the schedule of findings and questioned costs as finding 2004-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clayton, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Clayton, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs are items 2004-1, 2004-2 and 2004-3.

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

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

Ferriday, Louisiana
January 31, 2005

TOWN OF CLAYTON, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Summary of Audit Results

1. Auditor's Report
An unqualified opinion has been issued on the Town of Clayton, Louisiana's general purpose financial statements as of and for the year ended June 30, 2004.
2. Reportable Conditions – Financial Reporting
Three reportable conditions in internal control over financial reporting were reported. These conditions are reported as 2004-1, 2004-2 and 2004-3.
3. Reportable Conditions – Compliance With Laws and Regulations
There was one reportable condition of noncompliance with laws and regulations. This condition is reported as 2004-4.

Findings – Financial Statement Audit

Reportable Conditions

2004-1 Segregation of Duties

We noted that the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collections, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements and preparing bank reconciliation's as well as writing and signing checks. In order to increase internal controls, these functions should be separated.

We recommend that the Town attempt to separate the accounting duties in order to strength internal control.

The Town has indicated that it has no plans to hire additional employees to segregate duties. The Town's response is included in the attached letter.

2004-2 Gas Losses

We noted that the Town experienced 21% gas losses during the year. Gas losses were as follows:

Gas purchased	11,191 MCF
Gas Sales	<u>8,811 MCF</u>
Unaccountef for gas	<u>2,380 MCF</u>
% Gas Losses	21%

We recommend that the Town investigate the losses and determine the cause of this problem. The problem apparently is leaks, broken meters or theft of gas.

The Town's response is included in the attached letter.

TOWN OF CLAYTON, LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Findings – Financial Statement Audit – continued

Reportable Conditions

2004-3 Utility Fund Cut-Off Policy

We noted that the town has 47 out of 324 utility customers who are more than 60 days past due on their utility bill payments. Included in the past due customers is a Town employee responsible for enforcing the cut-off policy. We also noted that an elected official was included in the accounts receivable bad debts that were written off. This official subsequently paid the utility bill.

We recommend the following that the utility cut-off policy be enforced.

2004-4 Late Filing of Audit Report

Louisiana Revised Statute 24:513 requires that this audit be completed by December 31, 2004. It was completed in January 2005. This is a violation of State law.

We recommend that in future years the audit report be completed within the time allowed by State law.

See response attached.

TOWN OF CLAYTON, LOUISIANA

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003

Findings – Financial Statement Audit

Reportable Conditions

2003-1 Segregation of Duties

We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. Two people are responsible for collections, posting accounts receivable records, posting the cash receipts journals, posting the cash disbursement journals, posting the general ledgers, preparing deposits, opening bank statements and preparing bank reconciliation's as well as writing and signing checks. In order to increase internal controls, these functions should be separated.

We recommend the Town attempt to separate the accounting duties in order to strength internal control.

This finding still applies and in included in the current audit for the year ending June 30, 2003 as finding 2004-1.

2003-2 Gas Losses

We noted that the Town experienced 19% gas losses during the year. Gas losses were as follows:

Gas purchased	12,323 MCF
Gas Sales	<u>9,937 MCF</u>
Unaccountef for gas	<u>2,386 MCF</u>
% Gas Losses	19%

We recommend that the Town investigate the losses and determine the cause of this problem. The problem apparently is leaks, broken meters or theft of gas.

This finding still applies and in included in the current audit for the year ending June 30, 2004 as finding 2004-2.

RESPONSE

**TOWN OF CLAYTON
P. O. BOX 277
CLAYTON, LA 71326**

January 31, 2005

Mr. H. Myles Hopkins, CPA
Switzer, Hopkins, & Mange
P. O. Box 478
Ferriday, LA 71334

Dear Mr. Hopkins:

In regard to the audit report findings for the period ended June 30, 2004, I have the following response:

Finding 2004-1 Segregation of Duties

We do not have enough accounting personnel to segregate duties so that we have perfect internal control. We have no plans to hire additional people in the Town Hall and we will probably have this problem.

Finding 2004-2 Gas Losses

Gas Losses are compiled on a monthly basis and we will investigate this problem during the year closely.

Finding 2004-3 Utility Cut-Off Policy

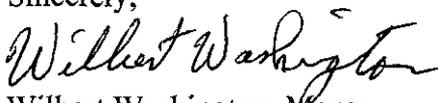
We will investigate this problem and do what we have to do to fix the problem.

Finding 2005-4 Late Filing of Audit Report

The audit was completed late because additional time was needed to comply with GASB 34. The report should not be late next year.

Please let me know if you have any questions.

Sincerely,



Wilbert Washington, Mayor
Town of Clayton, Louisiana