

**VILLAGE OF CLARENCE
ANNUAL FINANCIAL REPORT**

JUNE 30, 2007

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 3/19/08

Village of Clarence
Financial Report
June 30, 2007

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Financial Report
June 30, 2007

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Village of Clarence

MANAGEMENT'S DISCUSSION AND ANALYSIS for the Year Ended June 30, 2007

The Management's Discussion and Analysis is an element of the reporting model adopted by the *Governmental Accounting Standards Board (GASB)* in their Statement No. 34. Certain comparative information is presented to provide an overview of the Village's operations.

Financial Highlights

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

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

Summary of Statement of Net Assets

	June 2007			June 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS:						
Current Assets	\$ 33,028	\$ 17,873	\$ 50,901	\$26,651	\$ 15,959	\$ 42,610
Restricted Assets	0	12,375	12,375	0	10,981	10,981
Capital Assets, Net of Accumulated Depreciation	<u>77,933</u>	<u>1,881,029</u>	<u>1,958,962</u>	<u>52,840</u>	<u>1,906,641</u>	<u>1,959,481</u>
Total Assets	<u>\$110,961</u>	<u>\$1,911,277</u>	<u>\$2,022,238</u>	<u>\$79,491</u>	<u>\$1,933,581</u>	<u>\$2,013,072</u>
LIABILITIES:						
Accounts Payable	\$ 1,698	\$ 3,769	\$ 5,467	\$ 1,411	\$ 6,159	\$ 7,570
Customers' Deposits Payable	0	6,837	6,837	0	6,537	6,537
Long Term Debt	<u>29,529</u>	<u>76,000</u>	<u>105,529</u>	<u>10,387</u>	<u>81,000</u>	<u>91,387</u>
Total Liabilities	<u>\$31,227</u>	<u>\$ 86,606</u>	<u>\$ 117,833</u>	<u>\$11,798</u>	<u>\$ 93,696</u>	<u>\$ 105,494</u>
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	\$ 48,405	\$1,805,029	\$1,853,434	\$42,455	\$1,825,641	\$1,868,096
Restricted for Debt Service	29,529	19,642	49,171	10,387	14,244	24,631
Unrestricted	<u>1,800</u>	<u>0</u>	<u>1,800</u>	<u>14,851</u>	<u>0</u>	<u>14,851</u>
NET ASSETS	<u>\$ 79,734</u>	<u>\$1,824,671</u>	<u>\$1,904,405</u>	<u>\$67,693</u>	<u>\$1,839,885</u>	<u>\$1,907,578</u>

Summary of Statement of Activities

	June 2007			June 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES:						
Charge for Services	\$ 31,153	\$117,388	\$148,541	\$ 24,825	\$115,796	\$140,621
Taxes and Licenses	33,034	0	33,034	34,190	0	34,190
Fines	77,230	0	77,230	74,647	0	74,647
Grants	0	0	0	85,265	0	85,265
Other	<u>6,515</u>	<u>18</u>	<u>6,533</u>	<u>3,455</u>	<u>50</u>	<u>3,505</u>
Total Revenues	<u>\$147,932</u>	<u>\$117,406</u>	<u>\$265,338</u>	<u>\$222,382</u>	<u>\$115,846</u>	<u>\$338,228</u>
EXPENSES:						
Public Safety	\$ 58,872	\$ 0	\$ 58,872	\$ 52,936	\$ 0	\$ 52,936
General Government	80,907	0	80,907	70,794	0	70,794
Operating Expense	0	123,842	123,842	0	133,816	133,816
Interest Expense	<u>966</u>	<u>3,925</u>	<u>4,891</u>	<u>773</u>	<u>4,125</u>	<u>4,898</u>
Total Expenses Before Transfers	<u>\$140,745</u>	<u>\$127,767</u>	<u>\$268,512</u>	<u>\$124,503</u>	<u>\$137,941</u>	<u>\$262,444</u>
Transfers	<u>\$ 4,854</u>	<u>\$ (4,854)</u>	<u>\$ 0</u>	<u>\$ (85,265)</u>	<u>\$ 85,265</u>	<u>\$ 0</u>
Change in Net Assets	<u>\$ 12,041</u>	<u>\$ (15,215)</u>	<u>\$ (3,174)</u>	<u>\$ 12,614</u>	<u>\$ 63,170</u>	<u>\$ 75,784</u>

Governmental Activities

- The Village's assets exceeded its liabilities by \$79,734 (net assets) for the year. This is an increase of \$12,041 from prior year.
- Restricted net assets of \$29,529 represent the portion available to service the Village's obligation for long-term debt. For prior year, this was \$10,387.

Business Type Activities

The Proprietary Fund (the water and sewer service) experienced a decrease in net assets of \$(15,215) for the year.

General Fund Budgetary Highlights

At year end, actual revenues were \$32,532 more than budgeted revenues and actual expenditures were \$38,546 more than budgeted expenditures.

Economic Factors and Next Year's Budget

The Village has prepared its FY 2007/2008 budget for the General Fund on the assumption that revenues and expenditures will remain fairly constant next year. Both revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

Contacting the Village

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

Johnson, Thomas & Cunningham

Certified Public Accountants

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ACCOUNTANT'S REVIEW REPORT ON THE FINANCIAL STATEMENTS

To the Mayor and Board of Aldermen of
the Village of Clarence

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of the Village of Clarence (Village) as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the Table of Contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the *American Institute of Certified Public Accountants*. All information included in these financial statements is the representation of management of the Village.

A review consists principally of inquiries of Village personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 29 through 30, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated February 12, 2008, on the results of our agreed-upon procedures.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

February 12, 2008
Natchitoches, LA 71457

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Village of Clarence
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 27,131	\$ 7,556	\$ 34,687
Receivables	<u>5,897</u>	<u>10,317</u>	<u>16,214</u>
Total Current Assets	<u>\$ 33,028</u>	<u>\$ 17,873</u>	<u>\$ 50,901</u>
Noncurrent Assets:			
Restricted Assets:			
Customers' Meter Deposits	\$ 0	\$ 6,793	\$ 6,793
Bond Covenant Accounts	0	5,582	5,582
Capital Assets (net)	<u>77,933</u>	<u>1,881,029</u>	<u>1,958,962</u>
Total Noncurrent Assets	<u>\$ 77,933</u>	<u>\$1,893,404</u>	<u>\$1,971,337</u>
Total Assets	<u>\$110,961</u>	<u>\$1,911,277</u>	<u>\$2,022,238</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 1,698	\$ 3,769	\$ 5,467
Current Portion - Long Term Debt	<u>14,374</u>	<u>5,000</u>	<u>19,374</u>
Total Current Liabilities	<u>\$ 16,072</u>	<u>\$ 8,769</u>	<u>\$ 24,841</u>
Noncurrent Liabilities:			
Customers' Deposits Payable	\$ 0	\$ 6,837	\$ 6,837
Long-Term Debt	<u>15,155</u>	<u>71,000</u>	<u>86,155</u>
Total Noncurrent Liabilities	<u>\$ 15,155</u>	<u>\$ 77,837</u>	<u>\$ 92,992</u>
Total Liabilities	<u>\$ 31,227</u>	<u>\$ 86,606</u>	<u>\$ 117,833</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$ 48,404	\$1,805,029	\$1,853,433
Restricted for Debt Service	29,530	19,642	49,172
Unrestricted	<u>1,800</u>	<u>0</u>	<u>1,800</u>
Total Net Assets	<u>\$ 79,734</u>	<u>\$1,824,671</u>	<u>\$1,904,405</u>

See accompanying notes and accountant's report.

Village of Clarence
Statement of Activities
June 30, 2007

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities		
Governmental Activities:								
General Government	\$ 81,873	\$ 31,153	\$0	\$0	\$(50,720)	\$ 0	\$ (50,720)	
Public Safety	<u>58,872</u>	<u>77,230</u>	<u>0</u>	<u>0</u>	<u>18,358</u>	<u>0</u>	<u>18,358</u>	
Total Governmental Activities	\$140,745	\$108,383	\$0	\$0	\$(32,362)	\$ 0	\$ (32,362)	
Business-Type Activities:								
Water/Sewer	\$127,767	\$117,388	\$0	\$0	\$ 0	\$ (10,379)	\$ (10,379)	
Total Government	\$268,512	\$225,771	\$0	\$0	\$(32,362)	\$ (10,379)	\$ (42,741)	
General Revenues:								
					\$ 33,034	\$ 0	\$ 33,034	
					7	18	25	
					6,508	0	6,508	
					<u>4,854</u>	<u>(4,854)</u>	<u>0</u>	
					\$44,403	\$(4,836)	\$ 39,567	
					Change in Net Assets	\$ 12,041	\$ (15,215)	\$ (3,174)
					Net Assets July 1, 2006	<u>67,693</u>	<u>1,839,886</u>	<u>1,907,579</u>
					Net Assets June 30, 2007	<u>\$ 79,734</u>	<u>\$1,824,671</u>	<u>\$1,904,405</u>

See accompanying notes and accountant's report.

FUND FINANCIAL STATEMENTS

Village of Clarence
Balance Sheet-Governmental Fund
General Fund
June 30, 2007

ASSETS:

Cash and Cash Equivalents	\$27,131
Receivables	<u>5,897</u>
Total Assets	<u>\$33,028</u>

LIABILITIES:

Accounts Payable	\$ 1,698
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FUND BALANCES:

Unreserved	<u>31,330</u>
Total Liabilities and Fund Balances	<u>\$33,028</u>

See accompanying notes and accountant's report.

Village of Clarence
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2007

Total Fund Balance for the Governmental Funds at June 30, 2007	\$ 31,330
Total Net Assets reported for Governmental Activities in the Statement of Net Assets is different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles, Net of Accumulated Depreciation	77,933
Long-term liabilities are not payable in the current period and, therefore, are not reported in the funds	<u>(29,529)</u>
Total Net Assets of Governmental Activities at June 30, 2007	<u>\$ 79,734</u>

See accompanying notes and accountant's report.

Village of Clarence
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Year Ended June 30, 2007

Revenues:	
Taxes	\$ 33,034
Licenses and Permits	31,153
Fines and Forfeits	70,143
Mayor's Court	7,087
Miscellaneous	<u>6,515</u>
Total Revenues	<u>\$147,932</u>
Expenditures:	
Current-	
General Government	\$ 81,826
Public Safety	51,047
Debt Service	13,823
Capital Outlay-	
Public Safety	23,100
Public Works	<u>8,900</u>
Total Expenditures	<u>\$178,696</u>
Deficiency of Revenues over Expenditures	<u>\$ (30,764)</u>
OTHER FINANCING SOURCES (Uses):	
Transfer-In	\$ 4,854
Proceeds of Debt	<u>32,000</u>
Total Other Financing Sources (Uses)	<u>\$ 36,854</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	\$ 6,090
Fund Balance-Beginning of Year	<u>25,240</u>
Fund Balance-End of Year	<u>\$ 31,330</u>

See accompanying notes and accountant's report.

Village of Clarence
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
for the Year Ended June 30, 2007

Total Net Change in Fund Balance at June 30, 2007, per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 6,090
The Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
Payments made on Long-term Debt are shown as Expenditures in the Governmental Funds, but the payments reduce Long-term Liabilities in the Statement of Net Assets.	12,856
Governmental funds report capital outlays as expenditures while the Statement of Activities report depreciation expense to allocate those expenditures over the life of the assets. The increase in capital assets \$32,000 for the year, less depreciation expense for the year \$(6,905).	25,095
Proceeds of Long-term Debt are shown as revenues in the Governmental Funds, but the debt increases Long-term Liabilities in the Statement of Net Assets.	<u>(32,000)</u>
Total changes in Net Assets at June 30, 2007, per Statement of Activities	<u>\$ 12,041</u>

See accompanying notes and accountant's report.

Village of Clarence
Statement of Net Assets
Proprietary Fund
Year Ended June 30, 2007

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 7,556
Accounts Receivable	<u>10,317</u>
Total Current Assets	\$ <u>17,873</u>

Noncurrent Assets:

Restricted Assets-

Customers' Meter Deposits	\$ 6,793
Bond Covenant Accounts	5,582

Capital Assets-

Capital Assets, Net	<u>1,881,029</u>
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Total Noncurrent Assets	<u>\$1,893,404</u>
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Total Assets	<u>\$1,911,277</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 1,994
Current Portion of Long-Term Debt	5,000
Accrued Interest	<u>1,775</u>

Total Current Liabilities	\$ <u>8,769</u>
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Noncurrent Liabilities:

Long-Term Debt	\$ 71,000
Payable From Restricted Assets- Customers' Deposits Payable	<u>6,837</u>

Total Noncurrent Liabilities	\$ <u>77,837</u>
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Total Liabilities	\$ <u>86,606</u>
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NET ASSETS:

Invested in Capital Assets, net of related debt	\$1,805,029
Restricted for Debt Service	<u>19,642</u>

Total Net Assets	<u>\$1,824,671</u>
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See accompanying notes and accountant's report.

Village of Clarence
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

OPERATING REVENUES:	
Sales	\$ <u>117,388</u>
Total Operating Revenues	\$ <u>117,388</u>
OPERATING EXPENSES:	
Depreciation	\$ 25,613
Personnel	27,761
Utilities/Telephone	46,425
Repairs & Maintenance/Fuel	10,551
Supplies	551
Office	3,834
Testing	1,880
Miscellaneous	<u>7,227</u>
Total Operating Expenses	\$ <u>123,842</u>
Operating Income (Loss)	\$ <u>(6,454)</u>
NON-OPERATING REVENUES & EXPENSES:	
Interest Income	\$ 18
Interest Expense	<u>(3,925)</u>
Total Non-Operating Revenues (Expenses)	\$ <u>(3,907)</u>
Net Loss Before Transfers	\$ (10,361)
TRANSFERS:	
Transfer-Out	<u>(4,854)</u>
Change in Net Assets	\$ (15,215)
Net Assets-Beginning of Year	<u>1,839,886</u>
Net Assets-End of Year	<u>\$1,824,671</u>

See accompanying notes and accountant's report.

Village of Clarence
Statement of Cash Flows
Proprietary Fund
June 30, 2007

	<u>Business Type Activities</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$116,284
Cash Paid to Suppliers	(75,842)
Cash Paid to Employees	<u>(20,897)</u>
Net Cash Provided by Operating Activities	<u>\$ 19,545</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	\$ (5,000)
Interest Paid on Capital Debt	<u>(4,050)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>\$ (9,050)</u>
Cash Flows From Non-Capital Financing Activities:	
Transfer to Other Funds	\$ (4,854)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>\$ (4,854)</u>
Cash Flows From Investing Activities:	
Interest	\$ 18
Net Increase in Cash and Cash Equivalents	\$ 5,659
Cash and Cash Equivalents at Beginning of Year	<u>14,272</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,931</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	\$ (6,454)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	25,613
Changes in Assets and Liabilities:	
Receivables	2,351
Accounts and Other Payables	<u>(1,965)</u>
Net Cash Provided by Operating Activities	<u>\$ 19,545</u>

See accompanying notes and accountant's report.

NOTES TO FINANCIAL STATEMENTS

Village of Clarence
Notes to Financial Statements
June 30, 2007

Introduction:

The Village of Clarence, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and a Legislative branch consisting of Aldermen.

This report includes all funds which are controlled or dependent on the Village of Clarence's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Clarence was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police, streets and drainage, and general and administrative services. In addition, the Village operates a Utility System which provides water and sewer services.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

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

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

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

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

Village of Clarence
Notes to Financial Statements
June 30, 2007

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

C. FUND ACCOUNTING-

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

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

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

The major funds of the Village are described below:

Governmental Fund-

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Village of Clarence
Notes to Financial Statements
June 30, 2007

Proprietary Fund-

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise fund is the Utility Fund.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

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

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

Village of Clarence
Notes to Financial Statements
June 30, 2007

E. CASH AND INTEREST-BEARING DEPOSITS-

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

F. CAPITAL ASSETS-

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

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

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

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

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

G. RESTRICTED ASSETS-

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

H. COMPENSATED ABSENCES-

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

Village of Clarence
Notes to Financial Statements
June 30, 2007

I. EQUITY CLASSIFICATIONS-

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

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

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

J. ESTIMATES-

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

K. OPERATING REVENUES AND EXPENSES-

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

L. EXPENDITURES/EXPENSES-

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

Village of Clarence
Notes to Financial Statements
June 30, 2007

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

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

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

M. BUDGET-

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

2. Cash and Cash Equivalents:

For reporting purposes, cash and cash equivalents include demand deposits, and time deposits. At June 30, 2007, the Village had cash and cash equivalents (collected bank balances) totaling \$49,065. Cash and cash equivalents are stated at cost, which approximates market. Under Louisiana law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a holding or custodial bank in the form of safekeeping receipts held by the Village. The deposits at June 30, 2007, were fully secured by FDIC Insurance.

3. Restricted Assets:

The Enterprise Fund has restricted assets as follows:

Water and Sewer Customer Deposits	\$ 6,793
Bond Covenant Accounts-	
Depreciation Contingency	690
Bond Reserve	603
Sinking Fund	<u>4,289</u>
Total	<u>\$12,375</u>

Under the terms of the bond indenture on outstanding Water Utility Bonds dated December 4, 1979, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System, are pledged and dedicated to the retirement of said bonds and are to be set aside into the following funds:

Village of Clarence
Notes to Financial Statements
June 30, 2007

- (a) Each month, there will be set aside into a fund called the Amortization Fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- (b) There shall also be set aside into a Reserve Fund an amount equal to 5% of the principal and interest payments required during the month until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirement in any one maturity year \$(13,850). Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Amortization Fund and as to which there would otherwise be default.
- (c) Funds will also be set aside into a Depreciation and Contingency Fund at the rate of \$55 per month. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense.
- (d) All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

4. Capital Assets:

Capital asset activity for the year ended June 30, 2007, is as follows:

<u>Governmental Activities</u>	<u>Balance 07-01-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-07</u>
Capital Assets-				
Building	\$ 46,751	\$ 0	\$0	\$ 46,751
Office Furniture, Fixtures & Equipment	9,274	0	0	9,274
Vehicles/Equipment	<u>60,887</u>	<u>32,000</u>	<u>0</u>	<u>92,887</u>
Total Capital Assets	<u>\$ 116,912</u>	<u>\$ 32,000</u>	<u>\$0</u>	<u>\$ 148,912</u>
Less, Accumulated Depreciation				
Building	\$ 25,724	\$ 1,169	\$0	\$ 26,893
Office Furniture, Fixtures & Equipment	7,514	494	0	8,008
Vehicles/Equipment	<u>30,836</u>	<u>5,242</u>	<u>0</u>	<u>36,078</u>
Total Accumulated Depreciation	<u>\$ 64,074</u>	<u>\$ 6,905</u>	<u>\$0</u>	<u>\$ 70,979</u>
Net Capital Assets	<u>\$ 52,838</u>	<u>\$ 25,095</u>	<u>\$0</u>	<u>\$ 77,933</u>

Village of Clarence
Notes to Financial Statements
June 30, 2007

Business-Type Activities	Balance 07-01-06	Additions	Deletions	Balance 06-30-07
Capital Assets-				
Water System	\$2,195,919	\$ 0	\$0	\$2,195,919
Sewer System	<u>14,567</u>	<u>0</u>	<u>0</u>	<u>14,567</u>
Total Capital Assets	<u>\$2,210,486</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$2,210,486</u>
Less, Accumulated Depreciation				
Water System	\$ 300,932	\$ 25,322	\$0	\$ 326,254
Sewer System	<u>2,912</u>	<u>291</u>	<u>0</u>	<u>3,203</u>
Total Accumulated Depreciation	<u>\$ 303,844</u>	<u>\$ 25,613</u>	<u>\$0</u>	<u>\$ 329,457</u>
Net Capital Assets	<u>\$1,906,642</u>	<u>\$(25,613)</u>	<u>\$0</u>	<u>\$1,881,029</u>

Depreciation expense of \$4,633 was charged to general government and \$2,272 to public safety. Depreciation expense for the enterprise fund was charged as follows:

Sewer	\$ 291
Water	<u>25,322</u>
Total	<u>\$25,613</u>

5. Changes in Long-Term Debt:

The following is a summary of bond transactions of the Village for the year ended June 30, 2007:

	Revenue Bonds
Bonds Payable at July 1, 2006	\$81,000
Less, Bonds Retired - 6-30-07	<u>5,000</u>
Bonds Payable at June 30, 2007	<u>\$76,000</u>

Bonds payable at June 30, 2007, are comprised of the following individual issues:

	Issue Date	Final Maturity	Rate	Total
1979 Water Revenue Bonds	12-07-79	12-31-19	5%	<u>\$76,000</u>

Village of Clarence
Notes to Financial Statements
June 30, 2007

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest payments of \$22,950 are as follows:

2008	\$ 8,550
2009	8,300
2010	8,050
2011	8,750
Thereafter	<u>65,300</u>
Total	<u>\$98,950</u>

For the year ended June 30, 2005, the Village entered into a lease/purchase agreement for public works equipment. Terms of this agreement total \$21,592, at an interest rate of 4.75% with payments due on the 11th of each month. The annual requirements to amortize this debt, including interest payments of \$100, are as follows:

2008	<u>\$4,928</u>
------	----------------

For the year ended June 30, 2007, the Village entered into a lease/purchase agreement for a new police car and a John Deere "Gator". The police car was purchased for \$23,100 at 5.9% APR for 36 months and the John Deere "Gator" was purchased for \$8,900 at 9.9% for 12 months. At June 30, 2007, the annual amounts to amortize these debts are:

	<u>Police Car</u>		<u>John Deere "Gator"</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,247	\$1,133	\$2,298	\$140
2009	7,691	688	0	0
2010	<u>7,465</u>	<u>217</u>	<u>0</u>	<u>0</u>
	<u>\$22,403</u>	<u>\$2,038</u>	<u>\$2,298</u>	<u>\$140</u>

6. Compensation of Mayor and Aldermen:

<u>Name</u>	<u>Amount</u>
Bobby Braxton	\$ 5,400
Elouise Johnson	2,400
Rhonda Braden	2,400
Demetric Joseph	<u>2,400</u>
Total	<u>\$12,600</u>

Village of Clarence
Notes to Financial Statements
June 30, 2007

7. **Receivables:**

The following is a summary of receivables at June 30, 2007:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Utility Fund</u>
Sales	\$ 0	\$10,317
Taxes	2,032	0
Licenses/Fees	579	0
Fines	<u>3,286</u>	<u>0</u>
Total	<u>\$5,897</u>	<u>\$10,317</u>

**OTHER REQUIRED
SUPPLEMENTARY INFORMATION**

Village of Clarence
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES:			
Taxes	\$ 34,000	\$ 33,034	\$ (966)
Licenses/Permits	25,350	31,153	5,803
Fines & Forfeits	49,500	70,143	20,643
Mayor's Court	6,050	7,087	1,037
Miscellaneous	<u>500</u>	<u>6,515</u>	<u>6,015</u>
 Total Revenues	 <u>\$115,400</u>	 <u>\$147,932</u>	 <u>\$ 32,532</u>
EXPENDITURES:			
General Government	\$ 84,700	\$ 81,826	\$ 2,874
Public Safety	44,452	51,047	(6,595)
Debt Service	10,998	13,823	(2,825)
Capital Expenditures	<u>0</u>	<u>32,000</u>	<u>(32,000)</u>
 Total Expenditures	 <u>\$140,150</u>	 <u>\$178,696</u>	 <u>\$(38,546)</u>
 Deficiency of Revenue over Expenditures	 <u>\$ (24,750)</u>	 <u>\$ (30,764)</u>	 <u>\$ (6,014)</u>
OTHER FINANCING SOURCES (Uses):			
Transfer-In	\$ 0	\$ 4,854	\$ 4,854
Proceeds of Debt	<u>0</u>	<u>32,000</u>	<u>32,000</u>
 Total Other Financing Sources	 <u>\$ 0</u>	 <u>\$ 36,854</u>	 <u>\$ 36,854</u>
 Excess of Revenues and Other Sources over Expenditures	 <u>\$ (24,750)</u>	 <u>\$ 6,090</u>	 <u>\$ 30,840</u>
 Fund Balance-Beginning of Year	 <u>25,240</u>	 <u>25,240</u>	 <u>0</u>
 Fund Balance-End of Year	 <u>\$ 490</u>	 <u>\$ 31,330</u>	 <u>\$ 30,840</u>

See accountant's report.

SUPPLEMENTARY INFORMATION

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Aldermen of
the Village of Clarence

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Village of Clarence and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Clarence's compliance with certain laws and regulations during the year ended June 30, 2007, included in the *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PUBLIC BID LAW

1. Select all expenditures made during the year for materials and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

No expenditures found to be in violation.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedures (3) were also included on the listing obtained from management in agreed-upon procedures (2) as immediate family members.

None Found.

BUDGETING

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

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

6. Trace the budget adoption to the minute book.

We traced the adoption of the budget to the minute book.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

Actual expenditures exceed budgeted expenditures by more than the 5% variance allowed.

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee:

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account:

All payments examined were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities:

All payments examined were properly approved by the proper authorities.

MEETINGS

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Village of Clarence is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's office building.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or like indebtedness.

We inspected copies of all bank deposits for the period under examination and noted no deposits that appeared to be proceeds of bank loans, bonds, or like indebtedness.

ADVANCES AND BONUSES

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

None Found.

Our prior report, dated December 20, 2006, did not contain any findings or unresolved matters.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Village of Clarence and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

February 12, 2008

Natchitoches, Louisiana

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

LOUISIANA ATTESTATION QUESTIONNAIRE

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

In connection with your compilation of our financial statements as of June 30, 2007, and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of March 7, 2008.

Public Bid Law

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

Yes No

Code of Ethics for Public Officials and Public Employees

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

Yes No

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

Yes No

Budgeting

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

Yes No

Accounting and Reporting

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

Yes No

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

Yes No

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

Yes No

Meetings

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

Yes No

Debt

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

Yes No

Advances and Bonuses

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

Yes No

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

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

Mayor *Bobby Braxton*

Johnson, Thomas & Cunningham

Certified Public Accountants

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The Honorable Bobby Braxton, Mayor
and Village Aldermen
Village of Clarence
P. O. Box 309
Clarence, LA 71414-0309

RE: Review Report – June 30, 2007
Management Letter

Dear Mayor Braxton,

We have performed our review of the Village of Clarence for the year ended June 30, 2007, and have applied certain agreed-upon procedures. As part of the procedures, we have the following information to report to you:

Louisiana State Law requires that a budget be prepared and approved each year for the General Fund. In addition, the budget must be amended if actual revenues are less than budgeted revenues by 5% or more and/or actual expenditures exceed budgeted expenditures by 5% or more. For the year ended June 30, 2007, the Village's actual expenditures exceeded budgeted expenditures by more than the 5% allowed, and the budget was not amended. We recommend the Village institute procedures to ensure budget amendments, when necessary, are prepared and approved during the year.

In addition, Louisiana State Law requires that the annual report be submitted to the State within six months after the end of the fiscal year. For the year ended June 30, 2007, the Village did not provide its books in sufficient time to allow the report to be issued on time. We recommend the Village institute procedures to ensure that the books of the Village are available within 45 days after the year end and that an auditor be engaged prior to the end of the fiscal year.

Sincerely,

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

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

March 6, 2008

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

RE: Village of Clarence
Financial Report – June 30, 2007

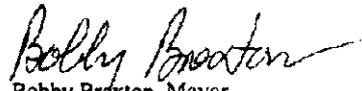
The following is our response to the management letter issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2007:

Management's Corrective Action Plan

1. Local Government Budget Act – We will ensure that in the future, the budget will be amended whenever actual revenues or expenditures exceed the 5% variance allowed.
2. Late Report – We will institute procedures to ensure that we engage an auditor prior to the end of the fiscal year and have the Village's books available to the auditors within 45 days after the end of the fiscal year.

Please contact us if there are any questions regarding our responses.

Sincerely,


Bobby Braxton, Mayor
Village of Clarence