

2358

TOWN OF CLAYTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2009
AND FOR THE YEAR THEN ENDED
WITH
INDEPENDENT AUDITOR'S REPORT

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

Release Date 1/6/10



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

TOWN OF CLAYTON, LOUISIANA
 Annual Financial Statements
 As of and for the Year Ended June 30, 2009
 With Supplemental Information Schedules

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TOWN OF CLAYTON, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2009
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Honorable Rydell Turner, Mayor
And Members of the Board of Aldermen
Town of Clayton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2009, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on Pages 3 through 5 and Pages 24 through 25 are not a required part of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clayton, Louisiana's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Silas Simmons, LLP

Natchez, Mississippi
November 4, 2009

**SECTION I
REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

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 years ended June 30, 2009 and 2008. We encourage readers to consider the information provided here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of 2009 and 2008, the Town's net assets decreased in 2009, which resulted in ending net assets of \$2,739,300, and increased in 2008, which resulted in ending net assets of \$2,797,937 at June 30, 2008.

1. The beginning cash balance at July 1, 2007, was \$240,849. The ending cash balance was \$241,406 at June 30, 2008, and \$301,326 at June 30, 2009.
2. The governmental activities had \$204,028 in revenues in 2009, and \$671,406 in 2008. The revenues consisted primarily of grants, sales taxes, property taxes, occupational licenses, franchise taxes, and fines. There were expenditures of \$179,755 in 2009, and \$161,801 in 2008.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the 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 are also supported by taxes and intergovernmental revenues.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15 to 23 of this report.

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed statement of the Town's net assets:

	Governmental Activities	Business-Type Activities	Total	
			2009	2008
Current assets	\$ 38,800	\$ 35,052	\$ 73,852	\$ 87,771
Noncurrent assets	892,642	1,838,722	2,731,364	2,779,776
Total assets	\$ 931,442	\$ 1,873,774	\$ 2,805,216	\$ 2,867,547
Current liabilities	\$ 17,457	\$ 15,964	\$ 33,421	\$ 27,610
Noncurrent liabilities	-	32,495	32,495	42,000
Total liabilities	\$ 17,457	\$ 48,459	\$ 65,916	\$ 69,610
Net assets				
Investment in capital assets, net of related debt	\$ 695,010	\$ 1,771,305	\$ 2,466,315	\$ 2,589,589
Restricted for roads	193,543	-	193,543	122,023
Restricted for debt service	2,089	27,922	30,011	30,164
Unrestricted	23,343	26,088	49,431	56,161
Total net assets	\$ 913,985	\$ 1,825,315	\$ 2,739,300	\$ 2,797,937

The following is a summary of the statement of activities:

	Governmental Activities	Business-Type Activities	Total	
			2009	2008
Revenues				
Program revenues	\$ 45,166	\$ 254,554	\$ 299,720	\$ 761,198
General revenues	158,862	1,282	160,144	171,802
Transfers	7,208	(7,208)	-	-
Total revenues and transfers	\$ 211,236	\$ 248,628	\$ 459,864	\$ 933,000
Expenses				
General and administrative	\$ 40,149	\$ -	\$ 40,149	\$ 24,902
Public safety - police	26,248	-	26,248	18,754
Public safety - fire	11,129	-	11,129	11,907
Street and sanitation	102,029	-	102,029	105,938
Interest expense	200	-	200	300
Utility operations	-	338,746	338,746	360,895
Total expenses	\$ 179,755	\$ 338,746	\$ 518,501	\$ 522,696
Increase (decrease) in net assets	\$ 31,481	\$ (90,118)	\$ (58,637)	\$ 410,304
Net assets, beginning of year	882,504	1,915,433	2,797,937	2,387,633
Net assets, ending of year	\$ 913,985	\$ 1,825,315	\$ 2,739,300	\$ 2,797,937

TOWN OF CLAYTON
CLAYTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

Comments on General Fund Comparisons

The Town's budget was amended once during the last year. The budgeted expenditures were \$128,519 and revenues and transfers-in were budgeted at \$192,598.

CAPITAL ASSETS

As of June 30, 2009, the Town had \$697,010 invested in capital assets in the general fund and \$1,778,305 in the proprietary fund. This year, there was \$30,721 in additions in the general fund and none in the proprietary fund. The following capital assets were purchased in 2009:

General fund:	
Hall renovations	\$ 24,150
Lawn mower	3,300
Welcome sign	2,346
Trailer	<u>925</u>
Total	<u>\$ 30,721</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.

SECTION II
GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF CLAYTON
CLAYTON, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 29,198	\$ 16,079	\$ 45,277
Receivables, net	-	18,448	18,448
Accrued interest receivable	-	525	525
Due from other governments	9,602	-	9,602
Restricted assets	195,632	60,417	256,049
Capital assets - net	<u>697,010</u>	<u>1,778,305</u>	<u>2,475,315</u>
Total assets	<u>\$ 931,442</u>	<u>\$ 1,873,774</u>	<u>\$ 2,805,216</u>
<u>LIABILITIES</u>			
Accounts and other payables	\$ 15,457	\$ 8,791	\$ 24,248
Accrued interest payable	-	173	173
Meter deposits	-	32,495	32,495
Long-term liabilities:			
Due within one year	<u>2,000</u>	<u>7,000</u>	<u>9,000</u>
Total liabilities	<u>\$ 17,457</u>	<u>\$ 48,459</u>	<u>\$ 65,916</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 695,010	\$ 1,771,305	\$ 2,466,315
Restricted for roads	193,543	-	193,543
Restricted for debt service	2,089	27,922	30,011
Unrestricted	<u>23,343</u>	<u>26,088</u>	<u>49,431</u>
Total net assets	<u>\$ 913,985</u>	<u>\$ 1,825,315</u>	<u>\$ 2,739,300</u>

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

STATEMENT B

TOWN OF CLAYTON
CLAYTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Activities	Program Revenues			Net (Expenses), Revenues, and Changes		
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 40,149	\$ -	\$ -	\$ (40,149)	\$ -	\$ (40,149)
Public safety:						
Police	26,248	29,848	-	3,600	-	3,600
Fire	11,129	3,466	11,852	4,189	-	4,189
Street and sanitation	102,029	-	-	(102,029)	-	(102,029)
Interest paid on debt	200	-	-	(200)	-	(200)
Total governmental activities	\$ 179,755	\$ 33,314	\$ 11,852	\$ (134,589)	\$ -	\$ (134,589)
Business-type activities						
Water and sewer	\$ 338,746	\$ 254,554	\$ -	\$ -	\$ (84,192)	\$ (84,192)
Total	\$ 518,501	\$ 287,868	\$ 11,852	\$ (134,589)	\$ (84,192)	\$ (218,781)
General Revenues:						
Taxes						
Property taxes				\$ 4,664	\$ -	\$ 4,664
Sales taxes				127,557	-	127,557
Beer taxes				1,899	-	1,899
Franchise taxes				12,648	-	12,648
Occupational licenses				5,845	-	5,845
Interest income				241	1,282	1,523
Miscellaneous				6,008	-	6,008
Transfers				7,208	(7,208)	-
Total general revenues and transfers				\$ 166,070	\$ (5,926)	\$ 160,144
Changes in net assets						
Net assets, July 1, 2008				\$ 31,481	\$ (90,118)	\$ (58,637)
Net assets, June 30, 2009				882,504	1,915,433	2,797,937
				\$ 913,985	\$ 1,825,315	\$ 2,739,300

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

SECTION III
FUND FINANCIAL STATEMENTS

TOWN OF CLAYTON
CLAYTON, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	<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	\$ 20,740	\$ 5	\$ 8,453	\$ 29,198
Restricted assets	193,543	-	2,089	195,632
Due from other governmental units	<u>9,602</u>	<u>-</u>	<u>-</u>	<u>9,602</u>
Total assets	<u>\$ 223,885</u>	<u>\$ 5</u>	<u>\$ 10,542</u>	<u>\$ 234,432</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts and other payables	<u>\$ 15,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,457</u>
Fund balances:				
Reserved for roads	\$ 193,543	\$ -	\$ -	\$ 193,543
Reserved for debt service	-	-	2,089	2,089
Unreserved, undesignated	<u>14,885</u>	<u>5</u>	<u>8,453</u>	<u>23,343</u>
Total fund balance	<u>\$ 208,428</u>	<u>\$ 5</u>	<u>\$ 10,542</u>	<u>\$ 218,975</u>
Total liabilities and fund balances	<u>\$ 223,885</u>	<u>\$ 5</u>	<u>\$ 10,542</u>	<u>\$ 234,432</u>

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

TOWN OF CLAYTON
CLAYTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Fund balances, total governmental funds (Statement C)	\$	218,975
Total net assets reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land, buildings, and equipment	\$ 911,765	
Less accumulated depreciation	<u>(214,755)</u>	697,010
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental fund:		
General obligation bonds		<u>(2,000)</u>
Net assets of governmental activities (Statement A)	\$	<u>913,985</u>

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

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Indebtedness Fund</u>	
<u>REVENUES</u>				
Taxes	\$ 146,768	\$ -	\$ -	\$ 146,768
Licenses and permits	5,845	-	-	5,845
Intergovernmental	11,852	-	-	11,852
Fines and forfeits	29,848	-	-	29,848
Interest income	42	-	199	241
Other	9,474	-	-	9,474
Total revenues	<u>\$ 203,829</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ 204,028</u>
<u>EXPENDITURES</u>				
General government	\$ 38,312	\$ -	\$ -	\$ 38,312
Public safety:				
Police	26,248	-	-	26,248
Fire	364	-	-	364
Street and sanitation	74,387	-	-	74,387
Capital outlays	30,721	-	-	30,721
Debt service:				
Principal paid	-	-	2,000	2,000
Interest paid	-	-	200	200
Total expenditures	<u>\$ 170,032</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ 172,232</u>
Excess (deficiency) of revenues over expenditures	\$ 33,797	\$ -	\$ (2,001)	\$ 31,796
Other financing sources:				
Transfers-in	<u>7,208</u>	<u>-</u>	<u>-</u>	<u>7,208</u>
Net changes in fund balances	\$ 41,005	\$ -	\$ (2,001)	\$ 39,004
Fund balances, beginning	<u>167,423</u>	<u>5</u>	<u>12,543</u>	<u>179,971</u>
Fund balances, ending	<u>\$ 208,428</u>	<u>\$ 5</u>	<u>\$ 10,542</u>	<u>\$ 218,975</u>

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

TOWN OF CLAYTON
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, 2009

Net change in fund balances, total governmental funds, (Statement E)	\$	39,004
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 costs 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		30,721
Depreciation expense for the year		<u>(40,244)</u>
Change in net assets of governmental activities, (Statement B)	\$	<u>31,481</u>

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

TOWN OF CLAYTON
CLAYTON, LOUISIANA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$ 16,079
Accounts receivable, net of allowance	18,448
Accrued interest receivable	<u>525</u>
Total current assets	<u>\$ 35,052</u>

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	\$ 60,417
Capital assets, net of accumulated depreciations	<u>1,778,305</u>
Total noncurrent assets	<u>\$ 1,838,722</u>

Total assets	<u>\$ 1,873,774</u>
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LIABILITIES

Current liabilities:

Accounts and other payables	\$ <u>8,791</u>
Current liabilities payable from restricted assets:	
Accrued interest	\$ 173
Current portion of long-term debt	7,000
Meter deposits	<u>32,495</u>
Total	<u>\$ 39,668</u>

Total liabilities	<u>\$ 48,459</u>
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NET ASSETS

Investment in capital assets, net of related debt	\$ 1,785,305
Restricted for debt service	27,921
Unrestricted	<u>12,089</u>
Total net assets	<u>\$ 1,825,315</u>

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

TOWN OF CLAYTON
CLAYTON, LOUISIANA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Operating revenues:	
Charges for services	\$ <u>254,554</u>
Operating expenses:	
Gas purchases	\$ 60,305
Salaries	50,942
Material and supplies	16,547
Depreciation	109,751
Repairs	13,716
Miscellaneous	15,942
Truck and tractor expense	4,038
Utilities and telephone	18,134
Office supplies	5,153
Payroll taxes	4,390
Insurance	33,401
Legal and accounting	6,000
Total operating expenses	\$ <u>338,319</u>
Operating (loss)	\$ <u>(83,765)</u>
Nonoperating revenues (expenses)	
Interest income	\$ 1,282
Interest expense	<u>(427)</u>
Total nonoperating revenues	\$ <u>855</u>
(Loss) before transfers	\$ (82,910)
Transfers (out)	<u>(7,208)</u>
Change in net assets	\$ (90,118)
Net assets, beginning	<u>1,915,433</u>
Net assets, ending	\$ <u>1,825,315</u>

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

TOWN OF CLAYTON
CLAYTON, LOUISIANA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Cash received from customers	\$ 256,106
Cash payments to suppliers for goods and services	(178,956)
Cash payments to employees for services	(50,942)
Net cash provided by operating activities	<u>\$ 26,208</u>
Cash flows from noncapital financing activities:	
Operating transfers (to) other funds	\$ (7,208)
(Decrease) in consumer deposits	(505)
Net cash (used) by noncapital financing activities	<u>\$ (7,713)</u>
Cash flows from capital activities:	
Principal paid on notes	\$ (6,000)
Interest paid on notes	(650)
Net cash (used) by capital and financing activities	<u>\$ (6,650)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 1,397</u>
Net increase in cash and cash equivalents	\$ 13,242
Cash and cash equivalents at July 1, 2008	<u>63,254</u>
Cash and cash equivalents at June 30, 2009	<u>\$ 76,496</u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (83,765)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	109,751
Changes in assets and liabilities:	
Decrease in accounts receivable	1,552
(Decrease) in accounts payable	(1,330)
Net cash used by operating activities	<u>\$ 26,208</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

INTRODUCTION

The Town of Clayton is a municipal corporation governed by an elected mayor.

1. The Town of Clayton, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1962.
2. The purpose of a municipality is to provide utility services, public safety, (police and fire), streets, sanitation, and general administrative services.
3. The Board of Aldermen consists of five elected members that are paid \$150 per month.
4. The Town of Clayton is located in the northeastern portion of Concordia Parish, Louisiana. Concordia Parish is located in northeastern Louisiana.
5. The population of Clayton is approximately 835.
6. The Town of Clayton has three full time employees and one part time employee.
7. The Town of Clayton has approximately 623 utility customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes, set rates or charges, and issue bonded debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net 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.

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

The 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.

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

C. *Deposits*

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 deposit, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. *Receivables and Revenues*

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

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. *Receivables and Revenues* (continued)

For the year ended June 30, 2009, taxes of 3.53 mills were levied on property with assessed valuations totaling \$1,322,580, after abatements and exemptions, and were dedicated as follows:

General corporate purposes	3.53 mills
Total taxes levied	\$ 4,668

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, 2009, these amounts were considered to be immaterial.

F. *Restricted Assets*

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2009:

Utility fund:	
Sinking fund	\$ 12,698
Reserve fund	8,777
Depreciation fund	6,447
Customer deposits	32,495
	<u>\$ 60,417</u>
Governmental fund:	
Debt service	\$ 2,089
Road maintenance	193,543
	<u>\$ 195,632</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.

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. *Capital Assets* (continued)

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

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

Description	Estimated Lives
Governmental activities:	
Streets	20 years
Buildings	40 years
Vehicles	5 - 15 years
Machinery and equipment	5 - 15 years
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, 2009.

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
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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 30, 2009:

Demand deposits	\$ 243,575
Time deposits	<u>57,751</u>
Total	<u>\$ 301,326</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, 2009, the primary government has \$305,834 in deposits (collected bank balances). These deposits are secured from risk by \$305,834 of federal deposit insurance and \$93,809 of pledged securities held by the custodian bank in the name of the fiscal agent bank (GASB Category 3).

NOTE 3 - RECEIVABLES

The following is a summary of receivables for June 30, 2009:

<u>Class of Receivables</u>	<u>Business-Type Activities</u>
Utilities	\$ 32,494
Less allowance for bad debts	<u>(14,046)</u>
Total	<u>\$ 18,448</u>

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2009, is as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2009</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 8,425	\$ -	\$ -	\$ 8,425
Capital assets being depreciated				
Buildings	\$ 107,010	\$ 24,150	\$ -	\$ 131,160
Street	552,832	-	-	552,832
Equipment	212,777	6,571	-	219,348
Total capital assets being depreciated	\$ 872,619	\$ 30,721	\$ -	\$ 903,340
Less accumulated depreciation for:				
Buildings	\$ (27,381)	\$ (2,675)	\$ -	\$ (30,056)
Street	(25,338)	(27,642)	-	(52,980)
Equipment	(121,792)	(9,927)	-	(131,719)
Total accumulated depreciation	\$ (174,511)	\$ (40,244)	\$ -	\$ (214,755)
Total capital assets being depreciated, net	\$ 698,108	\$ (9,523)	\$ -	\$ 688,585
Governmental activities capital assets, net	\$ 706,533	\$ (9,523)	\$ -	\$ 697,010

Depreciation expense was charged to governmental activities as follows:

General government	\$ 1,837
Fire	10,765
Streets	27,642
Total	<u>\$ 40,244</u>

	<u>Balance</u> <u>6/30/2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2009</u>
Business-type activities:				
Capital assets being depreciated				
Equipment	\$ 3,470,257	\$ -	\$ -	\$ 3,470,257
Less accumulated depreciation for:				
Equipment	\$ (1,582,201)	\$ (109,751)	\$ -	\$ (1,691,952)
Total capital assets being depreciated, net	\$ 1,888,056	\$ (109,751)	\$ -	\$ 1,778,305

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term transactions for the year ended June 30, 2009:

	General Obligation Bonds	Revenue Bonds	Total
Bonds payable at June 30, 2008	\$ 4,000	\$ 13,000	\$ 17,000
Additions	-	-	-
Principal retired	(2,000)	(6,000)	(8,000)
Bonds payable at June 30, 2009	<u>\$ 2,000</u>	<u>\$ 7,000</u>	<u>\$ 9,000</u>

The following is a summary of the current (due in one year or less) and the long-term obligations as of June 30, 2009:

	General Obligation Bonds	Revenue Bonds	Total
Current portion	\$ 2,000	\$ 7,000	\$ 9,000
Long-term portion	-	-	-
Total	<u>\$ 2,000</u>	<u>\$ 7,000</u>	<u>\$ 9,000</u>

Bonds payable at June 30, 2009, 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%. \$ 1,000

\$30,000 1970 sewer district serial bonds due in annual installments of \$1,000 through January 1, 2010; interest at 5%. 1,000
\$ 2,000

Revenue bonds:

\$140,000 1970 sewer serial bonds due in annual installments of \$6,000 to \$7,000 through January 1, 2010; interest at 5%. \$ 7,000

The annual requirements to amortize all debt outstanding as of June 30, 2009, including interest payments, are as follows:

Year Ended June 30	General Obligation Bonds		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
2010	<u>\$ 2,000</u>	<u>\$ 100</u>	<u>\$ 7,000</u>	<u>\$ 350</u>	<u>\$ 9,450</u>

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 5 - LONG-TERM DEBT (continued)

The Town of Clayton's revenue bonds are governed by the terms of an indenture agreement, under the following terms:

SEWER FUND BONDS

1. The Town shall maintain a reserve fund into which monthly payments shall be deposited until a balance of \$3,700 has been accumulated. The reserve fund balance was \$8,777 as of June 30, 2009. The Town was in compliance with this covenant.
2. The Town shall maintain a depreciation and contingency fund into which monthly payments of \$30 shall be deposited. The contingency fund balance was \$6,447 as of June 30, 2009. The Town was in compliance with this covenant.
3. The Town shall deposit into a sinking fund in which \$6,650 - \$7,350 shall be deposited annually. The Town is in compliance.

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 - 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, 2009, their compensation was as follows:

Rydell Turner	\$	3,600
Blanche Clayton		1,500
Lavon Barber		1,500
Carl Thompson		1,500
Willie Evans		1,500
Irene Jefferson		1,500
Total	<u>\$</u>	<u>11,100</u>

SECTION IV
ADDITIONAL REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF CLAYTON
CLAYTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 149,250	\$ 149,250	\$ 148,078	\$ (1,172)
Licenses and permits	5,500	5,500	5,845	345
Intergovernmental	3,400	3,400	11,852	8,452
Fines	26,400	29,848	29,848	-
Interest	100	100	42	(58)
Miscellaneous	500	500	9,474	8,974
Total revenue	<u>\$ 185,150</u>	<u>\$ 188,598</u>	<u>\$ 205,139</u>	<u>\$ 16,541</u>
Expenditures				
General government	\$ 30,795	\$ 27,410	\$ 39,650	\$ (12,240)
Public safety:				
Police	29,300	25,862	26,848	(986)
Fire	3,902	3,902	726	3,176
Street and sanitation	71,345	71,345	74,814	(3,469)
Capital outlay	-	-	21,630	(21,630)
Total expenditures	<u>\$ 135,342</u>	<u>\$ 128,519</u>	<u>\$ 163,668</u>	<u>\$ (35,149)</u>
Excess (deficiency) of revenues over expenditures	\$ 49,808	\$ 60,079	\$ 41,471	\$ (18,608)
Other financing sources:				
Operating transfers in	24,000	4,000	7,208	3,208
Net changes in fund balances	\$ 73,808	\$ 64,079	\$ 48,679	\$ (15,400)
Fund balance, beginning	163,254	163,254	163,254	-
Fund balance, ending	<u>\$ 237,062</u>	<u>\$ 227,333</u>	<u>\$ 211,933</u>	<u>\$ (15,400)</u>

See Independent Auditor's Report.

TOWN OF CLAYTON
CLAYTON, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

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

2. Budget Amendments and Revisions

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

3. Budget/GAAP Basis Reconciliation

The differences between the budgetary basis and the GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles net change in fund balances on the budgetary basis schedules to the GAAP basis financial statements:

Net changes in fund balance - budget basis	\$ 48,679
Increase	
Net adjustment for revenue accruals	(1,310)
Net adjustments for expenditure accruals	(6,364)
Net change in fund balance - GAAP basis	<u>\$ 41,005</u>

See Independent Auditor's Report.

**SECTION V
OTHER REPORTS**



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

Honorable Rydell Turner, Mayor
and Members of the Board of Aldermen
Town of Clayton, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Louisiana as of and for the year ended June 30, 2009, which collectively comprise the Town of Clayton, Louisiana's basic primary government financial statements and have issued our report thereon dated November 4, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Clayton, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Town of Clayton, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement detected by the Town of Clayton, Louisiana's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The findings we describe in the accompanying current year findings are referenced numbers 2009-1, 2009-2, and 2009-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, and 2009-3 to be material weaknesses.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as 2009-4.

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

Silas Simmons, LLP

Natchez, Mississippi
November 4, 2009

**SECTION VI
SCHEDULE OF FINDINGS**

TOWN OF CLAYTON
CLAYTON, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Section I: Summary of Auditor's Reports

1. Type of auditor's report issued on the primary government financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Major funds:	
General fund	Unqualified
Capital projects fund	Unqualified
Indebtedness fund	Unqualified
Utility fund	Unqualified

2. Internal control over financial reporting:

a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

3. Noncompliance material to the primary government financial statements?

Yes

TOWN OF CLAYTON, LOUISIANA
 CLAYTON, LOUISIANA
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2008

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken						
Section I - Internal Control and Compliance Material to the Financial Statements:										
2008-1	Years ago	<p><u>Segregation of Duties</u> We noted the Town of Clayton does not have adequate segregation of duties in the accounting department. 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 reconciliements as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p>	No	No plans						
2008-2	2006	<p><u>Late Filing of Audit Report</u> Louisiana Revised Statute 24:513 requires this audit be completed by December 31, 2007. It was completed in February 2008. This is a violation of State law.</p>	Yes	This finding has been corrected.						
2008-3	2003	<p><u>Gas Losses</u> We noted that the Town experienced 24% gas losses during the year. Gas losses were as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Gas purchased</td> <td style="text-align: right;">8,941 MCF</td> </tr> <tr> <td>Gas sales</td> <td style="text-align: right;"><u>6,747 MCF</u></td> </tr> <tr> <td>Unaccounted for gas</td> <td style="text-align: right;"><u>2,194 MCF</u></td> </tr> </table>	Gas purchased	8,941 MCF	Gas sales	<u>6,747 MCF</u>	Unaccounted for gas	<u>2,194 MCF</u>	No	This finding continues in current year as finding 2009-2
Gas purchased	8,941 MCF									
Gas sales	<u>6,747 MCF</u>									
Unaccounted for gas	<u>2,194 MCF</u>									
Section II - Internal Control and Compliance Material to Federal Awards:										
None			N/A	N/A						
Section III - Management Letter:										
None			N/A	N/A						

TOWN OF CLAYTON
 CLAYTON, LOUISIANA
 CURRENT YEAR AUDIT FINDINGS, RECOMMENDATIONS, AND
 CORRECTIVE ACTION PLAN
 FOR THE YEAR ENDED JUNE 30, 2009

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date						
2009-1	<p>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 collection, 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 reconciliements as well as writing and signing checks. In order to increase internal controls, the functions should be separated.</p>	No action planned.	Sadie Jones Town Clerk	None						
2009-2	<p>Gas Losses We recommend the Town attempt to separate duties in order to strengthen internal control.</p> <p>We noted that the Town experienced 28% gas losses during the year. Gas losses were as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Gas purchased</td> <td style="text-align: right;">7,956 MCF</td> </tr> <tr> <td>Gas sales</td> <td style="text-align: right;">5,762 MCF</td> </tr> <tr> <td>Unaccounted for gas</td> <td style="text-align: right;"><u>2,194 MCF</u></td> </tr> </table> <p>We recommend that the Town investigate the losses and determine the cause of this problem as soon as possible. The Town is providing customers gas and they are not being billed for the correct consumption or the gas is escaping into the atmosphere.</p>	Gas purchased	7,956 MCF	Gas sales	5,762 MCF	Unaccounted for gas	<u>2,194 MCF</u>	Town will try to correct the gas losses as soon as possible.	Sadie Jones Town Clerk	6/30/2010
Gas purchased	7,956 MCF									
Gas sales	5,762 MCF									
Unaccounted for gas	<u>2,194 MCF</u>									

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

This is a violation of Article VII, Section 14 of the State of Louisiana constitution which prohibits the use of public assets for private purpose.

TOWN OF CLAYTON
 CLAYTON, LOUISIANA
 CURRENT YEAR AUDIT FINDINGS, RECOMMENDATIONS, AND
 CORRECTIVE ACTION PLAN
 FOR THE YEAR ENDED JUNE 30, 2009

Ref. No.	Description of Finding	Corrective Action Planned	Name(s) of Contact Person(s)	Anticipated Completion Date
Section I - Internal Control and Compliance Material to the Financial Statements:				
2009-3	<p><u>Utility Cut-off Policy</u> As of June 30, 2009, the Town of Clayton had 8 out of 337 utility customers who were receiving utility services in violation of the utility cut-off policy. These customers owed a total of \$4,312.02 and 6 customers had not paid in over 90 days.</p> <p>The utility cut-off policy requires the Town to terminate services to customers who have not paid by the 5th day of the month following the month the bills were mailed.</p> <p>We recommend that the Town comply with its utility cut-off policy in the future and cut off water and gas services to customers who do not pay within the time limit.</p>	Mayor will correct this finding.	Sadie Jones, Town Clerk	6/30/2010
2009-4	<p><u>Budget Law Violation</u> The budgeted expenditures were \$128,519 and actual expenditures were \$163,668. This variance is 27% in excess of the budgeted amount. Louisiana Revised Statute 39:1311 requires that expenditures be within 5% of the amount budgeted.</p>	Plans are for the budget law to be complied with next year.	Sadie Jones, Town Clerk	6/30/2010
Section II - Internal Control and Compliance Material to Federal Awards:				
None			N/A	N/A
Section III - Management Letter				
None			N/A	N/A